



**AVI-TECH HOLDINGS LIMITED**



# ***FUTURE-FOCUSED SOLUTIONS***

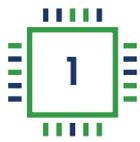
ANNUAL REPORT 2023



### **FUTURE-FOCUSED SOLUTIONS**

Our annual report theme, “Future-focused Solutions: Empowering Excellence and Innovation,” highlights our commitment to fostering excellence and innovation within the company. We encourage employees to excel and seek innovative solutions while investing in technology for continuous improvement and creative problem-solving. This aligns with our long-term strategy for future relevance and success.

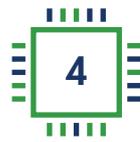
# CONTENTS



CORPORATE  
PROFILE



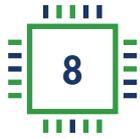
BUSINESS  
SEGMENTS



CORPORATE  
MILESTONES  
AND TRACK  
RECORD



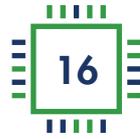
LETTER  
TO  
SHAREHOLDERS



BOARD  
OF  
DIRECTORS



EXECUTIVE  
MANAGEMENT  
AND KEY  
PERSONNEL



OPERATIONS  
REVIEW



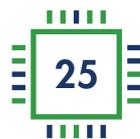
FINANCIAL  
HIGHLIGHTS



FINANCIAL  
REVIEW



CORPORATE  
INFORMATION



CORPORATE  
GOVERNANCE  
REPORT



FINANCIAL  
CONTENTS



STATISTICS  
OF  
SHAREHOLDINGS



NOTICE OF  
ANNUAL  
GENERAL  
MEETING



NOTICE OF  
RECORD DATE  
AND DIVIDEND  
PAYMENT DATE



PROXY  
FORM

# CORPORATE PROFILE



## WHO WE ARE

Avi-Tech Electronics Limited (which was renamed as Avi-Tech Electronics Pte. Ltd.) was incorporated in Singapore in 1981 and listed on the Main Board of the Singapore Exchange Securities Trading Limited in 2007. Following the successful completion of our corporate restructuring exercise in December 2021, Avi-Tech Holdings Limited is our listed entity with Avi-Tech Electronics Pte. Ltd. as our wholly-owned subsidiary. Starting as a provider of burn-in solutions, we have since expanded our capabilities to include manufacturing and printed circuit board assembly services and engineering services. Today, we are one of the leading total solutions providers for the semiconductor, electronics, life sciences and other emerging industries.

## OUR MARKETS

Headquartered in Singapore, our production facility is equipped with advanced burn-in systems, many of which are designed and fabricated in-house. Our customers are global leaders, including Original Equipment Manufacturers, in semiconductor automotive, networking, avionics and other industrial products. Our market presence has expanded beyond Singapore to Malaysia, Thailand, Vietnam, the Philippines, Taiwan, China, Japan, Europe and the United States.

## OUR AWARDS AND ACHIEVEMENTS

Business excellence and quality assurance are of utmost importance in our business. We are proud to be one of a few local SMEs to be conferred the prestigious Singapore Quality Award by the Enterprise Singapore SQA Governing Council for achieving world-class standard of performance excellence which reaffirms our already strong credentials in the international market. We also received the Singapore Quality Class award from the Singapore Economic Development Board ("EDB") (formerly SPRING Singapore) and were awarded the EDB Enterprise 50 Awards (Ranking: 1st) by EDB. In addition, we have achieved ISO 9001, ISO 14001 and ISO 13485 certifications.

## BUSINESS SEGMENTS

### BURN-IN SERVICES

We provide Static Burn-In, Dynamic Burn-In, Test During Burn-In and High Power Burn-In services for semiconductor manufacturers, serving the segment of the industry that requires fail-safe or high reliability semiconductor devices such as microprocessors and microcontrollers for automotives including electric vehicles, Internet of Things and networking products, and mobile devices. Our portfolio of customers spans the Asia-Pacific, Europe and the United States and includes some of the key players in the global semiconductor industry.



### MANUFACTURING AND PRINTED CIRCUIT BOARD ASSEMBLY ("PCBA") SERVICES

We engage in the design, manufacture and assembly of a wide range of Burn-In boards and Automatic Test Equipment/Load boards for the various types of Burn-In systems as well as boards for other types of reliability tests such as High Temperature Operating Life Test and Highly Accelerated Stress Test. We are qualified and licensed to build Burn-In boards for high power devices. In addition, we provide industrial imaging and diagnostic solutions, design Printed Circuit Boards and provide niche PCBA Services for the medical, mobile communications, optics and aviation industries. We are constantly challenging ourselves to raise our competencies in board design and manufacturing, and assembly capabilities to meet the dynamic and increasingly sophisticated customer requirements.

### ENGINEERING SERVICES

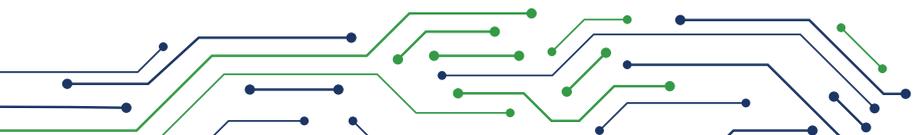
Our engineering services range from design and development to full turnkey outsourced manufacturing and system integration for semiconductor equipment and lab automation systems for the life sciences and biotech industries. We also recommend enhancements and improvements to our customers' designs and design for manufacturability as a value-added service to them. One of our competitive strengths is the provision of system integration services for refrigeration-based High Power Burn-In Systems and Lithography Tool for semiconductor front-end applications. We have significantly expanded our engineering services in this area of specialization since 2006. Our integration projects also include Charged Coupled Device cameras for astronomy and life sciences applications, digital imagers as well as customized Light-Emitting Diode drivers and products for various applications. In addition, we distribute and service third-party Mixed Signal Testers used in the semiconductor industry.





# EXCELLENCE AND INNOVATION

Forging a Smarter, Better Tomorrow



## CORPORATE MILESTONES AND TRACK RECORD

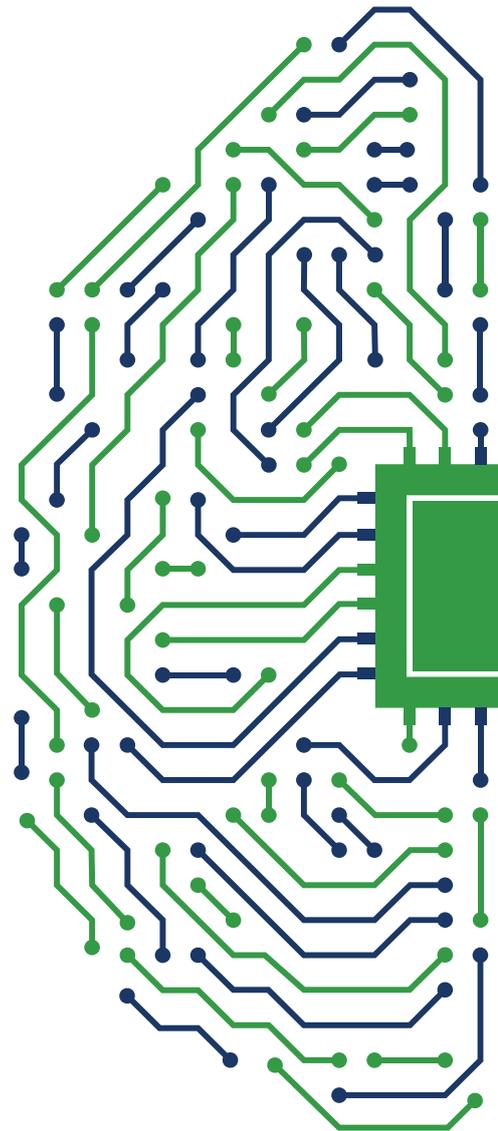
Our corporate history spans over 40 years starting as a provider of burn-in solutions. Since then, we have expanded our breadth of capabilities to include manufacturing and PCBA services and engineering services. Today, we are one of the leading total solutions providers for burn-in, manufacturing and PCBA, and engineering services for our global customers in the semiconductor, electronics and life sciences industries. We are proud of the many milestones we have reached and achievements we have garnered over the years.

### 1981 – 1989

- Incorporated in Singapore
- Commenced operations with 23 personnel and three Burn-In Systems with a total area of 782 sq. m.
- Qualified by our two largest customers, Texas Instruments Singapore and National Semiconductor Pte Ltd, as a burn-in service provider due to our fast turnaround and good engineering support

### 1990 – 1999

- Expanded our business to include the provision of engineering services to design and build semiconductor Burn-In Systems
- Formed a strategic alliance with Motay Electronics (which was acquired by Unisys Corporation, a US company providing system integration, network engineering, project management, and technical support services)
- Extended our capabilities to provide Tape and Reel Services to semiconductor manufacturers
- Relocated to our own facility with a total built-up area of approximately 12,000 sq. m. and equipped with advanced Burn-In Systems, many of which were designed and fabricated in-house
- Awarded the Singapore's Enterprise 50 No. 1 ranking by the Economic Development Board in recognition of our business excellence



## CORPORATE MILESTONES AND TRACK RECORD

### 2000 – 2010

- Expanded our services to provide distribution of third-party Burn-In and test-related equipment for use in the semiconductor testing environment and provided Test During Burn-In services
- Initiated a new project with Unisys Corporation which significantly expanded our engineering services in the area of system integration of High Power Burn-In Systems
- Entered into an agreement with another technology partner in system integration of High Power Burn-In Systems
- Mainboard listing on the Singapore Exchange Securities Trading Limited
- Conferred the prestigious Singapore Quality Award
- Successfully ventured into the US for Burn-In Boards business and system integration for the life sciences industry
- Established subsidiary Avi-Tech, Inc. in the US to meet the upsurge in demand for Burn-In boards

### 2011 – 2020

- Secured our first front-end semiconductor customer with the award of a multimillion-dollar contract for system integration of Lithography Equipment
- Attained ISO 9001:2015 (quality management systems), ISO 14001:2015 (environmental management systems) and ISO 13485:2016 (quality management systems for medical devices)
- Diversified into the provision of services for the medical, mobile communications and aviation industries
- Acquired new customers in the Digital Imaging Systems space
- Successful transfer of Burn-In business from an overseas semiconductor customer to support customer's outsourcing strategy
- Recognised by RHB Bank in their 25 Jewels 2017 for good investor returns and conferred by online media Storm with the Charger Award 2017 for strong growth prospects
- Conferred the Singapore Corporate Awards 2019 "Best Managed Board (Bronze)" award as a recognition of upholding best practices in corporate governance and transparency
- Named as one of the Top Singapore Small Cap Companies in RHB 20 Jewels 2020

### 2021 – 2023

- Completed corporate restructuring with the adoption of Avi-Tech Holdings Limited as the listed entity and Avi-Tech Electronics Pte. Ltd. (previously Avi-Tech Electronics Limited) as its wholly-owned subsidiary to facilitate business expansion efficiencies and risk management control
- Incorporated wholly-owned subsidiary Avi-Tech Electronics (Suzhou) Limited to better support customers and enhance market presence in China

# LETTER TO SHAREHOLDERS



## DEAR SHAREHOLDERS

I am pleased to present to you Avi-Tech Holdings Limited's annual report for the financial year ended 30 June 2023 ("FY2023"). This year we continue to navigate through challenging market conditions driven by the ongoing US-China conflicts, rising interest rates, and business costs. Despite these uncertainties, we have demonstrated resilience, achieving revenue and profit growth underpinned by our commitment to empowering excellence and innovation.

## FINANCIAL PERFORMANCE

In FY2023, our Group earned total revenue of \$34.9 million, a 13.1% increase compared to \$30.8 million in the financial year ended 30 June 2022 ("FY2022"). This growth in revenue was mirrored by a corresponding increase in gross profit. Despite the surge in electricity costs which posed a notable challenge and impacted our gross profit margin, we nevertheless generated a net profit of \$3.3 million in FY2023, which is a 3.8% increase compared to \$3.1 million reported in FY2022. Furthermore, our financial performance received additional support from an increase in interest income derived from fixed deposits. However, this gain was partially offset by an unrealised foreign exchange ("FX") loss caused by

adverse fluctuations in USD and RMB rates against SGD. It is worth noting that without the impact of high electricity costs and unfavourable fluctuations in FX rates, our performance would have been considerably stronger.

In terms of segmental performance, our Burn-In Services business segment reported a slight decrease in revenue, amounting to \$6.2 million in FY2023 compared to \$6.3 million in FY2022. Our Manufacturing and PCBA Services business segment, which serves as the primary revenue generator for our Group, achieved robust growth, with a 19.4% increase in revenue to \$20.3 million in FY2023 compared to \$17.0 million in FY2022. Similarly, the Engineering Services business segment demonstrated steady revenue growth of 12.0% to \$8.4 million in FY2023 from \$7.5 million in FY2022. Geographically, Singapore and the US remained major contributors, while China recorded notable growth with a 11.6% increase in revenue in FY2023 compared to FY2022.

As at 30 June 2023, our Group had a robust balance sheet, with total assets amounting to \$59.4 million against total liabilities of \$7.7 million. Additionally, we continued to maintain a healthy working capital position, with \$40.6 million as

at 30 June 2023 compared to \$40.3 million as at 30 June 2022. In terms of cash flow, we achieved a positive net cash inflow from operations of \$4.0 million in FY2023. The Group concluded the financial year with a sturdy cash balance of \$32.8 million.

## DIVIDEND

After conducting a thorough evaluation of our Group's business operations, financial position, and cash flow performance in FY2023, the Board is pleased to propose a final dividend of 1.0 cent per ordinary share for FY2023, primarily driven by the positive cash flow generated from our operations. With the interim dividend of 0.75 cents per share paid out earlier in the year, the total expected dividend payout in FY2023 amounts to 1.75 cents per share. This represents a total dividend payout of \$3.0 million which is equivalent to 91.8% of the net profit for FY2023, and a dividend yield of 6.6%<sup>1</sup>.

## OPERATIONAL HIGHLIGHTS

In FY2023, the Group maintained a consistent trajectory in our core operations. We successfully secured new customers for our Engineering Services business segment while expanding our Manufacturing and PCBA Services business segment in China. At the same

## LETTER TO SHAREHOLDERS

time, we continue to actively explore new opportunities that align with our Burn-In Services business segment's growth strategies. These key focus areas led to improvements in both our top-line and bottom-line performance.

Nonetheless, FY2023 presented its share of challenges. The Group grappled with the ongoing fluctuations in electricity prices which affected our Burn-In Services operations. To address this, we secured contract prices to mitigate the impact. Additionally, supply chain disruptions led us to adopt a bulk purchasing strategy for long lead-time items, stabilising prices and maintaining profit margins.

Given our strong track record in the automotive semiconductor industry, we continue to further solidify our presence in this sector. To better serve our customers with increased efficiency, the Group has strategically invested in equipment to enhance our productivity and expand our capabilities, particularly for complex products in our Manufacturing and PCBA Services business segment. We also made environmentally conscious investments in energy-efficient chillers, reducing electricity consumption and aligning with our sustainability commitment.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Building on our 2018 materiality assessment, which laid the foundation for our first sustainability report, we have now updated our report with reference to the latest Global Reporting Initiative Universal Standards 2021. As a semiconductor industry participant, we also support the Semiconductor Climate Consortium's commitment to addressing climate change in line with the Paris Agreement. This underscores our dedication to policies prioritising environmental sustainability across all business segments.

To this end, we have prepared our inaugural Task Force on Climate-related Financial Disclosures report, demonstrating our commitment to evaluating and handling climate-related risks and opportunities,

including their financial implications across short, medium, and long-term horizons.

To learn more about our ESG efforts, please refer to our Sustainability Report 2023.

### OUTLOOK AND GROWTH STRATEGIES

Despite challenges from weakened global demand and China's economic slowdown, the Group maintains a cautious yet hopeful outlook. Concerns about high interest rates and global recession risks persist. Geopolitical tensions between the US and China, along with ongoing trade sanctions and the resultant supply chain disruptions, pose significant challenges for the semiconductor industry, especially in efficiently allocating resources to procure materials and fulfill customer orders.

To address these challenges, we prioritise close collaboration with customers and suppliers to ensure smooth supply chain operations. Despite market uncertainties, our focus remains on expanding our Engineering Services business segment by nurturing a new customer relationship. We are committed to enhancing engineering support, introducing value-added activities, and have also successfully secured a contracted price from a power retailer to optimize cost planning, pricing and stability. We will also continue to identify growth opportunities and enhance our resilience in the semiconductor industry, with a particular focus on expanding our presence in key markets like China and the US. Furthermore, we actively seek potential M&A targets that are aligned with our long-term goals.

### APPRECIATION

As we commence the new financial year, our unwavering commitment is to continue making decisions that are not only prudent but also in the best interests of the Group. Our primary objective remains the creation of long-term value and the generation of sustainable returns for our valued shareholders. We deeply

appreciate the trust and confidence our shareholders have placed in us.

Beyond our shareholders, we extend our heartfelt appreciation to our Board members, dedicated staff, and invaluable business partners. Their tireless efforts and significant contributions have been pivotal in shaping our achievements and guiding us toward success. It is through their collaborative efforts that we have been able to overcome challenges and seize opportunities.

At this juncture, we would like to express our appreciation to Mr Goh Chung Meng, our Independent Director, who will be retiring and will not be seeking re-election in the forthcoming AGM to facilitate the renewal and sustainability process of the Board. The Nominating Committee has recommended Mr Tan Ka Huat as an Independent Director in the forthcoming AGM. Mr Tan is a highly respected figure in the semiconductor industry, with an impressive track record of over 40 years of experience. His wealth of knowledge and expertise will further enhance our ability to navigate the evolving landscape of the industry, strengthen our governance and add new insights to our strategic decision-making processes.

As we move forward, Avi-Tech will continue to adapt and evolve, fostering resilience, driving sustainable growth, and thriving in future-focused solutions by empowering innovation and excellence.



**Lim Eng Hong**

Chief Executive Officer and Executive Chairman

<sup>1</sup> Based on closing share price of \$0.265 as at 30 June 2023

# BOARD OF DIRECTORS



## MR LIM ENG HONG

*Chief Executive Officer and Executive Chairman*

### Background and Working Experience

Mr Lim Eng Hong is the founder of our Group. He has more than 40 years of experience in the semiconductor industry and has been the main driving force behind the growth and business expansion of the Group. Mr Lim oversees the Group's overall business activities and is particularly involved in the development of the strategies behind the Group's diversification into other related business areas.

### Date of last re-election (as a director of Avi-Tech Holdings Limited)

27 October 2022

### Shares in the Company or related corporations

62,112,875 shares in the Company  
(Direct & Deemed Interest)

### Committee Memberships

- NIL

### Academic & Professional Qualifications

- Diploma in Telecommunication Engineering, Singapore Polytechnic
- Diploma in Management Studies, Singapore Institute of Management

### Present Directorships (as at 30 June 2023)

*Listed Companies (excluding the Company)*

- NIL

*Other Non-Listed Companies (excluding Subsidiaries and Associates of the Company)*

- NIL

### Major Appointments (other than Directorships)

- NIL

### Past Directorships in listed companies over the last 5 years

*(excluding Subsidiaries and Associates of the Company)*

- NIL

## BOARD OF DIRECTORS



**MR LIM TAI MENG ALVIN**  
*Chief Operating Officer and Executive Director*

### Background and Working Experience

Mr Lim Tai Meng Alvin is an Executive Director and Chief Operating Officer of our Group. He joined the Group in 2002 and is responsible for overseeing the Group's operations for Burn-In Services, Manufacturing and PCBA Services and Engineering Services. Mr Lim also develops the competitive positioning and strategies of the Group and manages the sales, marketing and business development functions. Mr Lim was the Chief Operating Officer (USA Operations) from 2009 to 2011 and was responsible for strategising and promoting the Group's business in the market. Mr Lim started as a Sales Engineer with the Group, responsible for the sales and marketing team for test equipment and sockets. He was subsequently promoted to Section Manager in the Engineering Services division to manage the manufacturing of System Level Test (SLT), Hybrid System Test (HST) thermal trays and Fusion System build to meet customers' needs, and thereafter became a Special Project Manager. With his vast experience in managing operations, Mr Lim was later promoted to oversee the Manufacturing and PCBA Services division, and Engineering Services manufacturing operations. In May 2013, Mr Lim was appointed Chief Operating Officer of the Group.

### Date of last re-election (as a director of Avi-Tech Electronics Limited before the 2021 restructuring)

28 October 2021

### Shares in the Company or related corporations

105,000 shares in the Company (Direct Interest)

### Committee Memberships

- NIL

### Academic & Professional Qualifications

- Bachelor's Degree in Electrical and Computer Engineering, University of Queensland, Australia
- Graduate Diploma in Business Administration, Singapore Institute of Management

### Present Directorships (as at 30 June 2023)

Listed Companies (excluding the Company)

- NIL

Other Non-Listed Companies

(excluding Subsidiaries and Associates of the Company)

- NIL

### Major Appointments (other than Directorships)

- NIL

### Past Directorships in listed companies over the last 5 years

(excluding Subsidiaries and Associates of the Company)

- NIL

## BOARD OF DIRECTORS



### **MR MICHAEL GRENVILLE GRAY** *Non-Executive and Lead Independent Director*

#### **Background and Working Experience**

Mr Gray spent ten years in the shipping industry before training as a Chartered Accountant with Coopers & Lybrand in the United Kingdom in 1973. Prior to his retirement at the end of 2004, Mr Gray was a partner in PricewaterhouseCoopers, Singapore and before that, Territorial Senior Partner for PricewaterhouseCoopers Indochina (Vietnam, Cambodia and Laos).

#### **Date of last re-election (as a director of Avi-Tech Holdings Limited)**

27 October 2022

#### **Shares in the Company or related corporations**

870,000 shares in the Company (Direct Interest)

#### **Committee Memberships**

- *Audit and Risk Committee (Chairman)*
- *Nominating Committee*
- *Remuneration Committee*

#### **Academic & Professional Qualifications**

- *Bachelor of Science in Maritime Studies, Plymouth University, United Kingdom*

- *Master of Arts in South East Asian Studies, National University of Singapore*
- *Fellow of Institute of Chartered Accountants in England & Wales*
- *Fellow of Institute of Singapore Chartered Accountants*
- *Fellow of Singapore Institute of Directors*
- *Fellow of Chartered Institute of Transport & Logistics*

#### **Present Directorships (as at 30 June 2023)**

*Listed Companies (excluding the Company)*

- *FSL Trust Management Pte Ltd*
- *GSH Corporation Limited*

*Other Non-Listed Companies*

*(excluding Subsidiaries and Associates of the Company)*

- *NIL*

#### **Major Appointments (other than Directorships)**

- *NIL*

#### **Past Directorships in listed companies over the last 5 years**

*(excluding Subsidiaries and Associates of the Company)*

- *NIL*

#### **Awards**

- *Public Service Star (Bar) – B.B.M. [L] (2010)*

## BOARD OF DIRECTORS



### MR GOH CHUNG MENG

*Non-Executive and Independent Director*

#### Background and Working Experience

Mr Goh began his career in 1982 with the management consulting arm of Deloitte & Touche in Singapore. During the period from 1985 to 1990, Mr Goh worked as a senior consultant for Deloitte & Touche Management Consultants where he was involved in a wide variety of consulting assignments for MNC clients including a two-year stint helping to start an insolvency unit during the 1985 recession. In 1990, he joined Carr Indosuez Asia (Merchant Banking unit of Credit Agricole) and in 1995, he joined a US\$200 million Asian Venture Capital Fund known as Suez Asia Holdings, where he was Director, Investments, of the fund focusing on Southeast Asia and China private equity investments. Mr Goh is currently a director (alternate) of TauRx Pharmaceuticals Ltd (TauRx), a drug discovery company which has completed three global phase 3 human clinical trials in Alzheimer's Disease and is currently planning regulatory submissions in the U.K., the U.S., China and other jurisdictions. Mr. Goh has been a pioneer board member of the TauRx Group since its founding as a startup in 2002. Mr Goh was formerly a Qualified Business Angel of the National Science and Technology Board in 2001 and he had served as a Panel Member (2001 to 2008) of a Singapore government innovation and research fund, The Enterprise Challenge Unit (TEC), PS21 Office, Public Service Division, Prime Minister's Office.

#### Date of last re-election (as a director of Avi-Tech Holdings Limited)

27 October 2022

#### Shares in the Company or related corporations

190,000 shares in the Company (Direct Interest)

#### Committee Memberships

- Audit and Risk Committee
- Nominating Committee (Chairman)
- Remuneration Committee (Chairman)

#### Academic & Professional Qualifications

- Bachelor of Business Administration, National University of Singapore

#### Present Directorships (as at 30 June 2023)

Listed Companies (excluding the Company)

- NIL

Other Non-Listed Companies

(excluding Subsidiaries and Associates of the Company)

- TauRx Pharmaceuticals Ltd

#### Major Appointments (other than Directorships)

- Tower Club (Founding Member)
- Singapore Institute of International Affairs (Member)

#### Past Directorships in listed companies over the last 5 years

(excluding Subsidiaries and Associates of the Company)

- NIL

## BOARD OF DIRECTORS



### MR CHAN YU MENG

*Non-Executive and Independent Director*

#### Background and Working Experience

Mr Chan graduated from the University of Durham and is called to the Singapore Bar. He is currently the Head of Legal, Risk and Compliance at Golden Energy and Resources Limited, which was previously listed on the Mainboard of the SGX-ST. He was previously a partner in the corporate department of Lee & Lee, a law firm in Singapore. He has more than 20 years of experience in the areas of mergers and acquisitions, capital markets, corporate finance, corporate restructuring, securities law, stock exchange practice and corporate secretarial matters. He also has prior experience as a litigation counsel representing clients in both civil and criminal matters.

He had previously also served as an independent director on several SGX-listed companies. Mr. Chan is an ordinary member of the Singapore Academy of Law and the Singapore Institute of Directors (SID).

#### Date of last election (as a director of Avi-Tech Holdings Limited)

27 October 2022

#### Shares in the Company or related corporations

NA

#### Committee Memberships

- Audit and Risk Committee
- Nominating Committee
- Remuneration Committee

#### Academic & Professional Qualifications

- Bachelor of Laws (LLB), Durham University
- Diploma in Singapore Law, National University of Singapore
- Postgraduate Practical Course in Law, Board of Legal Education, Singapore

#### Present Directorships (as at 30 June 2023)

Listed Companies (excluding the Company)

- Livingstone Health Holdings Limited

Other Non-Listed Companies

(excluding Subsidiaries and Associates of the Company)

- NIL

#### Major Appointments (other than Directorships)

- Head of Legal, Risk and Compliance for Golden Energy and Resources Limited

#### Past Directorships in listed companies over the last 5 years

(excluding Subsidiaries and Associates of the Company)

- NIL

## BOARD OF DIRECTORS



### Persons Standing for Election as Director of the Company at the Forthcoming Annual General Meeting

#### MR TAN KA HUAT

*Non-Executive and Independent Director*

#### Background and Working Experience

Mr Tan Ka Huat is the holder of a Diploma in Business Administration from the National University of Singapore, and a Master of Business from the University of Technology, Sydney. He began his career in 1975 as a process engineer for Texas Instrument Singapore, and subsequently worked as an operations manager from 1986 to 1990 in the semiconductor industry. In 1991, Mr Tan joined Singapore Technologies Venture as a business development director.

Thereafter, from 1992 to 1999, Mr Tan worked for Chartered Electronics Pte Ltd as its general manager, and vice president. From 2000 to 2021, Mr Tan held the position of managing director of CEI Limited. He continued to hold this position in 2022, after CEI Limited was renamed to CEI Pte. Ltd., following its delisting in 2021. Mr Tan is presently a business advisor to CEI Pte. Ltd.

#### Date of last re-election

NA

#### Shares in the Company or related corporations

NA

#### Committee Memberships

- NA

#### Academic & Professional Qualifications

- Bachelor of Science (Physics), Nanyang University (n.k.a. Nanyang Technological University)
- Diploma in Business Administration, National University of Singapore
- Master of Business, University of Technology, Sydney

#### Present Directorships (as at 30 June 2023)

##### Listed Companies (excluding the Company)

- Nil

##### Other Non-Listed Companies

*(excluding Subsidiaries and Associates of the Company)*

- Dou Yee Enterprises (S) Pte. Ltd.

#### Major Appointments (other than Directorships)

- Business advisor to CEI Pte. Ltd.

#### Past Directorships in listed companies over the last 5 years

*(excluding Subsidiaries and Associates of the Company)*

- CEI Limited (which has since been renamed to CEI Pte. Ltd., following its delisting in 2021)

## EXECUTIVE MANAGEMENT



### MR JOSEPH WANG NIN CHOON

*Chief Financial Officer*

Mr Joseph Wang is our Chief Financial Officer. He oversees and manages our Group financial and accounting functions in addition to risk management. Mr Wang has more than 23 years of finance, corporate treasury management, corporate banking, global market and investment banking experience. Over the course of his career, he has held senior roles as Chief Financial Officer, Treasurer and Vice President of SGX-listed entities and Singapore Temasek linked companies such as Top Global, ST Engineering, PSA International and Singapore Technologies. He has strong banking experience, having held senior roles at Barclays Capital (Barclays Bank) and Deutsche Bank as their Vice President for client management.

In Mr Wang's previous executive roles, he was responsible for finance, corporate treasury, investments, SGX-ST reporting, planning, developing and implementing business strategies across the organisations. While with the banks, he was responsible for supporting corporate clients with a wide range of financial services and products including acquisition financing, capital market financing, loan syndications, treasury and general advisory work; to assist them effectively to manage their corporate financial risks and funding requirements. Mr Wang holds a Bachelor of Arts (Economics) degree from Simon Fraser University, British Columbia, Canada.

## KEY PERSONNEL

### MR LAU TOON HAI

*Vice President of Quality Assurance*

Mr Lau Toon Hai is our Vice President of Quality Assurance. He joined our Group in 1994 and is responsible for setting up and maintaining a functional quality organisation and Business Excellence System for our Group. Areas falling under his duties and responsibilities include overseeing the quality assurance aspects of our entire Group and driving our Group's Business Excellence Management System to keep alongside with current industrial and commercial standards such as Business Excellence, Responsible Business Alliance, Quality, Environmental management system and our customers' requirements. Mr Lau has over 20 years of experience in the electronics engineering industry. Prior to joining our Group, he worked with companies such as Philips (S) Pte Ltd, Archive (S) Pte Ltd and Conner Peripherals (S) Pte Ltd. Mr Lau holds a Diploma in Electronics and Communications Engineering from the Singapore Polytechnic.

### MR ALLAN NGO YU WEI

*Director of Operations (Manufacturing)*

Mr Allan Ngo is our Director of Operations (Manufacturing). He joined our Group in 2003 and is responsible for our operations related to Manufacturing and Printed Circuit Board Assembly Services ("PCBA") as well as Engineering Services. Mr Ngo was in charge of the Burn-In Board Manufacturing Services division where he was the Production Manager managing the planning, process, manufacturing and logistics operations of the department. He was promoted to Director of Operations (Manufacturing), overseeing the operational aspects of Supply Chain Management, Manufacturing and PCBA Services and Engineering Services. Mr Ngo holds a Diploma in Electronics, Computer and Communication Engineering from Nanyang Polytechnic, Singapore, and a Bachelor of Science degree in Business from Singapore University of Social Sciences.

### MR BAMBANG HANDOKO SUTEDJO

*Director of Sales*

Mr Bambang Handoko Sutedjo is our Director of Sales. He joined our Group in 1993 and is responsible for the sales and marketing of Burn-In Services and Manufacturing and PCBA Services, both locally and overseas. Mr Sutedjo is also in charge of the Manufacturing and PCBA Services design team. Mr Sutedjo has more than 20 years of experience in the semiconductor industry. He was previously the Senior Manager of Sales and Marketing of our Group, responsible for the management of Burn-In Board Manufacturing-related division's local and overseas sales. Prior to joining our Group, he was a Field Service Engineer with SETA Corporation in Charlotte, North Carolina, USA. Mr Sutedjo holds a Bachelor of Science in Electrical Engineering degree from the Tennessee Technological University of Cookeville, Tennessee, USA.

### MR DESMOND OW YANG CHIEN KHANG

*Director of Operations (Services)*

Mr Desmond Ow Yang is our Director of Operations (Services). He joined our Group in 1999 and oversees the Group's Burn-In operations. Mr Ow Yang is also responsible for the production, planning, engineering and maintenance support of the Group and is the lead auditor for ISO 9001 and internal auditor for ISO 14001 certifications. Mr Ow Yang started as a Burn-In Engineer with our Group and was in charge of the set up and introduction of new products and processes in Burn-In operations to meet customers' requirements. He was promoted to Senior Engineer and subsequently, Engineering Manager, to manage the Engineering team in providing technical solutions and support to customers. During that period, he was also responsible for Sales and Customer Services for Burn-In Services, Tape and Reel, Visual Inspection and other services, for both local and overseas customers. Mr Ow Yang holds a Bachelor of Engineering (Honours) degree from the University of Aberdeen, United Kingdom.

## OPERATIONS REVIEW



### BURN-IN SERVICES

In FY2023, the Burn-In Services business segment contributed 17.9% of the Group's total revenue, a slight decline from its 20.6% contribution in FY2022. Despite encountering challenges, our revenue remained relatively stable at \$6.2 million, which was a slight decrease of 1.6% compared to \$6.3 million in FY2022. This decline was attributed to the global chip shortage, which had a significant impact on our overall production volume during the latter half of FY2023, offsetting the heightened demand and production volumes we experienced in the first half of the year.

Our energy-dependent operations continued to grapple with rising wholesale electricity costs which led to increased operational expenses. Our core focus centred on reducing production costs through energy-saving measures and productivity enhancements, such as adopting energy-efficient equipment and emphasizing automation. We have also invested in an energy-efficient chiller, significantly reducing electricity usage, while maintaining strict preventive maintenance for our systems and optimizing chiller and fan coil unit operations.

We continued to foster strong collaborations with our clients in the year. These include providing new equipment for international clients to streamline Pre Burn-In testing, developing custom controller units for a local fleet management company, and extending support to tailor customer hardware to new specifications. We also continued to enhance our team's competencies, aligning their skillsets with the stringent quality standards and evolving technical demands of our customers. Notably, this included the attainment of lead audit certification for ISO9001 quality standards, which is of paramount importance to ensure the quality and

excellence of our Burn-In and Test solutions.

Amidst the challenges in our operating environment, the steady increase in the number of semiconductor chips within electric vehicles driven by growing demand and ongoing technological advancements, is a positive development for our business segment. Our current top priority is addressing the rising electricity costs and we are fully committed to collaborating with our customers, suppliers, and government entities to find effective solutions. To mitigate the heightened volatility in wholesale electricity prices resulting from the ongoing global energy supply challenges, we have recently secured a favorable power retailer agreement, safeguarding us against any adverse fluctuations in electricity rates.

### MANUFACTURING AND PCBA SERVICES

The Manufacturing and PCBA services business segment contributed 58.1% of the Group's revenue in FY2023 compared to 55.1% in FY2022. This business segment retained its position as the Group's top revenue generator. It achieved revenue of \$20.3 million in FY2023, which was a substantial increase of 19.4% compared to \$17.0 million in FY2022. This increase was mainly attributed to the increased demand for high-end complex Burn-In Boards from customers.



## OPERATIONS REVIEW

Building upon our establishment of a state-of-the-art advanced manufacturing line in the previous year, we are pleased to announce that in the current year, we have not only successfully established but also optimized this cutting-edge facility. This achievement represents a significant milestone bolstering our overall production capabilities while substantially increasing our automation rate. The advanced manufacturing line has proven to be transformative, enabling us to undertake a wide spectrum of projects with intricate PCBA requirements, ranging from the most minuscule components to expansive, large-dimension PCBs.

Furthermore, in our ongoing commitment to addressing the complex demands of our customers, we have forged relationships with new critical suppliers and have expanded and diversified our supplier network. This strategic initiative also serves as a proactive measure to mitigate potential supply chain constraints and disruptions, particularly in the face of the current challenges posed by the ongoing US-China trade conflicts. By doing so, we aim to safeguard our production and delivery lead times.

Looking ahead, a key focus for us revolves around optimizing energy utilization to drive down electrical costs, ensuring the sustainability and cost-effectiveness of our operations. We also remain vigilant on the ongoing challenges



posed by disruptive supply chains which made it challenging for materials procurement to fulfill customer obligations. We will continue to collaborate closely with our customers and suppliers to maintain a smooth flow of goods within our purchasing system. Moreover, we foresee continued growth in our China market as we expand to acquire more customers in the Greater China region. We anticipate this positive trajectory to not only continue but also gather even more momentum. In response to the increasing demand from the Chinese market, we have fortified our design resources within our China office,

strategically positioning ourselves to not only meet current demands.

### ENGINEERING SERVICES

In FY2023, the Engineering Services business segment comprised 24.0% of the Group's revenue, which is consistent with FY2022. The business segment's revenue witnessed a notable increase of 12.0%, surging to \$8.4 million in FY2023, compared to \$7.5 million in FY2022. The increase was primarily due to the production of high-end lighting solutions for a new US-based customer.

Much like our industry peers, we continue to grapple with similar challenges, including the instability of the supply chain and extended lead times. Furthermore, the persistently high electricity rates have been eroding profit margins, adding another layer of complexity to our operations. Additionally, hiring has proven to be a challenge, further highlighting the ongoing difficulties in the current business landscape.



## OPERATIONS REVIEW

Nonetheless, we remain optimistic of the prospects for our services and solutions, particularly in industrial OEM equipment and high-end lighting solutions. In FY2024, we will intensify our efforts to expand our business with the new customer while also fortifying our engineering support and incorporating other value-added activities to enhance our margins. Additionally, we will proactively work on fostering further business growth in both China and the US.

### CORPORATE SOCIAL RESPONSIBILITY

As at June 2023, our team comprised 144 employees, with a significant majority, 95.1%, based in Singapore, while the rest worked for our overseas subsidiary in China. In terms of gender diversity, approximately 50.4% of our Singaporean workforce is female. We have a wide age range, with 20% under 30 years old, 39% in the 30-50 age group, and 41% over 50 years old. We also rehired 8 retiring employees, and the average age of our workforce is approximately 46.2 years. Our industry's globalized nature has led to a diverse team representing at least seven nationalities, including Malaysia, China, India, the Philippines, Thailand, and Vietnam, contributing to our Group's rich racial diversity.

Throughout the year, we remained committed to our training and development programs, with a focus on



enhancing our team's capabilities. This included providing continuous training in AIAG VDA Process for our QA Engineers and facilitating skill upgrades for our management staff through external training programs such as Workforce Skills Qualification and Integrated Assessment Pathway. To ensure the competence of our production staff, we conducted biannual re-certification programs.

We are also pleased to report that we successfully maintained several international certifications, namely ISO 13485:2016 for quality management systems in medical devices, ISO 9001:2015 for quality management systems, and ISO 14001:2015 for environmental management systems. These certifications underscore our ongoing commitment to uphold high standards in both quality and environmental responsibility.

The safety and well-being of our employees are of utmost importance, and we are committed to achieving Workplace Safety and Health ("WSH") excellence. In FY2023, there were no recorded fatalities, high-consequence injuries, or occupational illnesses within our organization, a testament to our WSH pledge to maintaining a safe work environment.

In our continuous dedication to community relations, we are proud to have supported Bright Vision Community Hospital for the eighth consecutive year. Bright Vision Community Hospital, with its 318-bed capacity, plays a vital role in delivering comprehensive intermediate and long-term care to around 1,500 new patients annually. In light of the critical need to prevent the transmission of the COVID-19 virus to vulnerable patients, we abstained from conducting any in-person activities and instead provided crucial financial assistance to ensure our ongoing support.

For more details on our corporate social responsibility and sustainability efforts, please refer to our Sustainability Report 2023.





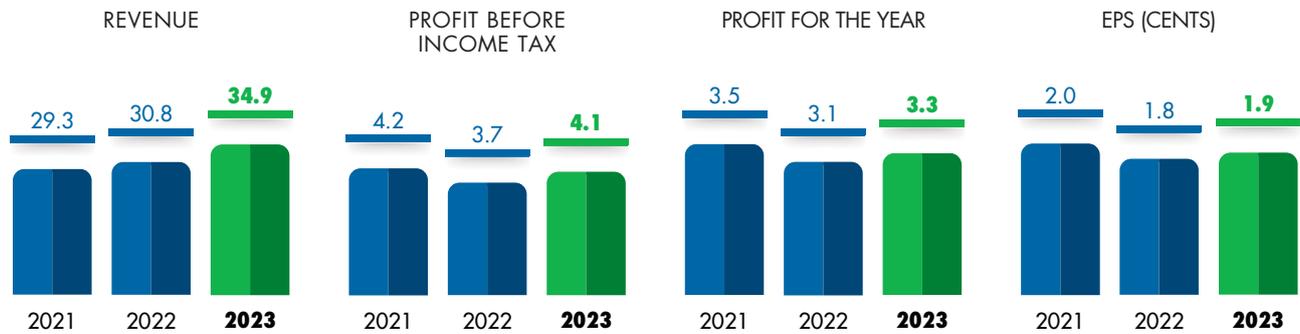
# FUTURE-FOCUSED SOLUTIONS

Navigating Tomorrow Today



# FINANCIAL HIGHLIGHTS

## PROFIT AND LOSS (\$'M)



## BALANCE SHEET (\$'M)



## KEY FINANCIAL RATIOS

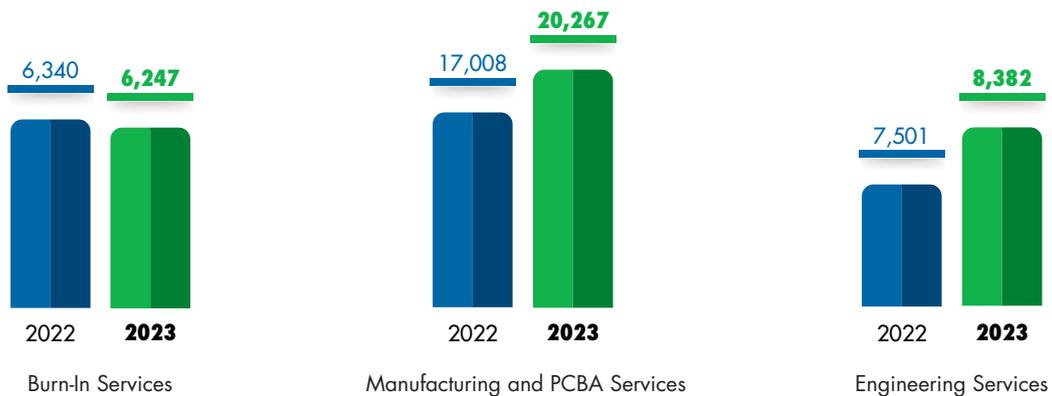


## FINANCIAL REVIEW

### CONSOLIDATED FINANCIAL PERFORMANCE (\$'000)

	FY2023	FY2022	Change %
Revenue	34,896	30,849	13.1
Cost of sales	(26,896)	(23,064)	16.6
Gross profit	8,000	7,785	2.8
Share of loss of associate	(29)	(42)	(31.0)
Administrative expenses	(5,077)	(4,769)	6.5
Profit before income tax	4,070	3,661	11.2
Income tax expense	(811)	(520)	56.0
<b>Profit for the year</b>	<b>3,259</b>	<b>3,141</b>	<b>3.8</b>

### REVENUE BY BUSINESS SEGMENTS (\$'000)



In FY2023, the Group reported revenue of \$34.9 million, an increase of \$4.1 million or 13.1% as compared to FY2022 of \$30.8 million.

The Burn-In Services business segment registered revenue of \$6.2 million in FY2023, as compared to revenue of \$6.3 million in FY2022.

The Manufacturing and PCBA Services business segment, which remained as the largest contributor to the Group revenue, registered a higher revenue of \$20.3 million in FY2023 as compared to \$17.0 million in FY2022.

The Engineering Services business segment registered a higher revenue of \$8.4 million in FY2023 as compared to \$7.5 million in FY2022.

# FINANCIAL REVIEW

## COST OF SALES (\$'000)

	FY2023	FY2022	Change %
Cost of sales	26,896	23,064	16.6
Included in cost of sales:			
Cost of inventories	17,785	15,218	16.9
Salary cost and related cost	5,715	5,247	8.9
Depreciation	580	471	23.1
Electricity	1,394	974	43.1
Other direct overheads	1,422	1,154	23.2

## GROSS PROFIT (\$'000)

	FY2023	FY2022	Change %
Gross Profit	8,000	7,785	2.8
Gross Margin	22.9%	25.2%	(9.1)

The Group reported a gross profit of \$8.0 million in FY2023, an increase of \$0.2 million or 2.8% as compared to \$7.8 million in FY2022.

The increase in gross profit as compared to FY2022 was in line with the increase in revenue. However, due to the substantial increase in electricity cost for FY2023 as compared to FY2022, the gross profit margin had been reduced.

## ADMINISTRATIVE EXPENSES (\$'000)

	FY2023	FY2022	Change %
Administrative expenses	5,077	4,769	6.5
Included in administrative expenses:			
Salary and related cost	2,314	2,292	1.0
Foreign currency exchange loss (gain) – net	458	(153)	n.m.*
Impairment loss on associate	–	168	n.m.*
Electricity	101	204	(50.5)
Depreciation	752	755	(0.4)

\* Not meaningful

Administrative expenses increased by \$0.3 million from \$4.8 in FY2022 to \$5.1 million in FY2023.

## FINANCIAL REVIEW

### PROFIT FOR THE YEAR (\$'000)

	FY2023	FY2022	Change %
Profit before income tax	4,070	3,661	11.2
Income tax expense	(811)	(520)	56.0
Profit for the year	3,259	3,141	3.8

The Group reported a profit of \$3.3 million in FY2023, an increase of \$0.2 million or 3.8% as compared to \$3.1 million in FY2022.

In FY2023, the Group reported a higher profit for the year due to the increased gross profit (as mentioned above) and higher interest income from fixed deposits. However, these gains were partly offset by an unrealised foreign exchange loss due to unfavorable exchange rates between the United States dollar and the Chinese renminbi against the Singapore dollar.

### LIQUIDITY AND CAPITAL RESOURCES (\$'000)

	FY2023	FY2022	Change %
Cash flow from (used in):			
– Operating activities	4,045	2,295	76.3
– Investing activities	(10,074)	2,238	n.m.*
– Financing activities	(3,240)	(3,230)	0.3
Net change in cash and cash equivalents	(9,269)	1,303	n.m.*
Cash and cash equivalents at end of year	7,846	17,118	(54.2)

\* Not meaningful

The Group generated net cash from operating activities of \$4.0 million in FY2023. This was primarily due to the profit generated for the year.

Net cash used in investing activities was \$10.1 million, which was mainly attributed to the placement of fixed deposits with financial institutions over three (3)-month tenures. Net cash used in financing activities was \$3.2 million, which was primarily due to the dividend paid.

There was a decrease in cash and cash equivalents of \$9.3 million for FY2023.

The Group closed FY2023 with cash and cash equivalents of \$7.8 million.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Mr Lim Eng Hong

Chief Executive Officer and Executive Chairman

### Mr Lim Tai Meng Alvin

Chief Operating Officer and Executive Director

### Mr Michael Grenville Gray

Non-Executive and Lead Independent Director

### Mr Goh Chung Meng

Non-Executive and Independent Director

### Mr Chan Yu Meng

Non-Executive and Independent Director

## AUDIT AND RISK COMMITTEE

### Mr Michael Grenville Gray

Chairman

### Mr Goh Chung Meng

Member

### Mr Chan Yu Meng

Member

## REMUNERATION COMMITTEE

### Mr Goh Chung Meng

Chairman

### Mr Michael Grenville Gray

Member

### Mr Chan Yu Meng

Member

## NOMINATING COMMITTEE

### Mr Goh Chung Meng

Chairman

### Mr Michael Grenville Gray

Member

### Mr Chan Yu Meng

Member

## COMPANY SECRETARY

### Mr Adrian Chan Pengee

Lee & Lee

Advocates & Solicitors, Singapore

## REGISTERED OFFICE

### Avi-Tech Holdings Limited

Company Registration No. 202002889W

Address: 19A Serangoon North Avenue 5

Singapore 554859

Tel: +65 6482 6168

Fax: +65 6482 6123

Website: [www.avi-tech.com.sg](http://www.avi-tech.com.sg)

## SHARE REGISTRAR

### Boardroom Corporate & Advisory Services Pte. Ltd.

1 Harbourfront Avenue

#14-07 Keppel Bay Tower

Singapore 098632

## AUDITOR

### Deloitte & Touche LLP

Public Accountants and Chartered Accountants

6 Shenton Way

OUE Downtown 2 #33-00

Singapore 068809

Partner-in-charge of the audit: Ms Tan Puay Boon

Date of appointment: 28 October 2021

## PRINCIPAL BANKERS

### The Hongkong and Shanghai Banking Corporation Limited

10 Marina Boulevard

Marina Bay Financial Centre

Tower 2 Level 47

Singapore 018983

### Standard Chartered Bank

8 Marina Boulevard

Marina Bay Financial Centre (Tower 1) Level 1

Singapore 018981

# CORPORATE GOVERNANCE REPORT

The Board is committed to setting and maintaining high standards of corporate governance to preserve and enhance the interests of all shareholders. The Board has adopted the recommendations of the Code of Corporate Governance 2018 (the “Code”).

This report describes the Company’s corporate governance processes and activities with specific reference to each of the principles and provisions set out in the Code. The Group has materially complied with all the provisions set out in the Code. In areas where the Company’s practices vary from any of the provisions of the Code, we have provided the reasons for the variation and explain how the practices the Company has adopted are consistent with the intent of the relevant principle, where appropriate.

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	
Provision	Disclosure	
1.1	<p>Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.</p>	<p>All our Directors are tasked to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.</p> <p>The Board has established and functions within a defined set of terms of reference and procedures. According to the Board’s terms of reference, the Board has established a clear policy on conflicts of interest in the Company’s Directors’ Manual, which covers instructions on the duty to avoid conflicts of interest and to give disclosure of conflicting interest, where necessary. The terms of reference also provide that a Director facing conflicts of interest should not vote on the matter under discussion and should recuse himself from the portion of the meeting where there is a potential conflict. A Director should not be counted towards the quorum of any meeting for any resolution where he is recused or debarred from voting.</p> <p>To achieve a high standard of corporate governance, the Company has also implemented a business ethics policy, which establishes the Company’s ethical business practice and outlines fundamental principles of ethical business behaviour and the responsibilities of all employees and Company representatives in aligning with them. The Company has also adopted the Responsible Business Alliance (RBA) Supplier Code of Conduct as a corporate social responsibility model in delivering the highlighted standard of product quality and business integrity in dealing with suppliers, subcontractors and other service providers. Please refer to the Company’s sustainability report and website at <a href="http://www.avi-tech.com.sg">www.avi-tech.com.sg</a> for further details.</p>

# CORPORATE GOVERNANCE REPORT

<p><b>1.2</b></p>	<p>Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.</p>	<p>The Board ensures that all incoming directors receive a comprehensive and tailored induction on joining the Board, including briefing them on their duties as a director (including the differences in roles as an (i) executive director which is to, <i>inter alia</i>, provide insights on the Company's day-to-day operations, and provide management's views without undermining management accountability to the Board, as a (ii) non-executive director which is to, <i>inter alia</i>, constructively challenge management and help develop proposals on strategy, and as an (iii) independent director, which is to, <i>inter alia</i>, provide an independent and objective check on management) and how to discharge those duties, and an orientation programme to ensure that they are familiar with the Group's business and governance practices. The Company also provides training for any new first-time director (who has no prior experience as a director in a listed company) in areas such as accounting, legal and industry-specific knowledge as appropriate. All new first-time directors (who have no prior experience as a director in a listed company on the Singapore Exchange Securities Trading Limited ("SGX-ST")) must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST.</p> <p>Upon the appointment of any new director, the Company will provide a formal letter to the director, setting out the director's duties and obligations.</p> <p>With the objective of enhancing corporate performance and accountability, as well as protecting the interests of stakeholders, the Board has also taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual of the SGX-ST (the "<b>Listing Rules</b>"), by establishing written policies where appropriate. The Independent Directors in consultation with management will request for management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control. The Board also reviews legislation and regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements, including requirements under the Listing Rules, with the assistance of the Group's legal advisors. Pursuant thereto and in accordance with the Board's terms of reference, the Board has developed a Directors' Manual that sets out a director's primary and material duties at law, which includes acting in good faith and the best interests of the Company; exercising due care, skills and diligence; and avoiding conflicts of interest.</p>
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# CORPORATE GOVERNANCE REPORT

		<p>All Board members are encouraged to receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Board is mindful of the best practice in the Code to initiate programmes for Directors to meet their relevant training needs. In this regard, the Company is supportive of the Directors' participation in industry conferences and seminars, and will fund the Directors' attendance at any course or training programme in connection with their duties as directors.</p> <p>In the financial year under review, the Directors attended various training programmes and seminars, including sustainability training courses conducted by the Singapore Institute of Directors ("SID") or the Institute of Singapore Chartered Accountants (in partnership with SAC Capital Private Limited), such as "LED – Environmental, Social and Governance Essentials (Core)" and "Sustainability E-Training for Directors" and seminars organised by the Singapore International Chamber of Commerce, SID, and SGX-ST on "EveryWorkerMatters", "The Implications of ChatGPT", "SGX SGListCos ESG Advisory Panel/Good, Bad and Ugly of Investor Relations", "SID Corporate Governance Roundup 2022", "Cyber Enterprise Risk Seminar" and "Audit and Risk Committee Seminar 2023", among others.</p> <p>As required under Rule 210(5)(a) of the Listing Rules, in the financial year under review, the Board and management of the Company have appropriate experience and expertise to manage the Group's business, taking into account the nature and scope of the Group's operations, requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees.</p>
<p><b>1.3</b></p>	<p>The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.</p>	<p>The Board's role is, <i>inter alia</i>, to:</p> <ul style="list-style-type: none"> <li>• provide entrepreneurial leadership, set strategic objectives, with appropriate focus on value creation for shareholders, innovation and sustainability;</li> <li>• ensure that the necessary financial and human resources are in place for the Company to meet its objectives;</li> <li>• establish a framework of sound, prudent and effective controls which enables risks to be effectively monitored, assessed and managed, including safeguarding of shareholders' interests and the Group's assets, and to achieve an appropriate balance between risks and Company performance;</li> <li>• constructively challenge management and review management performance;</li> <li>• identify the key stakeholder groups, ensure transparency and accountability to key stakeholder groups and recognise that their perceptions affect the Company's reputation; and</li> </ul>

# CORPORATE GOVERNANCE REPORT

		<ul style="list-style-type: none"> <li>• set and instil the Company's corporate culture of values and standards (including ethical standards) and ensure that the Company's values, standards, policies, practices and obligations to shareholders and other stakeholders are consistent with the Company's corporate culture and such culture is understood and met.</li> </ul> <p>The Board's terms of reference have set forth the following matters which are specifically reserved to the Board for approval:</p> <ul style="list-style-type: none"> <li>• material acquisitions and disposal of assets;</li> <li>• corporate or financial restructuring;</li> <li>• share issuances (including stock options or other equity awards), dividends and other capital transactions and returns to shareholders;</li> <li>• approval of annual audited financial statements for the Group and the Directors' Statement thereto;</li> <li>• any public reports or press releases reporting the results of operations; and</li> <li>• matters involving a conflict or potential conflict of interest involving a substantial shareholder or a director.</li> </ul> <p>Clear directions have also been given to management that such matters must be approved by the Board.</p>
1.4	<p>Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.</p>	<p>In accordance with the Code, the Board has, without abdicating its responsibility, established Board committees to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework.</p> <p>The Board committees comprise the Audit and Risk Committee ("<b>ARC</b>"), the Nominating Committee ("<b>NC</b>") and the Remuneration Committee ("<b>RC</b>"), which have been delegated with specific authority. Each Board committee has written terms of reference which clearly set out the authority and duties of the committees, and functions within its own defined terms of reference and procedures. All committees are chaired by an independent Non-Executive Director. All Board members objectively make decisions in the interests of the Company. The composition and the terms of reference and description of each Board committee, any delegation of the Board's authority to make decisions to the Board committees, and a summary of the activities of each Board committee are set out in this report.</p>

# CORPORATE GOVERNANCE REPORT

## 1.5

Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

The Board conducts regularly scheduled meetings for the first and third quarter of the financial year to receive updates on significant business activities and the overall business environment, in addition to the half-yearly meetings which coincide with the announcement of the Group's half-year and full-year results respectively. Ad-hoc meetings will be held as and when required to address any significant issues that may arise. The constitution of the Company (the "**Constitution**") provides for meetings of directors to be held via conference telephone, videoconferencing or other means of similar communications equipment whereby all persons participating in the meeting can hear each other. Non-Executive Directors are also encouraged to communicate amongst themselves, and with the Company's auditors and legal advisors without the presence of the Executive Director(s) and management.

Details of each Director's attendance at the Board and Board committee meetings held during the financial year under review are summarised in the table below:

Meetings of	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Total held in FY2023	4	4	2	1
Lim Eng Hong	4	4	2	1
Lim Tai Meng Alvin	4	4	2	1
Michael Grenville Gray	4	4	2	1
Goh Chung Meng	4	4	2	1
Chan Yu Meng <sup>1</sup>	3	3	1	0
Khor Thiam Beng <sup>2</sup>	1	1	1	1

As Executive Directors, both Mr Lim Eng Hong and Mr Lim Tai Meng Alvin attend the meetings of the ARC, the NC and the RC, by invitation.

Directors with multiple board representations have ensured that sufficient time and attention are given to the affairs of the Company in order to fulfil their responsibilities and duties to the Company and its shareholders.

<sup>1</sup> Mr Chan Yu Meng was appointed as an Independent Director of the Company at the AGM held on 27 October 2022, and thereafter appointed as a member of the ARC, the NC and the RC on 27 October 2022.

<sup>2</sup> Mr Khor Thiam Beng retired as Non-Executive Chairman and Independent Director of the Company at the AGM held on 27 October 2022.

## CORPORATE GOVERNANCE REPORT

1.6	<p>Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.</p>	<p>Management recognises that the flow of complete, adequate and timely information on an ongoing basis to the Board is essential to the Board's effective and efficient discharge of its duties. Management provides all members of the Board with management accounts, consisting of, amongst other things, the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit with variance analyses, so as to present a balanced and informed assessment of the Company's and Group's performance, position and prospects on a monthly basis and as the Board may require from time to time. Such reports enable the Directors to keep abreast of the Group's operating and financial performance and position. Any material variances between the projections and actual results are disclosed and explained. As and when the circumstances require, the Board can request management to provide the necessary explanation and/or information on the management accounts of the Group.</p> <p>The Chief Financial Officer ("<b>CFO</b>") also provides each member of the Board with appropriate financial accounts and other information detailing the Group's performance, financial position and prospects on a regular basis and provides the Board with meeting and presentation materials in advance of each meeting unless doing so would be deemed to compromise the confidentiality of highly sensitive information. Further enquiries may be made by the Directors to discharge their duties properly. The information provided by the CFO includes Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results is disclosed and explained. The CFO and outside professionals may also be invited to attend the meetings to provide further insight on specific matters or respond to queries from the Directors.</p>
1.7	<p>Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.</p>	<p>The Directors have separate and independent access to the Company's senior management. The Board is also entitled to request from senior management and is, upon making such request, provided with such additional information needed to make informed decisions. Management provides such additional information to the Board in a timely manner.</p> <p>The Directors also have separate and independent access to the Company Secretary and can seek independent professional advice and assistance from the Company Secretary or external advisers if necessary, and the cost of such advice and assistance will be borne by the Company.</p>

# CORPORATE GOVERNANCE REPORT

		<p>The Company Secretary (or his authorised representatives) provides secretarial support to the Board and the responsibilities of the Company Secretary include:</p> <ul style="list-style-type: none"> <li>• advising the Board on all governance matters;</li> <li>• attending all Board and Board committee meetings and preparing the minutes of these meetings;</li> <li>• ensuring adherence to Board procedures and compliance with relevant Singapore rules and regulations applicable to the Company. Where such rules and regulations relate to foreign jurisdictions, the Company Secretary facilitates liaison between foreign advisors and the Board;</li> <li>• working with management to ensure good information flows within the Board and the Board committees and between senior management and Non-Executive Directors; and</li> <li>• facilitating orientation and assisting with professional development as required.</li> </ul> <p>The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.</p>
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## 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.	
Provision	Disclosure	
2.1	An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.	<p>More than one-third of the Board is made up of Independent Directors who offer alternative views of the Group's business and corporate activities. The Board has at least 2 Non-Executive Directors who are independent and free of any material business or financial connection with the Company. There is a strong and independent element on the Board, capable of exercising objective judgement on corporate affairs independently of the Group. The Board's views and opinions often provide different perspectives to the Group's business. No individual or small group of individuals dominates the Board's decision-making.</p> <p>The independence of each Independent Director is reviewed and determined by the NC annually with reference to Rule 210(5)(d)(i), (ii) and (iv) of the Listing Rules and also based on guidelines set forth in the Code and the individual Director's declaration.</p> <p>Each Director is requested to disclose to the Board if there is any relationship with the Company, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company (the "Associated Relationships"), as and when it arises.</p>

## CORPORATE GOVERNANCE REPORT

		<p>Each of Mr Michael Grenville Gray, Mr Goh Chung Meng and Mr Chan Yu Meng has also disclosed that he is not, nor has any of his immediate family members:</p> <ul style="list-style-type: none"> <li>(i) in the current financial year or immediate past financial year, provided to or received from the Company or any of its subsidiaries any significant payment or material services (which may include auditing, banking, consulting and legal services), where such payments or services aggregated over any financial year is or was in excess of S\$50,000, other than Directors' fees received by Mr Michael Grenville Gray, Mr Goh Chung Meng and Mr Chan Yu Meng (after obtaining shareholders' approval) for board service; and</li> <li>(ii) in the current financial year or immediate past financial year, is or was a substantial shareholder or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation which provided to or received from the Company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services), such payments or services aggregated over any financial year is or was in excess of S\$200,000.</li> </ul> <p>Each of Mr Michael Grenville Gray, Mr Goh Chung Meng and Mr Chan Yu Meng has also disclosed that:</p> <ul style="list-style-type: none"> <li>(a) he is not, and has not been employed by the Company or any of its related corporations for the current financial year or any of the past 3 financial years; and</li> <li>(b) none of his immediate family members are or have been employed by the Company or any of its related corporations for the current financial year or any of the past 3 financial years, and whose remuneration is or was determined by the RC of the Company.</li> </ul> <p>In this report, the term "<b>immediate family</b>" shall carry the same meaning as defined in the Listing Rules.</p>
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# CORPORATE GOVERNANCE REPORT

Each of Mr Michael Grenville Gray and Mr Goh Chung Meng has served on the Board for more than 9 years from the respective date of his first appointment.<sup>3</sup> As such, the Board rigorously reviewed their independence in conduct, character and judgement, including determining whether any of the Directors have any Associated Relationships. This review included an assessment by all the other members of the Board of the independence of judgement of Mr Michael Grenville Gray and Mr Goh Chung Meng, in view that they have each served on the Board for more than 9 years. The Board also took into consideration and is highly conscious that these Directors have in their conduct and in the discharge of their duties throughout their respective appointments, continuously and constructively challenged management on business decisions, continued to demonstrate strong independence in character and judgement and have remained objective in the discharge of their respective duties and responsibilities.

The continued appointment of Mr Michael Grenville Gray and Mr Goh Chung Meng as independent directors had been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the Company, and associates of such directors and chief executive officer pursuant to the former Rule 210(5)(d)(iii) of the Listing Rules (which has since been removed) at the AGM of the Company held on 27 October 2022, such resolutions remaining in force until the earlier of their retirement or resignation as a director or the conclusion of the third AGM following the passing of such resolutions.

On 11 January 2023, Singapore Exchange Regulation ("**SGX RegCo**") limited the tenure of independent directors serving on the boards of listed companies to 9 years. Pursuant to Rule 210(5)(d)(iv) of the Listing Rules, and subject to the Transitional Period (as defined below), a director will not be considered independent if he has been a director of the issuer for an aggregate period of more than 9 years (whether before or after listing).

To provide issuers sufficient time for board appointments, SGX RegCo has established transitional arrangements which apply between 11 January 2023 and the date of the issuer's AGM for the financial year ending on or after 31 December 2023 ("**Transitional Period**"). During the Transitional Period, independent directors whose tenure exceeds the nine-year limit may remain as independent directors until the conclusion of the next AGM of the issuer for the financial year ending on or after 31 December 2023.

<sup>3</sup> Including the time period in which Mr Michael Grenville Gray and Mr Goh Chung Meng had served on the board of Avi-Tech Electronics Limited (now known as Avi-Tech Electronics Pte. Ltd.) prior to the corporate restructuring exercise in 2021.

## CORPORATE GOVERNANCE REPORT

		<p>In view of the Transitional Period, Mr Michael Grenville Gray and Mr Goh Chung Meng may remain as independent directors until the conclusion of the Company's AGM to be held in October 2024. Notwithstanding the Transitional Period, Mr Goh Chung Meng has indicated that he will retire as Independent Director of the Company at the conclusion of the forthcoming AGM of the Company, and the NC has recommended the nomination of Mr Tan Ka Huat to stand for election as an Independent Director of the Company. The Board has accepted the NC's recommendation.</p> <p>It is a requirement of the Code that the Board should state its reasons if it determines that a director is independent notwithstanding the existence of an Associated Relationship. After taking into consideration the views of the NC, and the Board's review which determined that neither Mr Michael Grenville Gray nor Mr Goh Chung Meng has any Associated Relationships and that none of the circumstances stated in Rule 210(5)(d)(i), (ii) or (iv) of the Listing Rules apply to any of these Directors (in view of the Transitional Period), the Board considers each of these Directors to be an Independent Director. Neither Mr Michael Grenville Gray nor Mr Goh Chung Meng took part in the review of his own independence.</p>
2.2	Independent directors make up a majority of the Board where the Chairman is not independent.	<p>It is a requirement of the Code that independent directors should make up the majority of the board where the Chairman of the board: (i) is not an independent director; (ii) is also the Chief Executive Officer ("<b>CEO</b>") of the company (or equivalent); (iii) is an immediate family member to the CEO; (iv) and the CEO have close family ties with each other (i.e. a familial relationship between two parties which extends beyond immediate family members and could influence the impartiality of the Chairman) as determined by the nominating committee; or (v) is part of the management team.</p> <p>As Mr Lim Eng Hong, the CEO of the Company, had been appointed as the Executive Chairman of the Board with effect from 27 October 2022, the Company is required to comply with this requirement of the Code. The Company has complied with this requirement of the Code as the Independent Directors do in fact make up the majority of the Board.</p>

# CORPORATE GOVERNANCE REPORT

<p><b>2.3</b></p>	<p>Non-executive directors make up a majority of the Board.</p>	<p>Non-Executive Directors make up the majority of the Board as the Company has, at any point in time during the financial year under review, a total of 5 Board members, of whom 3 are Independent Directors and 2 are Executive Directors. The following details of the Directors are set out below as required under Rule 1207(10B) of the Listing Rules:</p> <table border="1" data-bbox="699 622 1439 1086"> <thead> <tr> <th>Director</th> <th>Board Membership</th> <th>Date of First Appointment as Director<sup>4</sup></th> <th>Date of Last Appointment as Director<sup>5</sup></th> <th>ARC</th> <th>NC</th> <th>RC</th> </tr> </thead> <tbody> <tr> <td>Lim Eng Hong</td> <td>Executive Chairman and CEO</td> <td>16 May 1984</td> <td>27 Oct 2022</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Lim Tai Meng Alvin</td> <td>Executive Director</td> <td>1 Aug 2018</td> <td>28 Oct 2021</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Michael Grenville Gray</td> <td>Lead Independent Director</td> <td>30 Oct 2006</td> <td>27 Oct 2022</td> <td>Chairman</td> <td>Member</td> <td>Member</td> </tr> <tr> <td>Goh Chung Meng</td> <td>Independent Director</td> <td>16 Oct 2001</td> <td>27 Oct 2022</td> <td>Member</td> <td>Chairman</td> <td>Chairman</td> </tr> <tr> <td>Chan Yu Meng<sup>6</sup></td> <td>Independent Director</td> <td>27 Oct 2022</td> <td>-</td> <td>Member</td> <td>Member</td> <td>Member</td> </tr> <tr> <td>Khor Thiam Beng<sup>7</sup></td> <td>Non-Executive Chairman and Independent Director</td> <td>30 Oct 2006</td> <td>28 Oct 2021</td> <td>Member</td> <td>Member</td> <td>Member</td> </tr> </tbody> </table>	Director	Board Membership	Date of First Appointment as Director <sup>4</sup>	Date of Last Appointment as Director <sup>5</sup>	ARC	NC	RC	Lim Eng Hong	Executive Chairman and CEO	16 May 1984	27 Oct 2022	-	-	-	Lim Tai Meng Alvin	Executive Director	1 Aug 2018	28 Oct 2021	-	-	-	Michael Grenville Gray	Lead Independent Director	30 Oct 2006	27 Oct 2022	Chairman	Member	Member	Goh Chung Meng	Independent Director	16 Oct 2001	27 Oct 2022	Member	Chairman	Chairman	Chan Yu Meng <sup>6</sup>	Independent Director	27 Oct 2022	-	Member	Member	Member	Khor Thiam Beng <sup>7</sup>	Non-Executive Chairman and Independent Director	30 Oct 2006	28 Oct 2021	Member	Member	Member
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<p><b>2.4</b></p>	<p>The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.</p>	<p>The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies, knowledge and experience.</p> <p>The Company has in place a Board Diversity Policy which sets out its approach to achieve diversity on the Board. In terms of the composition of the Board, the Company seeks to have a Board that comprises directors who as a group provide an appropriate balance and mix of complementary skills, core competencies, knowledge, experience, and other aspects of diversity such as gender and age. Further details of the Board Diversity Policy are available on the Company's website at <a href="http://www.avi-tech.com.sg">www.avi-tech.com.sg</a>. Please also refer to the information relating to the current balance and diversity of the Board, as set out in the table below.</p> <p>The Board and the NC review the board composition annually in accordance with the Board Diversity Policy.</p>																																																	

<sup>4</sup> Including (where applicable) directorships of Avi-Tech Electronics Limited (now known as Avi-Tech Electronics Pte. Ltd.) prior to the corporate restructuring exercise in 2021.

<sup>5</sup> Including (where applicable) directorships of Avi-Tech Electronics Limited (now known as Avi-Tech Electronics Pte. Ltd.) prior to the corporate restructuring exercise in 2021.

<sup>6</sup> Mr Chan Yu Meng was appointed as an Independent Director of the Company at the AGM held on 27 October 2022, and thereafter appointed as a member of the ARC, the NC and the RC on 27 October 2022.

<sup>7</sup> Mr Khor Thiam Beng retired as Non-Executive Chairman and Independent Director of the Company at the AGM held on 27 October 2022.

# CORPORATE GOVERNANCE REPORT

The Board considers that the present composition of the Board and of each Board committee provides an appropriate balance and mix of skills, knowledge, experience and other aspects of diversity, taking into account the nature and scope of the Group's operations, requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees. The Board also considers the current size of the Board and of each Board committee ideal for effective debate and decision-making. The Directors bring with them a wide spectrum of industry knowledge and skills, experience in accounting, finance, legal and business strategies, management expertise, customer-based experience, knowledge of the Group and objective perspective to effectively lead and direct the Group. Profiles of the Directors are set out in this Annual Report.

## Balance and Diversity of the Board

Core Competencies	Number of Directors	Proportion of the Board
Accounting or finance related	1	20%
Business and management experience	2	40%
Legal or corporate governance	1	20%
Strategic planning experience	1	20%
Gender Diversity		
Male	5	100%
Female	-	-

The Company's targets and plans to achieve diversity involves the NC reviewing and assessing the Board's composition for diversity from time to time and at least on an annual basis, taking into account a wide variety of factors, as set out above, and making relevant and appropriate recommendations to the Board.

In conducting the annual review, the determination of appropriate targets and plans for diversity will also depend on the business and operational circumstances, objectives and strategies of the Company at the relevant time and deciding if the current composition of Directors suitably meets the then needs of the Company.

In respect of the financial year ended 30 June 2023, the Company has made strides in enhancing its diversity by appointing a younger, legally trained director with a background in capital markets and compliance. In the current financial year ending 30 June 2024, the Company is further enriching its breadth of experience by proposing to bring on board another Independent Director, who formerly served as an executive director for a previously SGX-listed company specialising in the semiconductor industry. The Board has also upheld age diversity, featuring Directors whose ages span from the under-50s to the over-70s.

As discussed above, the NC reviewed and assessed, and the Board was of the view, that there is diversity in the current composition of the Board.

# CORPORATE GOVERNANCE REPORT

		<p>The Board has therefore made demonstrable progress on the implementation of the Board Diversity Policy, and for the current financial year ending 30 June 2024, the NC is reviewing the setting of appropriate targets for various aspects of diversity but the fundamental principle remains that the candidate must be of right fit and meet the relevant needs and vision of the Company.</p> <p>The Board recognises the importance and value of gender diversity and will take into consideration the skill sets, knowledge and experience, and other aspects of diversity including gender and age, for any future Board appointments. Having said that, gender is but one aspect of diversity and new directors will continue to be selected based on objective criteria set as part of the process for appointment of new directors and Board succession planning. The Company is therefore of the view that the intent of Principle 2 has been met.</p> <p>In order to maintain or enhance its balance and diversity, the Board will take the following steps:</p> <ul style="list-style-type: none"> <li>• annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and will enhance the efficacy of the Board; and</li> <li>• annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board.</li> </ul> <p>The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.</p>
<b>2.5</b>	Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.	In the financial year under review, the Non-Executive Directors met regularly and at least once annually without the presence of management and the Executive Directors, to review any matters that they wish to raise privately, constructively challenge and help develop proposals on company strategy, review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. The Lead Independent Director provides feedback to the Board as appropriate.
<b>CHAIRMAN AND CHIEF EXECUTIVE OFFICER</b>		
<b>Principle</b>		
<b>3.</b>	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.	
<b>Provision</b>	<b>Disclosure</b>	
<b>3.1</b>	The Chairman and the CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making.	<p>The Code provides that the Chairman and the CEO should in principle be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity for independent decision-making.</p> <p>Mr Lim Eng Hong, the CEO of the Company, had been appointed as the Executive Chairman of the Board with effect from 27 October 2022. This is a variation from Provision 3.1 of the Code.</p>

## CORPORATE GOVERNANCE REPORT

		<p>Mr Lim Eng Hong is the founder of the Group and has more than 40 years of experience in the semiconductor industry. Mr Lim Eng Hong oversees the Group's overall business activities and strategy.</p> <p>The NC, with the concurrence of the Board, is of the opinion that vesting the roles of both Chairman and CEO in the same person who is knowledgeable in the business of the Group provides strong and consistent leadership and enables the effective planning and execution of long-term business strategies. Under the present circumstances, it is beneficial to the Company that the roles of the Chairman and CEO are not separated. The NC will periodically review the need to separate the roles and make its recommendations accordingly for the Board's consideration. The role of Mr Lim Eng Hong as the Executive Chairman and CEO of the Company does not affect Board independence as the majority of the Board is made up of Independent Directors, and all of the Board Committees (including the Chairman of the respective Board Committees) are formed by Independent Directors.</p> <p>Nevertheless, to further ensure good governance, the Board has appointed Mr Michael Grenville Gray as the Lead Independent Director of the Company. Mr Michael Grenville Gray will be available to shareholders where they have concerns for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. He will also meet periodically with the other Independent Directors (without the presence of Management or the Executive Directors), and provide feedback to the Executive Chairman after such meeting. His other specific roles as the Lead Independent Director are as follows:</p> <ul style="list-style-type: none"> <li>• act as liaison between the Independent Directors and the Executive Chairman and CEO and lead the Independent Directors to provide non-executive perspectives in circumstances where it would be inappropriate for the Executive Chairman to serve in such a capacity and to contribute a balanced viewpoint to the Board;</li> <li>• advise the Executive Chairman as to the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties; and</li> <li>• assist the Board and officers of the Company in complying with and implementing corporate governance measures.</li> </ul> <p>Given the above arrangements, the Company is of the view that there is an appropriate balance of power on the Board, the Board members are accountable for their decisions, and there is a strong and independent element on the Board.</p>
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# CORPORATE GOVERNANCE REPORT

<p><b>3.2</b></p>	<p>The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.</p>	<p>As set out in the Board's written terms of reference, the role of the Chairman is to, <i>inter alia</i>:</p> <ul style="list-style-type: none"> <li>• lead the Board to ensure its effectiveness on all aspects of its role;</li> <li>• set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;</li> <li>• promote a culture of openness and debate at the Board;</li> <li>• ensure effective communication with shareholders;</li> <li>• encourage constructive relations within the Board and between the Board and management; and</li> <li>• promote high standards of corporate governance.</li> </ul> <p>and the role of the CEO is to, <i>inter alia</i>:</p> <ul style="list-style-type: none"> <li>• develop, with the Board, a consensus for the Company's vision and mission;</li> <li>• develop and implement the strategic plan set by the Board;</li> <li>• provide strong leadership and effective day-to-day management of the Company to deliver the plan;</li> <li>• drive a culture of compliance and ethical behaviour;</li> <li>• ensure appropriate talent management and remuneration frameworks are established; and</li> <li>• ensure that the Board is informed about key company activities and issues.</li> </ul>
<p><b>3.3</b></p>	<p>The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.</p>	<p>As Mr Lim Eng Hong, the CEO of the Company, had been appointed as the Executive Chairman of the Board with effect from 27 October 2022, the Board had concurrently appointed Mr Michael Grenville Gray as Lead Independent Director with effect from 27 October 2022. As lead independent director, Mr Michael Grenville Gray will be available to shareholders where they have concerns for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.</p>

# CORPORATE GOVERNANCE REPORT

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.	
Provision	Disclosure	
4.1	<p>The Board establishes a Nominating Committee ("<b>NC</b>") to make recommendations to the Board on relevant matters relating to:</p> <p>(a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;</p> <p>(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;</p> <p>(c) the review of training and professional development programmes for the Board and its directors; and</p> <p>(d) the appointment and re-appointment of directors (including alternate directors, if any).</p>	<p>The NC is regulated by a set of written terms of reference endorsed by the Board, setting out its authority and duties. According to its terms of reference, the responsibilities of the NC include reviewing and making recommendations to the Board relating to:</p> <ul style="list-style-type: none"> <li>the structure, size and composition of the Board and the Board Committees;</li> <li>succession plans for the Board Chairman, Directors, CEO and members of senior management;</li> <li>the development of a transparent process for evaluating the performance of the Board, its Board Committees and Directors, including assessing whether Directors are able to commit enough time to discharge their responsibilities and the maximum number of listed company Board representations which a Director may hold;</li> <li>training and professional development programmes for the Board;</li> <li>appointment and re-appointment of all Directors (including any alternate directors); and</li> <li>the review and confirmation of the independence of each Director.</li> </ul> <p>No alternate directors have been appointed to the Board.</p> <p>In this report, the Company defines the term "<b>key management personnel</b>" to mean the CEO and Executive Officers of the Company. The term "<b>Executive Officers</b>" carries the same meaning as defined in the Listing Rules.</p>
4.2	<p>The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.</p>	<p>The NC comprises the following 3 Directors, all of whom are independent: Mr Goh Chung Meng – Chairman; Mr Chan Yu Meng – Member; and Mr Michael Grenville Gray – Member. Mr Michael Grenville Gray is the lead independent director during the financial year under review. Before Mr Khor Thiam Beng retired as Non-Executive Chairman and Independent Director of the Company at the AGM held on 27 October 2022, he was also a member of the NC.</p>

# CORPORATE GOVERNANCE REPORT

<p><b>4.3</b></p>	<p>The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.</p>	<p>In the selection and nomination of new Directors, the NC identifies the key attributes that an incoming Director should have, based on the attributes of the existing Board and the requirements of the Group. The NC then taps on the Directors' resources for recommendations of potential candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made. Upon a recommendation being made by the NC, a new Director can be appointed by way of a Board resolution. Such Directors must present themselves for re-election at the next AGM of the Company as required under the Constitution.</p> <p>Important issues to be considered as part of the process for the selection, appointment and re-appointment of Directors include the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director.</p> <p>The Directors (including the CEO) submit themselves for re-nomination and re-election at regular intervals of at least once in 3 years in compliance with the Company's Constitution and Rule 720(5) of the Listing Manual of the SGX-ST. The Constitution provides that one-third of the Board is to retire from the office annually by rotation at the AGM. Retiring Directors are eligible to offer themselves for re-election. The NC has recommended the nomination of Mr Alvin Lim Tai Meng and Mr Michael Grenville Gray for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation.</p> <p>Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, additional information on the Directors seeking election/re-election has been set out in the section titled "Additional Information on Directors Seeking Election/Re-Election" which is appended to the Notice of AGM.</p> <p>The Company is of the view that the Board members' collection of skills, experience and diversity meets the current needs of the Company. Please refer to the Company's disclosure in respect of Provision 2.4 above for further details.</p>
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## CORPORATE GOVERNANCE REPORT

<p><b>4.4</b></p>	<p>The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.</p>	<p>Please refer to our disclosure in respect of Provision 2.1 above.</p>
<p><b>4.5</b></p>	<p>The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.</p>	<p>Please refer to our disclosures in respect of Provision 1.2 above with regard to new Directors' induction into the Board, briefing on their duties and the receipt of mandatory training as prescribed by the SGX-ST.</p> <p>Key information regarding the Directors' profiles, including directorships or chairmanships both present and those held over the preceding 5 years in other listed companies, and other principal commitments, are set out in this Annual Report. The shareholdings of the Directors in the Company are set out in the Directors' Statement.</p> <p>The NC determines annually whether each Director with multiple directorships or other principal commitments outside of the Group is able to and has been adequately carrying out his duties as a Director of the Company. The NC takes into account the attendance and contributions of the Directors at Board and Board committee meetings, level of commitment required of the Director's other principal commitments, degree of complexity of the other listed companies where the Director holds directorships, expectations of the Director's obligations in the capacity as director in other organisations, results of the assessment of the effectiveness of the Board as a whole and Board committees, and the respective Directors' actual conduct and participation on the Board and its Board committees, in making the determination.</p> <p>In respect of the financial year under review, the NC was of the view that each Director has given sufficient time and attention to the affairs of the Company and has been able to discharge his duties as director effectively. The NC noted that based on the attendance of Board and Board committee meetings during the financial year under review, all the Directors were able to participate in all of such meetings to carry out their duties. The NC is satisfied that all the Directors have been able to and had adequately carried out their duties notwithstanding their multiple directorships (where applicable) and other principal commitments.</p>

# CORPORATE GOVERNANCE REPORT

		<p>Nonetheless, to ensure that the Directors continue to give sufficient time and attention to the affairs of the Company, the Board has, subject to annual review, determined that the maximum number of directorships and principal commitments which any Director may hold shall be maintained at 5.</p> <p>If the NC considers it necessary, it shall make recommendations to the Board on the guidelines to be implemented to address the competing time commitments faced by Directors serving on multiple boards and with other principal commitments.</p>
<b>BOARD PERFORMANCE</b>		
<b>Principle</b>		
<b>5.</b>	The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.	
<b>Provision</b>		<b>Disclosure</b>
<b>5.1</b>	The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.	The NC has implemented a formal Board evaluation process, approved by the Board, to be carried out annually to assess the effectiveness of the Board as a whole and its Board committees, namely, the ARC, NC and RC. For the financial year under review, an evaluation of the performance of the Board and its Board committees, and the contribution by the Chairman and each Director to the effectiveness of the Board and its Board committees (where applicable), was conducted.
<b>5.2</b>	The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.	<p>The objective of the evaluation process is to assess and identify areas for continuous improvement to the Board's overall effectiveness. The assessment of the Board as a whole is conducted by way of a Board evaluation questionnaire completed by the Directors, which assesses the Board as a whole on several parameters, namely, the Board composition, maintenance of independence, Board information, Board processes, Board accountability, communication with top management and standard of conduct.</p> <p>An evaluation of the performance of the Board committees was also undertaken with the assistance of self-assessment checklists completed by the members of each Board committee collectively. Directors were also required to complete appraisal forms to assess the contributions made by each of the other Directors towards the effectiveness of the Board.</p>

## CORPORATE GOVERNANCE REPORT

	<p>The NC assesses the effectiveness of the Board as a whole and its Board committees, and the contribution by each Director to the effectiveness of the Board, with input from the CEO. The appraisal process focuses on a set of performance criteria which includes the evaluation of the Board composition and size, the Board process, Board effectiveness and training, the provision of information to the Board, Board standards of conduct and financial performance indicators. Such performance criteria are recommended by the NC and approved by the Board and they address how the Board has enhanced long-term shareholder value. The performance criteria allow for comparison with industry peers and do not change from year to year unless circumstances deem it necessary and a decision to change them would be justified by the Board. The assessment parameters for each Director include attendance record at the meetings of the Board and the Board committees and quality of participation at meetings as well as special contributions.</p> <p>The consolidated findings are reported and recommendations are made to the Board for consideration of further improvements to help the Board to discharge its duties more effectively. Where appropriate, the Chairman will act on the results of such evaluation and, in consultation with the NC and if necessary, propose new members to be appointed to the Board or seek the resignation of directors.</p> <p>The NC, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and the Board committees have operated efficiently, the Board has met its performance objectives and each Director has contributed to the overall effectiveness of the Board in the financial year under review.</p> <p>No external facilitator was appointed for the evaluation of the Board and the Board committees during the financial year under review.</p> <p>Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or re-nomination as a Director.</p>
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# CORPORATE GOVERNANCE REPORT

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.	
Provision	Disclosure	
6.1	<p>The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:</p> <p>(a) a framework of remuneration for the Board and key management personnel; and</p> <p>(b) the specific remuneration packages for each director as well as for the key management personnel.</p>	<p>The RC is regulated by a set of written terms of reference endorsed by the Board setting out its authority and duties. According to its terms of reference, the responsibilities of the RC include reviewing and making recommendations to the Board on:</p> <ul style="list-style-type: none"> <li>a framework of remuneration for Directors and Executive Officers, and determining the specific remuneration packages for each Director as well as for the Executive Officers, such recommendations to cover all aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind, and termination payments;</li> <li>performance-related elements of remuneration to align interests of Executive Directors and Executive Officers with those of shareholders and link rewards to corporate and individual performance; and</li> <li>considering whether Directors should be eligible for benefits under long-term incentive schemes.</li> </ul>
6.2	The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.	The RC comprises 3 Directors, all of whom are non-executive and independent: Mr Goh Chung Meng – Chairman; Mr Chan Yu Meng – Member; and Mr Michael Grenville Gray – Member. Before Mr Khor Thiam Beng retired as Non-Executive Chairman and Independent Director of the Company at the AGM held on 27 October 2022, he was also a member of the RC.
6.3	The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.	<p>The aim of the RC is to motivate and retain Directors and Executive Officers without being excessive, and ensure that the Company is able to attract and retain the best talent in the market to drive the Group's businesses forward in order to maximise long-term shareholder value.</p> <p>During the financial year under review, the RC reviewed and made recommendations in relation to the general remuneration framework for the Board, as well as regarding the specific remuneration packages of the Directors and Executive Officers, and submitted them for endorsement by the entire Board.</p> <p>Each member of the RC will abstain from voting and discussing on any resolutions in respect of his own remuneration package.</p>

## CORPORATE GOVERNANCE REPORT

		The RC reviews the Company's obligations arising in the event of termination of the contracts of service of Executive Directors and Executive Officers to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance when setting the remuneration packages of the Executive Director and Executive Officers.
6.4	The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.	While none of the members of the RC specialise in the field of executive compensation, the members of the RC do possess broad knowledge in this area and have access to external professional advice. The RC is competent in reviewing and recommending to the Board the appropriate remuneration framework for Directors and Executive Officers in accordance with the terms of reference duly adopted by the Board. No external remuneration consultants were appointed for the financial year under review. However, in reviewing and recommending to the Board the appropriate remuneration framework for Directors and Executive Officers, the RC had reviewed remuneration surveys published by consulting groups and the government. As and when deemed appropriate by the RC, independent expert advice on the remuneration of Directors will be sought at the Company's expense. The RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.
<b>LEVEL AND MIX OF REMUNERATION</b>		
<b>Principle</b>		
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.	
<b>Provision</b>		<b>Disclosure</b>
7.1	A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.	<p>The remuneration components of the Executive Directors and Executive Officers comprise the annual fixed cash, annual performance incentives and, where applicable, long-term incentives.</p> <p>The annual review of compensation is carried out by the RC to ensure that the remuneration components are market competitive and commensurate with the performance of each Executive Director and Executive Officer and that of the Company, giving due regard to the financial and commercial health and business needs of the Group.</p> <p>The annual fixed cash component comprises the annual basic salary plus fixed allowances which the Company benchmarks against relevant industry market data, where available.</p>

# CORPORATE GOVERNANCE REPORT

		<p>The annual performance incentive variable bonus is tied to the performance of the Company, business unit and individual employee. Performance conditions to which entitlement to such annual and short-term incentives are subject include benchmarking performance against industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Company's financial performance vis-a-vis industry performance.</p> <p>For the financial year under review, the performance conditions for the short-term incentives were generally met.</p> <p>In respect of long-term incentives, the Company has adopted the Avi-Tech Restricted Share Plan 2021 ("<b>RSP 2021</b>"), a share incentive scheme under which performance-based or time-based awards may be granted. For more details on the RSP 2021, please refer to Avi-Tech Electronics Limited's scheme document dated 6 October 2021.</p>
<b>7.2</b>	The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.	<p>The Non-Executive Directors are paid Directors' fees based on their level of contributions, taking into account factors such as effort and time spent, and responsibilities of each Non-Executive Director in the Board and Board committees. The RC will ensure that the Non-Executive Directors are not over-compensated to the extent that their independence may be compromised. The recommendations made by the RC in respect of the Non-Executive Directors' fees for the financial year under review are subject to shareholders' approval at the forthcoming AGM.</p>
<b>7.3</b>	Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.	<p>The RC exercises broad discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of shareholders, promote the long-term success of the Company, and recognise the performance, potential and responsibilities of each individual. The mix of fixed and variable rewards is considered appropriate for the Group and for each individual role. The performance-related remuneration structure is directly linked to corporate and individual performance. The RC also recognises the need for reasonable alignment between risk and performance-related remuneration to discourage excessive risk-taking. As such, in determining the performance-related remuneration structure, the RC had taken into account the risk policies and risk tolerance of the Group, and whether such remuneration is symmetric with risk outcomes and sensitive to the time horizon of risks.</p> <p>The Company has 2 Executive Directors. The remuneration package of Mr Lim Eng Hong is based on terms stipulated in his service contract. His remuneration includes a profit-sharing scheme that is performance-related to align his interests with those of the shareholders. His service contract with the Company is for a fixed period and he does not receive any Directors' fee.</p>

# CORPORATE GOVERNANCE REPORT

		<p>The remuneration package of Mr Lim Tai Meng Alvin is based on terms stipulated in his service contract. His service contract contains an annual performance incentive variable bonus as described in our disclosures in respect of Provision 7.1 above and does not contain a profit-sharing scheme. His service contract with the Company is for a fixed period and he does not receive any Directors' fee.</p> <p>The Company is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the Executive Directors' remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company, as the Executive Directors owe fiduciary duties to the Company and the Company should be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duties.</p> <p>The Company is of the view that the variable component of the remuneration packages of the Executive Officers is moderate and not at risk of jeopardising good stewardship. At present, there is no necessity for the Company to institute contractual provisions in the service agreements to reclaim incentive components of remuneration paid in prior years from the Executive Officers in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.</p>
<b>DISCLOSURE ON REMUNERATION</b>		
<b>Principle</b>		
<b>8.</b>	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.	
<b>Provision</b>	<b>Disclosure</b>	
<b>8.1</b>	<p>The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:</p> <p>(a) each individual director and the CEO; and</p> <p>(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.</p>	<p>Provisions 7.1 and 7.3 above describes the components of each Executive Director and Executive Officer's remuneration, comprising the fixed salary and annual performance incentives, as well as explains how the annual review of compensation is carried out by the RC to ensure that the remuneration components are market-competitive and commensurate with the performance of each Executive Director and Executive Officer and that of the Company. In reviewing the annual performance incentive variable bonus, considerations are tied to the performance of the Company, business unit and individual employee, and entitlement to such annual and short-term incentives are subject to benchmarking performance against industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Company's financial performance vis-a-vis industry performance. It is also disclosed that the RC exercises judgement in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company. The Company sees value creation as increasing returns to shareholders by improving revenue and profits. Please refer to our disclosure in respect of Principle 7 above for further details on the Company's policy and criteria for setting remuneration for Directors and Executive Officers.</p>

# CORPORATE GOVERNANCE REPORT

The RC has recommended to the Board an amount of S\$150,000 as Directors' fees for the financial year under review. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

A breakdown, showing the level and mix of each individual Non-Executive Director's remuneration for the financial year under review, is as follows:

Directors	Fee <sup>(1)</sup> (S\$)	Salary (S\$)	Variable Bonus & Profit Sharing (S\$)	Benefits in kind (S\$)	Total (S\$)
Michael Grenville Gray	50,000	-	-	-	50,000
Chan Yu Meng <sup>8</sup>	33,333	-	-	-	33,333
Goh Chung Meng	50,000	-	-	-	50,000
Khor Thiam Beng <sup>9</sup>	16,667	-	-	-	16,667

**Notes:**

(1) These fees are subject to shareholders' approval at the forthcoming AGM

For the financial year under review, the Company wishes to disclose the remuneration of the Executive Directors in bands of S\$250,000, which constitutes a variation from Provision 8.1(a) of the Code. The Company is of the view that the intent of Principle 8 was met, as the remuneration policies and the procedure for setting remuneration applicable to the Executive Directors are described above in our disclosures in respect of Principle 7, the level and mix of remuneration is disclosed in the table below and disclosures in the financial statements of the Company provides sufficient overview of the remuneration of the Group. Moreover, the RC and the Board are of the opinion that the remuneration packages of the Executive Directors are of a confidential and sensitive nature, the disclosure of which would place the Group in a competitively disadvantageous position, and hence have chosen to make disclosures in relation thereto in bands of S\$250,000. A breakdown, showing the level and mix of each individual Executive Director's remuneration for the financial year under review, is as follows:

Directors	Fee	Salary	Variable Bonus	Benefits in kind	Total
<b>Band C<sup>(1)</sup></b>	%	%	%	%	%
Lim Eng Hong	-	74	18	8	100
<b>Band B<sup>(2)</sup></b>	%	%	%	%	%
Lim Tai Meng Alvin <sup>(3)</sup>	-	84	14	2	100

**Notes:**

(1) Band C means from S\$500,000 up to S\$749,999

(2) Band B means from S\$250,000 up to S\$499,999

(3) Mr Lim Tai Meng Alvin is the son of Mr Lim Eng Hong, the Company's CEO, Director and controlling shareholder.

<sup>8</sup> Mr Chan Yu Meng was appointed as an Independent Director of the Company at the AGM held on 27 October 2022, and thereafter appointed as a member of the ARC, the NC and the RC on 27 October 2022.

<sup>9</sup> Mr Khor Thiam Beng retired as Non-Executive Chairman and Independent Director of the Company at the AGM held on 27 October 2022.

# CORPORATE GOVERNANCE REPORT

		<p>As required under Provision 8.1(b) of the Code, a breakdown, showing the level and mix of the top Executive Officers' remuneration (in bands of S\$250,000) for the financial year under review, is as follows:</p> <table border="1" data-bbox="699 551 1430 824"> <thead> <tr> <th>Name</th> <th>Salary</th> <th>Variable Bonus</th> <th>Benefits in kind</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td><b>Band B<sup>(1)</sup></b></td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> </tr> <tr> <td>Joseph Wang Nin Choon</td> <td><b>86</b></td> <td><b>14</b></td> <td>–</td> <td>100</td> </tr> <tr> <td><b>Band A<sup>(2)</sup></b></td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> </tr> <tr> <td>Lau Toon Hai</td> <td><b>86</b></td> <td><b>14</b></td> <td>–</td> <td>100</td> </tr> </tbody> </table> <p><b>Notes:</b>            (1) Band B means from S\$250,000 up to S\$499,999            (2) Band A means from S\$1 up to S\$249,999</p> <p>The Company considers the heads of the corporate functions and the Vice Presidents to be the Executive Officers and top key management personnel of the Company (who are not Directors or the CEO) for the financial year under review and pursuant thereto, there were only two key management personnel in the financial year under review. The total remuneration paid to the above Executive Officers is not more than S\$500,000 in the financial year under review. The Company is of the view that the disclosure of the upper limit of the total remuneration paid to the two key management personnel is substantially in compliance with Provision 8.1(b) of the Code, as it sufficiently informs that the total remuneration paid does not specifically exceed the amount stated.</p> <p>In view of the foregoing, the Company believes that the Annual Report, taken as a whole, has sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation, which is consistent with the intent of Principle 8 of the Code.</p>	Name	Salary	Variable Bonus	Benefits in kind	Total	<b>Band B<sup>(1)</sup></b>	%	%	%	%	Joseph Wang Nin Choon	<b>86</b>	<b>14</b>	–	100	<b>Band A<sup>(2)</sup></b>	%	%	%	%	Lau Toon Hai	<b>86</b>	<b>14</b>	–	100
Name	Salary	Variable Bonus	Benefits in kind	Total																							
<b>Band B<sup>(1)</sup></b>	%	%	%	%																							
Joseph Wang Nin Choon	<b>86</b>	<b>14</b>	–	100																							
<b>Band A<sup>(2)</sup></b>	%	%	%	%																							
Lau Toon Hai	<b>86</b>	<b>14</b>	–	100																							
8.2	<p>The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.</p>	<p>Save as disclosed in respect of Provision 8.1 above and in respect of this Provision 8.2, the Group did not employ any employees who are substantial shareholders of the Company, or are immediate family members of any Director, the CEO or a substantial shareholder of the Company. <b>"Immediate family"</b> means a spouse, child, adopted child, step-child, brother, sister or parent.</p> <p>In respect of the total remuneration of Mr Lim Eng Hong (a substantial shareholder and the CEO of the Company) and Mr Lim Tai Meng Alvin (who is Mr Lim Eng Hong's son), the Company wishes to disclose their remuneration in bands of S\$250,000 rather than S\$100,000.</p> <p>This constitutes a variation from Provision 8.2 of the Code, and an explanation for this variation is set out above, in our disclosure in respect of Provision 8.1 above.</p>																									

# CORPORATE GOVERNANCE REPORT

<p><b>8.3</b></p>	<p>The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.</p>	<p>Please refer to our disclosure in respect of Provision 8.1 above for the Company's disclosure of all forms of remuneration and other payments and benefits paid by the Company to Directors and top key management personnel. Persons appointed as directors of the Company's subsidiaries comprise only Mr Lim Eng Hong, Mr Lim Tai Meng Alvin, and Mr Joseph Wang Nin Choon who apart from receiving their remuneration from the Company, do not receive any further remuneration from any other companies within the Group.</p> <p>As disclosed in respect of Provision 7.1 above, the Company has adopted the RSP 2021, a share incentive scheme under which performance-based or time-based awards may be granted. The aggregate number of shares which may be available pursuant to awards granted under the RSP 2021, when added to the number of new shares issued and issuable in respect of all awards granted under the RSP 2021, and all options or awards granted under any other option scheme or share plan which the Company may implement from time to time, shall not exceed 15% of the total number of issued shares (excluding treasury shares) on the day preceding the relevant award date.</p> <p>As disclosed on page 109 of the prospectus of Avi-Tech Electronics Limited (now known as Avi-Tech Electronics Pte. Ltd.) dated 11 July 2007, the CEO does not receive any benefits upon the termination of his service contract. His service contract contains non-competition and non-solicitation clauses which are binding on the CEO for a period of 12 months from the date of cessation of employment with the Company. These obligations of non-competition and non-solicitation shall be conditional upon: (i) shareholders' approval pursuant to Rule 906 of the Listing Rules (if applicable) for the making by the Company to the CEO of 12 monthly payments of S\$40,000 each from the Company (totalling S\$480,000), (the "<b>Payment(s)</b>"); and (ii) the receipt of the Payment(s) by the CEO, the first payment of which shall be paid not later than the first day of the month immediately following the cessation date of employment with the Company, and, thereafter on the first day of each following month, time being of the essence. The Company is not obliged to make any Payment(s), or having made Payment(s) or parts thereof, to continue making such Payment(s) to the CEO, in the event the Company decides at any time, in its sole discretion, that the Company does not require the CEO to perform or continue performing the said non-competition and non-solicitation obligations.</p> <p>Save as disclosed above, no other employees or Directors of the Company are entitled to any termination, retirement or post-employment benefits.</p>
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# CORPORATE GOVERNANCE REPORT

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.	
Provision	Disclosure	
9.1	<p>The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.</p>	<p>The Board is responsible for risk governance, establishing risk management policies and tolerance strategies that set the appropriate tone and direction, and also overseeing the implementation of the Company's risk management framework to ensure that risks are identified and managed.</p> <p>The ARC has been established by the Board to assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies. In addition, the Company has established a risk management committee comprised of senior executives and co-chaired by the CEO and CFO of the Company, which meets at least once annually, including attendance at a workshop on the Company's risk management framework and policies. Directors are invited to provide their views and input at the workshop. The ARC reviews the findings from the workshop before making recommendations to the Board on the Company's risk management framework and policies.</p> <p>The Company has put in place a risk management and internal control system in areas such as financial, operational, compliance and information technology controls. Risk management and internal controls are detailed in formal instructions, standard operating procedures and financial authority limits policies. The principal aim of the internal control system is the management of business risks with a view to safeguarding shareholders' investments and the Group's assets.</p> <p>In particular, the Company's Risk Governance and Internal Control ("RGIC") framework was developed to realise the value of risk management by providing an integrated enterprise-wide perspective of the risks involved in the Company's businesses, and institutionalising a systematic risk assessment methodology for the identification, assessment, management, reporting and monitoring of risks on a consistent and reliable basis. The RGIC Manual sets out, inter alia, the Board's approved Risk Appetite and Risk Tolerance guidance, Authority and Risk Control Matrix, Key Control Activities and Key Reporting and Monitoring Activities to manage and mitigate risks.</p>

# CORPORATE GOVERNANCE REPORT

	<p>The Company's RGIC framework is constantly refined, ensuring relevance in a dynamic operating environment. The Company keeps abreast of the latest developments and best practices by participating in industry seminars and interacting with risk management practitioners. Continuous training is conducted to build risk awareness and competencies, and systems and tools are put in place to operationalise the risk management framework to support the Company's RGIC framework.</p> <p>The management maintains the risk management and internal control systems and the Board monitors the Group's risks through the ARC and internal auditors. In designing these controls, the Company has considered the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.</p> <p>The Board is committed to maintaining adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems to safeguard shareholders' interests and investments, and the Group's assets. The Board recognises the importance of establishing sound internal controls and risk management practices for good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems, including financial, operational, compliance and information technology controls, on an annual basis.</p> <p>On an ongoing basis, the Board periodically monitors and assesses the adequacy of the risk management systems that it has put in place and the system of internal controls, and ensure that management takes the appropriate steps to manage and mitigate risks.</p> <p>During the financial year under review, the Board reviewed the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management framework and systems, conducted dialogue sessions with the management to understand the process, and to identify, assess, manage and monitor risks within the Group.</p> <p>The Company has established and maintains, on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits, as required under Rule 719(3) of the Listing Rules. The Board has engaged RSM Risk Advisory Pte Ltd, the outsourced internal auditor for the Group, during the financial year under review, to conduct an internal audit on selected key risk areas of the Group and to make recommendations to enhance the internal controls and risk management framework and systems.</p>
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# CORPORATE GOVERNANCE REPORT

		<p>During the financial year under review, the management updated the ARC and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas:</p> <ul style="list-style-type: none"> <li>• identification of specific "risk owners" who are responsible for the risks identified;</li> <li>• assessment of the Group's key risks by major business units and risk categories;</li> <li>• description of the processes and systems in place to identify and assess risks to the business and how risk information is collected on an ongoing basis;</li> <li>• ongoing gaps in the risk management process such as system limitations in capturing and measuring risks, as well as action plans to address the gaps;</li> <li>• status and changes in plans undertaken by the management to manage key risks; and</li> <li>• description of the risk monitoring and escalation processes and also systems in place.</li> </ul> <p>The Board also considered any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for the financial year under review.</p> <p>The Board relies on internal audit reports and the management letter prepared by the external auditors to report on any material non-compliance or internal control weaknesses. In line with the requirements under Rule 1207(10) of the Listing Rules, for the financial year under review, based on the risk management systems and internal controls established and maintained by the Group, work performed by the internal and external auditors, review of the internal audit plan and the internal auditors' evaluation of the system of internal controls and reviews performed by management, various Board committees and the Board, the Board, with the concurrence of the ARC, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective as at 30 June 2023 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment.</p>
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# CORPORATE GOVERNANCE REPORT

		<p>The system of risk management and internal controls established by the Group is designed to manage, rather than eliminate, the risk of failure in achieving the Group's goals and objectives. The Board wishes to state that the system of internal controls provides reasonable, but not absolute, assurance as to financial, operational, compliance and information technology risks. No such system can provide absolute assurance against the occurrence of material errors and other situations not currently within the contemplation or beyond the control of the Board.</p> <p>Please also refer to the "Letter to Shareholders" portion of the Annual Report on the Chairman's and CEO's commentary of the significant trends and competitive conditions of the industry in which the Group operates in.</p>
<p><b>9.2</b></p>	<p>The Board requires and discloses in the company's annual report that it has received assurance from:</p> <p>(a) the CEO and the Chief Financial Officer ("<b>CFO</b>") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and</p> <p>(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.</p>	<p>The Board has also received assurances from the CEO and the CFO that for the financial year under review, the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and based on the work performed by the internal and external auditors, the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 30 June 2023.</p>

# CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE		
Principle		
10.	The Board has an Audit Committee ("AC") which discharges its duties objectively.	
Provision	Disclosure	
10.1	<p>The duties of the AC include:</p> <p>(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;</p> <p>(b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;</p> <p>(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;</p> <p>(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;</p> <p>(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and</p>	<p>The ARC is regulated by a set of written terms of reference endorsed by the Board, setting out its authority and duties.</p> <p>The ARC has full access to, and co-operation from the management, and has full discretion to invite any Director, executive officer of the Company or other persons to attend its meetings. It may require any such Director, executive officer or other person in attendance to leave the meeting (temporarily or otherwise) to facilitate open discussion should they have an interest in the matter under discussion. The ARC also has explicit authority to investigate any matter brought to its attention, within its terms of reference, with the power to obtain professional advice at the Company's expense. The ARC has reasonable resources to enable it to discharge its functions properly.</p> <p>The members of the ARC also take measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements as and when the ARC, or the Board or the Company, deems necessary and appropriate. Changes to the various accounting standards are monitored closely by management. Where these changes have an important bearing on the Company's disclosure obligations, the Directors (including members of the ARC) are kept informed of such changes from time to time through circulation of the relevant changes which are also tabled during Board meetings.</p> <p>According to its terms of reference, the responsibilities of the ARC include:</p> <ul style="list-style-type: none"> <li>• reviewing significant financial reporting issues and judgements so as to ensure the integrity of financial statements and announcements on the Company's financial performance, and making recommendations, if any, to the Board, and in particular, monitoring the integrity of the financial reports prepared by the Company and reviewing the application and consistency of the accounting standards used;</li> </ul>

# CORPORATE GOVERNANCE REPORT

	<p>(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.</p>	<ul style="list-style-type: none"> <li>• reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the risk management and internal control systems (including financial, operational, compliance and information technology controls), and state whether the ARC concurs with the Board’s comment on adequacy and effectiveness of the Company’s internal controls and risk management systems;</li> <li>• reviewing the assurance provided by the CEO and CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company’s operations and finances;</li> <li>• reviewing the performance of the external auditors and facilitating its selection, appointment, reappointment, and removal by considering such factors including an assessment of their effectiveness through the level of errors identified, accuracy in handling key accounting and audit judgements, and response to queries from the ARC and then recommending to the Board the appointment, reappointment and removal of the external auditors and its remuneration and terms of engagement;</li> <li>• reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors, in particular, monitoring and assessing annually whether the external auditors’ independence or objectivity is impaired by considering such factors including the amount of fees paid to the external auditors for the financial year, and the breakdown of aggregate fees for audit and non-audit services provided by the external auditors;</li> <li>• reviewing the adequacy, effectiveness, independence, scope and results of the Company’s internal audit function by, inter alia, monitoring and assessing the role and effectiveness of the internal audit function, including the internal audit charter, plans, activities, staffing, budget, resources, and organisational structure of the internal audit function; and</li> <li>• overseeing the establishment and operation of the whistleblowing process in the Company and ensuring that policies and arrangements are in place by which staff may safely raise concerns about possible improprieties in financial reporting or other matters and ensuring that there are appropriate arrangements for an independent investigation and appropriate follow-up on concerns raised.</li> </ul>
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# CORPORATE GOVERNANCE REPORT

		<p>During the financial year under review, the ARC performed the following main functions (amongst other duties) in accordance with its written terms of reference:</p> <ul style="list-style-type: none"> <li>• reviewing the terms of reference for the ARC annually;</li> <li>• recommending to the Board the appointment or reappointment of the internal and/or external auditors, and approving the remuneration and terms of engagement of the internal and/or external auditors, after taking into account, amongst other things, the auditors' performance for the financial year under review and the requirements of the Group;</li> <li>• reviewing the scope and results of the external audit as well as the internal audit plan and process to determine that it meets the requirements of the Group;</li> <li>• evaluating the independence and objectivity of the external auditors;</li> <li>• reviewing the Group's periodic financial statements (as required under the Listing Rules) and related notes and announcements relating thereto, accounting principles adopted, and the external auditors' reports to ensure proper disclosure and compliance prior to recommending to the Board for approval;</li> <li>• reviewing and evaluating, having regard to input from external and internal auditors, the adequacy and effectiveness of the Group's system of internal controls and risk management functions, which include internal financial controls, operational, compliance and information technology controls and risk management policies and systems;</li> <li>• reviewing the nature, scope, extent and cost-effectiveness of any non-audit services provided by the external auditors and ensuring that these do not affect the independence and objectivity of the external auditors;</li> <li>• reviewing any significant financial reporting issues and judgments and estimates made by the management, so as to ensure the integrity of the financial statements of the Group; and</li> <li>• reviewing the independence, adequacy and effectiveness of the Group's internal auditors.</li> </ul>
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# CORPORATE GOVERNANCE REPORT

		<p>During the financial year under review, the ARC also reviewed:</p> <ul style="list-style-type: none"><li>• the periodic results announcement (as required under the Listing Rules) together with the external auditors of the Company prior to its recommendations to the Board for approval for release on SGXNET and any changes to accounting standards and issues which have a direct impact on financial statements will be raised at such meetings;</li><li>• the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors and noted that no restriction was imposed by the management on the scope and extent of the external audit;</li><li>• the Group's full-year results announcement, the financial statements of the Company and the consolidated financial statements of the Group for the financial year under review prior to its recommendations to the Board for approval; and</li><li>• the statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" which is found in this Annual Report.</li></ul> <p><i>Key Audit Matters</i></p> <p>The ARC reviewed the key audit matter on allowance for slow-moving and obsolete inventories, included in the independent auditor's report for the financial year ended 30 June 2023. The ARC discussed in detail with management the amounts, value and age of older inventory and the approach and methodology applied in the assessment of making allowance for slow-moving and obsolete inventory as well as the reasonableness of the key sources of estimation uncertainty used as disclosed in Note 3 to the financial statements. The ARC concluded that the Company's accounting treatment in the allowance for slow-moving and obsolete inventories was appropriate.</p>
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# CORPORATE GOVERNANCE REPORT

## *External Auditors*

Before confirming an external auditors' re-appointment, the ARC will conduct an annual review of the independence of the Company's external auditors and the total fees for non-audit services compared with audit services, and satisfy itself that the nature and volume of any non-audit services will not prejudice the independence and objectivity of the Company's external auditors. During the financial year under review, the remuneration paid/payable to the Company's external auditors, Deloitte & Touche LLP, is set out below:

<b>Service Category</b>	<b>Fees Paid/Payable (\$S'000)</b>
Audit Services	<b>138</b>
Non-Audit Services	<b>19</b>
<b>Total</b>	<b>157</b>

In line with the requirements under Rule 1207(6) of the Listing Rules, the ARC has reviewed the non-audit services provided by the external auditors, Deloitte & Touche LLP, for the financial year under review, and is of the opinion that the provision of such services did not affect the independence or objectivity of the external auditors.

In respect of the financial year under review, the external auditors have confirmed that they are in compliance with the independence requirements set out in the Code of Professional Conduct and Ethics under the Accountants (Public Accountants) Rules of the Singapore Accountants Act and have affirmed their independence in this respect.

The ARC had recommended the reappointment of Deloitte & Touche LLP as external auditors of the Company at the forthcoming AGM. The external auditors re-appointed for the Company's subsidiaries are set out in the notes to the financial statements found in this Annual Report.

In proposing to shareholders the re-appointment of Deloitte & Touche LLP as the external auditors to the Company, and in line with the requirements under Rule 712 of the Listing Rules, and after taking into consideration the Audit Quality Indicators Disclosure Framework published by ACRA in respect of Deloitte & Touche LLP, the Board and the ARC considered and are satisfied with the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of our Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. Deloitte & Touche LLP has confirmed that it is registered with ACRA. The Company is also in compliance with Rule 715 of the Listing Rules in relation to the appointment of the auditors of the Company and its subsidiaries.

# CORPORATE GOVERNANCE REPORT

		<p><i>Whistle-blowing Policy</i></p> <p>To achieve a high standard of corporate governance for the operations of the Group, the Group has implemented a whistle-blowing policy. This policy will provide arrangements by which staff can raise concerns on financial improprieties and other reporting matters.</p> <p>The whistle-blowing policy enables staff of the Group and any other persons, in confidence, to raise concerns about possible improprieties in matters of financial reporting and questionable accounting practices or other matters such as criminal offences, unlawful acts, fraud, corruption, bribery and blackmail, failure to comply with legal or regulatory obligations, unsafe work practices or substantial wasting of Company resources, and concealment of any of the foregoing. The whistle-blowing policy is intended to conform to the guidance set out in the Code and aims to: (i) support the Group's values and help detect and address unacceptable conduct; (ii) provide an avenue for Directors, employees and contractors of the Group and their staff to raise concerns without fear of suffering retribution and offer reassurance that staff of the Group and any other persons making such reports will be treated fairly and protected from reprisals for whistle-blowing in good faith within the limits of the law; and (iii) provide a transparent and confidential process for dealing with concerns.</p> <p>The ARC exercises the oversight functions over the administration of the whistle-blowing policy. All reports including unsigned reports, reports weak in details and verbal reports will be considered. Such reports will be directed to the CEO or the Chairman of the ARC and the ARC will be informed immediately of any whistle-blowing reports received. To ensure independent investigation into such matters and for appropriate follow-up action, all whistle-blowing reports are reviewed by the ARC. In the event that the whistle-blowing report is about a Director, that Director shall not be involved in the review and any decisions with respect to that whistle-blowing report. Periodic reports will be submitted by the ARC to the Board stating the number and the complaints received, the results of the investigations, the follow-up actions taken, and the unresolved complaints (if any).</p> <p>All employees who make a disclosure or raise a concern in accordance with such policy will be protected from reprisal if such employee (a) discloses the information in good faith; (b) has reasonable grounds to believe such disclosure or concern is substantially true; (c) does not act maliciously; and (d) does not seek any personal or financial gain. The identity of the whistle-blower will also be kept confidential. While employees are strongly encouraged to disclose their identity when lodging complaints, efforts will be made to ensure confidentiality as far as reasonably practicable. Furthermore, anonymous complaints will not be disregarded and will be considered.</p>
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## CORPORATE GOVERNANCE REPORT

		<p>The ARC has independent oversight and monitoring of the whistle-blowing policy and is committed to ensuring that the whistle-blower's identity is kept confidential and protection of the whistle-blower against detrimental or unfair treatment.</p> <p>The ARC has reviewed and has ensured that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. Details of the whistle-blowing policy have also been made available to the Directors, employees and contractors of the Group and their staff.</p> <p>There were no whistle-blowing reports received by the ARC in the financial year under review.</p>
<b>10.2</b>	<p>The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.</p>	<p>The ARC comprises 3 Directors, all non-executive and all of whom are independent: Mr Michael Grenville Gray – Chairman; Mr Chan Yu Meng – Member; and Mr Goh Chung Meng – Member. Before Mr Khor Thiam Beng retired as Non-Executive Chairman and Independent Director of the Company at the AGM held on 27 October 2022, he was also a member of the ARC.</p> <p>The members of the ARC are appropriately qualified to discharge their responsibilities, with Mr Michael Grenville Gray having been a former partner in PricewaterhouseCoopers, Mr Goh Chung Meng having a wide financial management experience, and Mr Chan Yu Meng being an in-house counsel and former partner at a law firm.</p>
<b>10.3</b>	<p>The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.</p>	<p>The ARC's terms of reference provide that the members of the ARC shall not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of 2 years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation. None of the ARC members fall into any of the above categories.</p>
<b>10.4</b>	<p>The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.</p>	<p>The Company has outsourced the internal audit function to RSM Risk Advisory Pte Ltd. The internal auditors report to the Chairman of the ARC and the scope of work will be agreed with the ARC on an annual basis. The internal auditors have access to all the Company's documents, records, properties and personnel, including access to the ARC. The ARC approves the hiring, removal, evaluation and compensation of the internal auditors.</p>

# CORPORATE GOVERNANCE REPORT

		<p>In line with the requirements under Rule 1207(10C) of the Listing Rules, following the review of the internal audit plan and the internal auditors' resources to conduct the internal audit plan, the internal auditors' objectivity in the assessment of issues and taking into account that the internal auditors have access to all the Company's documents, records, properties and personnel, including access to the ARC and having the co-operation of management, the ARC is satisfied with the independence of the internal auditors, and is of the view that the internal audit function is independent, effective, adequately resourced and has the appropriate standing within the Group.</p> <p>In considering the hiring, removal, evaluation and compensation of the internal auditors, the ARC has considered and is satisfied with the adequacy of the qualifications and experience of the internal auditors.</p> <p>The internal audit performed by RSM Risk Advisory Pte Ltd. is guided by the International Standards for the Professional Practice of Internal Auditing.</p>
<b>10.5</b>	The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.	The ARC meets, at least once annually, with the Group's external and internal auditors, in each case without the presence of management, in order to have free and unfiltered access to information that it may require, to discuss the results of their examinations and the evaluation of the Group's system of risk management and internal controls, and to discuss any problems and concerns which they may have.
<b>SHAREHOLDER RIGHTS AND ENGAGEMENT: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS</b>		
<b>Principle</b>		
<b>11.</b>	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.	
<b>Provision</b>		<b>Disclosure</b>
<b>11.1</b>	The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.	The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. The Board provides shareholders with periodic financial reports within the legally-prescribed periods and under the Listing Rules. In presenting financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, position, prospects and industry conditions. The responsibility to provide a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators (if required).

## CORPORATE GOVERNANCE REPORT

Financial and other price-sensitive public information are primarily disseminated to shareholders on a timely basis through announcements via SGXNET and may also be disseminated through press releases, the Company's website, media and analyst briefings. The Company's annual report is accessible on the SGXNET and on the Company's website.

In order to provide ample notice to shareholders, the notice of general meeting is despatched to all shareholders before the scheduled date of the general meeting. The notice of general meeting is also advertised in the newspaper and made available via SGXNET and on the Company's website. The notice period for all general meetings complies with the requirements under the Companies Act and the Listing Rules.

The AGM is the principal forum for dialogue with shareholders. The Board welcomes questions and comments relating to the Group's business and performance from shareholders at AGMs. Shareholders are given an opportunity to air their views and direct questions to the Board and management on matters affecting the Group. The Chairman facilitates constructive dialogue between shareholders and the Board, management, external auditors and other relevant professionals and from time to time, directs other Directors to answer queries on matters related to their roles.

Shareholders will be informed of the rules, including voting procedures that govern general meetings of shareholders. The Constitution allows a shareholder to appoint a proxy to attend and vote in his place at general meetings. Nominee companies and relevant intermediaries, as defined in Section 181 of the Companies Act, may appoint more than 2 proxies to speak, attend and vote at general meetings.

According to the Constitution, all resolutions at general meetings shall be voted by poll. With poll voting, shareholders present in person or represented by proxy at general meetings will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for poll voting will be explained at the general meetings. Detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced via SGXNET and made available on the Company's website after the conclusion of the general meetings. The Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration the logistics involved, costs, and number of shareholders, amongst other factors.

# CORPORATE GOVERNANCE REPORT

<p><b>11.2</b></p>	<p>The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are “bundled”, the company explains the reasons and material implications in the notice of meeting.</p>	<p>The Company practises having separate resolutions at general meetings for each substantially separate issue. “Bundling” of resolutions will be done only where resolutions are interdependent and linked so as to form one significant proposal.</p> <p>Pursuant to Rule 720(6) of the Listing Rules, additional information on the Directors seeking election/re-election has been set out in the section titled “Additional Information on Directors Seeking Election/ Re-Election” which is appended to the Notice of AGM. Please also refer to the section entitled “Board of Directors” of the annual report above and the explanatory notes to the Notice of AGM, which set out detailed information about these Directors, including the board and committee positions they are expected to hold upon election and their current directorships in other listed companies and other principal commitments held.</p>																								
<p><b>11.3</b></p>	<p>All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report. Directors’ attendance at such meetings held during the financial year is disclosed in the company’s annual report.</p>	<p>The Company requires all Directors (including the respective chairman of each of the Board committees) to be present at all general meetings of shareholders to address shareholders’ queries at these meetings, except where there are exigencies. The external auditors are also required to be present to address shareholders’ queries about the conduct of the audit and the preparation and content of the independent auditor’s report.</p> <p>Details of Directors’ attendance at all general meetings of shareholders held for the financial year under review are summarised in the table below:</p> <table border="1" data-bbox="699 1256 1428 1630"> <thead> <tr> <th>Meetings of Shareholders</th> <th>Extraordinary General Meetings</th> <th>Annual General Meetings</th> </tr> </thead> <tbody> <tr> <td>Total held in FY2023</td> <td>0</td> <td>1</td> </tr> <tr> <td>Lim Eng Hong</td> <td>0</td> <td>1</td> </tr> <tr> <td>Lim Tai Meng Alvin</td> <td>0</td> <td>1</td> </tr> <tr> <td>Michael Grenville Gray</td> <td>0</td> <td>1</td> </tr> <tr> <td>Goh Chung Meng</td> <td>0</td> <td>1</td> </tr> <tr> <td>Chan Yu Meng<sup>10</sup></td> <td>0</td> <td>1</td> </tr> <tr> <td>Khor Thiam Beng<sup>11</sup></td> <td>0</td> <td>1</td> </tr> </tbody> </table>	Meetings of Shareholders	Extraordinary General Meetings	Annual General Meetings	Total held in FY2023	0	1	Lim Eng Hong	0	1	Lim Tai Meng Alvin	0	1	Michael Grenville Gray	0	1	Goh Chung Meng	0	1	Chan Yu Meng <sup>10</sup>	0	1	Khor Thiam Beng <sup>11</sup>	0	1
Meetings of Shareholders	Extraordinary General Meetings	Annual General Meetings																								
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<sup>10</sup> Mr Chan Yu Meng was appointed as an Independent Director of the Company at the AGM held on 27 October 2022.

<sup>11</sup> Mr Khor Thiam Beng retired as Non-Executive Chairman and Independent Director of the Company at the AGM held on 27 October 2022.

## CORPORATE GOVERNANCE REPORT

<p><b>11.4</b></p>	<p>The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.</p>	<p>The Company's Constitution provides that the Board may, in its sole discretion approve and implement, and subject to such security measures as may be deemed necessary or expedient, such voting methods to allow shareholders who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.</p> <p>Nevertheless, voting in absentia and by electronic mail is not presently available, which constitutes a variation from Provision 11.4 of the Code. The Board is looking into resolving the issues on security and integrity satisfactorily before implementing such absentia-voting methods. The Company is of the view that the intent of Principle 11 was met, as the existing arrangement whereby shareholders have the opportunity to vote by proxy is adequate in enabling shareholders to exercise their rights and have the opportunity to vote. Moreover, to allow voting in absentia by mail, facsimile or email would require careful consideration of various factors, including the integrity of information and authentication of the identity of shareholders.</p>
<p><b>11.5</b></p>	<p>The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.</p>	<p>The Company will publish minutes of general meetings within one month after the general meeting on SGXNET and its corporate website.</p> <p>The minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board or management.</p>
<p><b>11.6</b></p>	<p>The company has a dividend policy and communicates it to shareholders.</p>	<p>Avi-Tech Electronics Limited (now known as Avi-Tech Electronics Pte. Ltd.) had announced to shareholders on 8 February 2017 the current policy on payment of dividends, which will see the Company distributing in respect of any one financial year, a total annual dividend amount of not less than 30% of the Company's consolidated net profits after tax and non-controlling interest and excluding non-recurring, one-off and exceptional items for that financial year, on condition of a regular operating environment and taking into account the Company's earnings, financial position, capital expenditure requirements, cash flow, future expansion, investment plans, and other factors which the Board may deem appropriate.</p> <p>Dividends declared are subject to shareholders' approval (where applicable), applicable laws and the Constitution.</p> <p>The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividends and/or in no way obligates the Company to declare a dividend at any time or from time to time.</p>

# CORPORATE GOVERNANCE REPORT

		<p>The dividend policy is not indicative in any way of, and should not be construed in any manner as, a forecast statement or projection made by the Company or the Board on the future financial results and performance of the Company. In particular, no inference should or can be made from any of the foregoing statements as to the actual future profitability of the Company or the ability of the Company to pay dividends in any of the periods discussed.</p> <p>In the past where dividends are not paid, the reasons why dividends were not paid are communicated to shareholders in the relevant annual report and in results announcements.</p>
<b>ENGAGEMENT WITH SHAREHOLDERS</b>		
<b>Principle</b>		
<b>12.</b>	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.	
<b>Provision</b>		<b>Disclosure</b>
<b>12.1</b>	The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.	<p>All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. The Board is aware of its obligations to shareholders in providing information on changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares. In line with the continuing disclosure obligations of the Company pursuant to the Listing Rules and the Companies Act, the Board's policy is that all shareholders should be equally and sufficiently informed in a comprehensive manner and on a timely basis of all material developments that impact the Group, and in particular, changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares.</p> <p>All announcements including the periodic financial results announcements as required under the Listing Rules, distribution of notices, press releases, presentations and announcements on major developments, as well as the Company's annual report, are communicated to shareholders through public announcements via SGXNET and the Company's website, news releases (where appropriate) and circulars that are sent to all shareholders, and notices of general meeting which are advertised. The Board approves the results announcements after review and authorises their release to the shareholders via SGXNET.</p> <p>The Company does not practise selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released via SGXNET before, or concurrently with, such meetings. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.</p>

# CORPORATE GOVERNANCE REPORT

		The Company has also devised investor relations policies to provide regular, effective and fair communication and convey pertinent information to shareholders. This is achieved by providing shareholders, through the Company's website, avenues to request for information via subscribing for email updates and providing shareholders with an investor relations contact, including email address and telephone/fax numbers, for shareholders to contact the Company. The investor relations contact person can be reached at <a href="mailto:ir@avi-tech.com.sg">ir@avi-tech.com.sg</a> , by telephone at +65 6482 6168, or by fax at +65 6482 6123.
<b>12.2</b>	The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.	The Company does not currently have a written investor relations policy, which constitutes a variation from Provision 12.2 of the Code. The Company is of the view that the intent of Principle 12 is met, as there is a section on "Investor Relations" on the Company's website. From this section, the Company's latest annual reports, financial results, corporate announcements and stock information can be assessed. Shareholders and investors may also communicate with the Company and, as the case may be, submit any request for information, notices of interests or questions, via the Company's investor relations email address at <a href="mailto:ir@avi-tech.com.sg">ir@avi-tech.com.sg</a> , through which shareholders may contact the Company with questions and through which the Company may respond to such questions. Moreover, the Board endeavours to establish and maintain regular dialogue with shareholders (including institutional and retail investors), to solicit and understand their views or gather inputs, and address shareholders' concerns. When circumstances permit and where appropriate, the Company undertakes regular analyst briefings to provide market updates on the Group's business and plans.
<b>12.3</b>	The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.	Please refer to our disclosure in respect of Provisions 12.1 and 12.2 above.
<b>MANAGING STAKEHOLDERS RELATIONSHIPS: ENGAGEMENT WITH STAKEHOLDERS</b>		
<b>Principle</b>		
<b>13.</b>	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.	
<b>Provision</b>	<b>Disclosure</b>	
<b>13.1</b>	The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.	Stakeholder engagement forms an integral part of the Company's sustainability approach. The Company's stakeholders have an interest in the Company's business and influences the Company's operations, products and services, business approach and strategies. The Company's stakeholders have been identified as its customers, business partners and suppliers, shareholders, employees, government/regulatory agencies and the community.

# CORPORATE GOVERNANCE REPORT

		The Company proactively engages with its stakeholders on a regular, continuing basis through various channels and means to gain insights to their expectations and concerns and use these learnings to make informed management decisions in shaping the Company's business policies and strategies, so as to create sustainable business growth and value for all stakeholders.
<b>13.2</b>	The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	<p>How the Company engages with its diverse stakeholders, their expectations and concerns, and how the Company responds to them are detailed in the Company's sustainability report. The Company has published its latest annual sustainability report (the "<b>Sustainability Report</b>") within the timelines set out in Rule 711A and Practice Note 7.6, paragraph 6.1 of the Listing Rules and the same will be uploaded on the Company's website as well as on SGXNET.</p> <p>As a brief summary, in defining the Company's sustainability reporting content, the Company makes reference to the Global Reporting Initiative (GRI) standards by considering the Group's activities, impact and substantive expectations and interests of its stakeholders. The Sustainability Report will be on a "comply or explain" basis in accordance with Practice Note 7.6 of the Listing Rules. Corresponding to GRI's emphasis on materiality, the Sustainability Report will highlight, inter alia, the key economic, environmental, social and governance related initiatives carried out throughout the financial year under review. Further details on the Company's sustainability practices will be contained in the Sustainability Report.</p> <p>A copy of the sustainability report is available for download at <a href="http://www.avi-tech.com.sg">www.avi-tech.com.sg</a> and feedback from all stakeholders are welcomed. All questions, comments, suggestions or feedback can be sent to the Company at <a href="mailto:ir@avi-tech.com.sg">ir@avi-tech.com.sg</a>.</p>
<b>13.3</b>	The company maintains a current corporate website to communicate and engage with stakeholders.	Please refer to our disclosure in respect of Provisions 12.1 and 13.2 above.
<b>GENERAL</b>		
<b>14.</b>	Securities Transactions	In line with the requirements under Rule 1207(19) of the Listing Rules, the Group has issued policies on share dealings by Directors and key officers of the Company, setting out the implications of insider trading and recommendations of best practices. Directors and all Executive Officers are advised not to deal in the Company's shares on short-term considerations or when they are in possession of material unpublished price-sensitive information. The Company also prohibits its officers from dealing in the Company's shares, during the periods commencing one month before the announcement of the Group's half-year and full-year results and, ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group.

## CORPORATE GOVERNANCE REPORT

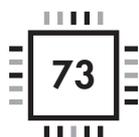
15.	Interested Person Transactions	<p>The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARC. According to the ARC's terms of reference, the ARC shall, <i>inter alia</i>, review all interested person transactions and related party transactions to ensure that they are on normal commercial terms, and that they do not prejudice the interests of the Company or its minority shareholders, and determine methods or procedures for checking that the transaction prices are adequate for transactions to be carried out on normal commercial terms and that they will not prejudice the Company or its minority shareholders.</p> <p>The Board confirms that there is no material interested person transaction entered into during the financial year under review which fall under Rule 907 of the Listing Rules. The Company has no shareholder mandate pursuant to Rule 920 of the Listing Rules.</p>
16.	Material Contracts	<p>There are no material contracts (including loans) of the Group involving the interests of the CEO, any Director or controlling shareholder which are either still subsisting at the end of the financial year under review or if not then subsisting, entered into since the end of the previous financial year, that is required to be disclosed under Rule 1207(8) of the Listing Rules.</p>
17.	Corporate Social Responsibility	<p>The Group is committed to enhancing the well-being of the community and maintaining a sustainable environment in the location that it operates. The Group does not have a fixed corporate social responsibility policy. However, as a responsible corporate citizen, the Group aims to leave its footprint in a positive way on the environment and the community.</p> <p>The Group is committed to being a responsible corporate citizen and contributing to community development. The Group has been supporting charities and not-for-profit organisations such as Bright Vision Community Hospital, a community hospital offering intermediate and long-term holistic care, since 2015. Employee volunteers, including Management, took part in the outreach programme which included organising games, arts and crafts events and Patient Birthday Celebrations to celebrate some of the patients' birthdays.</p> <p>Over the years, the Group has also raised funds for disaster relief such as for the Typhoon Haiyan disaster in the Philippines.</p>

# CORPORATE GOVERNANCE REPORT

<p><b>18.</b></p>	<p>Status Report on use of IPO Proceeds</p>	<p>The Group successfully raised approximately S\$29.0 million from its initial public offering ("IPO") on 25 July 2007. As at the end of the financial year under review, the total net proceeds of approximately S\$26.7 million (after deducting the IPO expenses of approximately S\$2.3 million, as disclosed on page 33 of Avi-Tech Electronics Limited's (now known as Avi-Tech Electronics Pte. Ltd.) prospectus dated 11 July 2007) from the IPO were used for the following purposes:</p> <table data-bbox="699 696 1412 920"> <thead> <tr> <th colspan="2"><b>\$ million</b></th> </tr> </thead> <tbody> <tr> <td>Expansion of our customer base and widen our portfolio of services</td> <td style="text-align: right;">6.0</td> </tr> <tr> <td>Potential mergers and acquisitions</td> <td style="text-align: right;">3.3</td> </tr> <tr> <td>Expansion of our overseas operations</td> <td style="text-align: right;">3.0</td> </tr> <tr> <td>Working capital</td> <td style="text-align: right;"><u>9.7</u></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b><u>22.0</u></b></td> </tr> </tbody> </table> <p>The IPO proceeds used for working capital purposes have been applied to the following uses:</p> <ul data-bbox="699 1055 1209 1205" style="list-style-type: none"> <li>• Purchase of plant and equipment;</li> <li>• Purchase and replenishment of inventories;</li> <li>• Payments to suppliers and service providers;</li> <li>• Loan repayments; and</li> <li>• Payments for other day-to-day operations.</li> </ul> <p>Management has confirmed that the above use of proceeds was in line with the Company's planned utilisation of funds.</p>	<b>\$ million</b>		Expansion of our customer base and widen our portfolio of services	6.0	Potential mergers and acquisitions	3.3	Expansion of our overseas operations	3.0	Working capital	<u>9.7</u>	<b>Total</b>	<b><u>22.0</u></b>
<b>\$ million</b>														
Expansion of our customer base and widen our portfolio of services	6.0													
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Working capital	<u>9.7</u>													
<b>Total</b>	<b><u>22.0</u></b>													



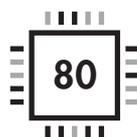
# FINANCIAL CONTENTS



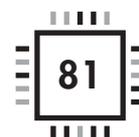
DIRECTORS'  
STATEMENT



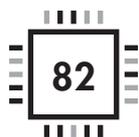
INDEPENDENT  
AUDITOR'S  
REPORT



STATEMENTS  
OF FINANCIAL  
POSITION



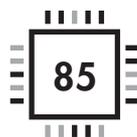
CONSOLIDATED  
STATEMENT OF  
PROFIT OR LOSS  
AND OTHER  
COMPREHENSIVE  
INCOME



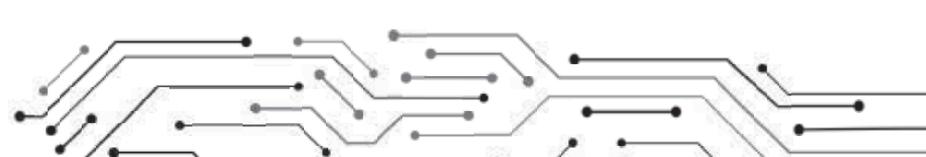
STATEMENTS  
OF CHANGES  
IN EQUITY



CONSOLIDATED  
STATEMENT OF  
CASH FLOWS



NOTES TO  
FINANCIAL  
STATEMENTS



# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2023.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 80 to 122 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 1 DIRECTORS

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

Lim Eng Hong  
Goh Chung Meng  
Michael Grenville Gray  
Lim Tai Meng Alvin  
Chan Yu Meng (Appointed on 27 October 2022)

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES OR DEBENTURES

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

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Companies Act 1967 except as follows:

Names of directors and company in which interests are held	Shareholdings registered in the names of directors			Shareholdings in which directors are deemed to have an interest		
	At beginning of the year or date of appointment, if later	At end of the year	At 21 July 2023	At beginning of the year or date of appointment, if later	At end of the year	At 21 July 2023
<u>The Company</u> <u>(Ordinary shares)</u>						
Lim Eng Hong	48,194,875	48,977,875	48,977,875	13,135,000	13,135,000	13,135,000
Goh Chung Meng	190,000	190,000	190,000	–	–	–
Michael Grenville Gray	870,000	870,000	870,000	–	–	–
Lim Tai Meng Alvin	105,000	105,000	105,000	–	–	–

By virtue of Section 7 of the Companies Act 1967, Mr Lim Eng Hong is deemed to have an interest in all the ordinary shares of the subsidiaries of the Company.

# DIRECTORS' STATEMENT

## 4 SHARE OPTIONS AND SHARE PLAN

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

(d) *Avi-Tech Restricted Share Plan 2021 ("RSP 2021")*

With respect to the matters set out in Rule 852 of the Listing Rules and Rule 14 of the rules of the RSP 2021, the Company wishes to disclose that: (i) the Board will nominate the members of the committee which will administer the RSP 2021; and (ii) the Company has not granted any awards under the RSP 2021, and no shares have been issued or transferred in connection with the RSP 2021.

## 5 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (the "Committee"), consisting all non-executive and independent directors, is chaired by Mr Michael Grenville Gray and includes Mr Goh Chung Meng, Mr Khor Thiam Beng (up to 27 October 2022) and Mr Chan Yu Meng (from 27 October 2022, as the replacement for Mr Khor Thiam Beng). The Committee has met 4 times and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) the external auditor's audit plans;
- (b) the audit plan and results of the internal auditor's examination and evaluation of the Group's systems of internal accounting controls;
- (c) the Group's financial and operating results and accounting policies;
- (d) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and external auditor's report on those financial statements;
- (e) the quarterly, half-yearly and annual as well as the related press releases on the results and financial position of the Group;
- (f) the interested person transactions as specified under Chapter 9 of the SGX-ST Listing Manual;
- (g) the cooperation and assistance given by the management to the Group's external auditors;
- (h) the re-appointment of the external auditors of the Group; and
- (i) the independence of the external auditors.

# DIRECTORS' STATEMENT

## 5 AUDIT AND RISK COMMITTEE (CONTINUED)

The Committee has full access to and has the cooperation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Committee.

The Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting ("AGM") of the Company.

## 6 AUDITORS

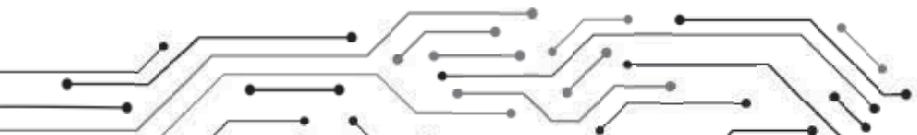
The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....  
Lim Eng Hong

.....  
Michael Grenville Gray

29 September 2023



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVI-TECH HOLDINGS LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Avi-Tech Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 80 to 122.

In our opinion, the accompanying consolidated financial statements of the Group and 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 1967 (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 30 June 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the 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 *Auditor's 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 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 year. 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.

### Allowance for slow-moving and obsolete inventories

[Refer to Note 11 to the financial statements]

#### **Background:**

As at 30 June 2023, the Group's inventories of \$5,153,000 accounted for approximately 11.1% of total current assets of the Group. Allowance for inventory obsolescence as at 30 June 2023 amounted to \$538,000.

Management's assessment of allowance for slow-moving and obsolete inventories involves significant estimation with consideration in relation to possible future use of the aged inventory items as well as the demand for on-going production and the ability to sell the products at prices above costs.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVI-TECH HOLDINGS LIMITED

## **Allowance for slow-moving and obsolete inventories** (Continued)

### ***Our response:***

We have performed procedures to evaluate the design of the relevant controls for assessment of allowance for slow-moving and obsolete inventories and determine whether those relevant controls have been implemented.

We have obtained an understanding of the profile of inventories, management's controls over inventory levels, purchasing policy and expected usage for ongoing production.

We have evaluated management's assumptions used in the assessment of inventory allowance, checked the calculations supporting the allowance and tested the ageing reports used as a basis to assess the allowance.

We have assessed the reasonableness of management's estimation of future utilisation and saleability of the inventories in the current economic conditions, taking into consideration the nature of the inventories and the industry in which the entity operates, in determining the recoverability of the inventory balances.

We made enquiries with warehouse personnel during the physical inventory count regarding the presence of damaged inventories. On a sample basis, we tested the valuation of inventories by comparison with latest purchase and selling prices.

## **Information Other than the Financial Statements and Auditor's Report Thereon**

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 auditor's 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.

## **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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVI-TECH HOLDINGS LIMITED

## Auditor's 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 auditor's 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 skepticism 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 auditor's 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 auditor's 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.

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 auditor's 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVI-TECH HOLDINGS LIMITED

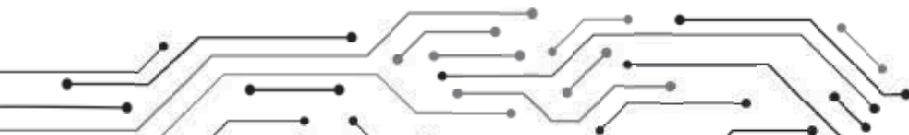
## Report on Other Legal and Regulatory Requirements

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 auditor's report is Tan Puay Boon.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

29 September 2023



# STATEMENTS OF FINANCIAL POSITION

30 JUNE 2023

	Note	Group		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	6	6,346	4,618	126	203
Fixed deposits	7	26,400	28,500	17,300	18,500
Trade receivables	9	7,443	8,049	–	12
Other receivables and prepayments	10	1,126	729	407	16
Inventories	11	5,153	3,779	–	–
Other financial asset at amortised cost	12	–	–	–	–
Total current assets		46,468	45,675	17,833	18,731
<b>Non-current assets</b>					
Other receivables and prepayments	10	–	1,042	–	–
Subsidiaries	13	–	–	51,464	51,464
Associate	14	171	200	–	–
Property, plant and equipment	15	11,966	10,832	–	–
Right-of-use asset	16	786	1,003	–	–
Total non-current assets		12,923	13,077	51,464	51,464
<b>Total assets</b>		<b>59,391</b>	<b>58,752</b>	<b>69,297</b>	<b>70,195</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade payables	17	3,296	2,910	91	–
Other payables	18	1,779	1,628	1,906	139
Lease liabilities	19	254	241	–	–
Income tax payable		499	636	4	1
Total current liabilities		5,828	5,415	2,001	140
<b>Non-current liabilities</b>					
Lease liabilities	19	567	797	–	–
Deferred tax liabilities	20	1,296	1,103	–	–
Total non-current liabilities		1,863	1,900	–	–
<b>Capital and reserves</b>					
Share capital	21	30,759	30,759	30,759	30,759
Treasury shares	21	–	–	–	–
Reserves		20,941	20,678	36,537	39,296
Total equity		51,700	51,437	67,296	70,055
<b>Total liabilities and equity</b>		<b>59,391</b>	<b>58,752</b>	<b>69,297</b>	<b>70,195</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2023

		Group	
	Note	2023 \$'000	2022 \$'000
<b>Revenue</b>			
Cost of sales	23	34,896 (26,896)	30,849 (23,064)
<b>Gross profit</b>		8,000	7,785
Other operating income	24	1,347	818
Distribution costs		(151)	(106)
Administrative expenses		(5,077)	(4,769)
Share of loss of associate	14	(29)	(42)
Finance costs	25	(20)	(25)
<b>Profit before income tax</b>		4,070	3,661
Income tax expense	26	(811)	(520)
<b>Profit for the year</b>	27	3,259	3,141
<b>Other comprehensive loss:</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation		(3)	-
Other comprehensive loss for the year, net of tax		(3)	-
<b>Total comprehensive income for the year</b>		3,256	3,141
<b>Earnings per share</b>	28		
Basic (cents)		1.90	1.84
Diluted (cents)		1.90	1.84

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2023

<b>Group</b>	<b>Share capital \$'000</b>	<b>Treasury shares \$'000</b>	<b>Currency translation reserve \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total reserves \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2021	31,732	(973)	–	20,530	20,530	51,289
<b>Profit for the year, representing total comprehensive income for the year</b>	–	–	–	3,141	3,141	3,141
<b>Transactions with owners, recognised directly in equity</b>						
Dividends (Note 29)	–	–	–	(2,993)	(2,993)	(2,993)
Cancellation of treasury shares (Note 21)	(973)	973	–	–	–	–
	<u>(973)</u>	<u>973</u>	<u>–</u>	<u>(2,993)</u>	<u>(2,993)</u>	<u>(2,993)</u>
Balance at 30 June 2022	30,759	–	–	20,678	20,678	51,437
<b>Total comprehensive income for the year</b>						
Profit for the year	–	–	–	3,259	3,259	3,259
Other comprehensive loss for the year	–	–	(3)	–	(3)	(3)
Total	<u>–</u>	<u>–</u>	<u>(3)</u>	<u>3,259</u>	<u>3,256</u>	<u>3,256</u>
<b>Transactions with owners, recognised directly in equity</b>						
Dividends (Note 29)	–	–	–	(2,993)	(2,993)	(2,993)
Balance at 30 June 2023	<u>30,759</u>	<u>–</u>	<u>(3)</u>	<u>20,944</u>	<u>20,941</u>	<u>51,700</u>

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2023

<b>Company</b>	<b>Share capital \$'000</b>	<b>Capital reserve \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total reserves \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2021	– <sup>(1)</sup>	–	–	–	– <sup>(1)</sup>
<b>Profit for the year, representing total comprehensive income for the year</b>	–	–	19,874	19,874	19,874
<b>Transactions with owners, recognised directly in equity</b>					
Shares allotted and issued (Note 21)	30,759	–	–	–	30,759
Dividends (Note 29)	–	–	(1,283)	(1,283)	(1,283)
Effect of corporate restructuring (Note 22)	–	20,705	–	20,705	20,705
	<u>30,759</u>	<u>20,705</u>	<u>(1,283)</u>	<u>19,422</u>	<u>50,181</u>
Balance at 30 June 2022	30,759	20,705	18,591	39,296	70,055
<b>Profit for the year, representing total comprehensive income for the year</b>	–	–	234	234	234
<b>Transactions with owners, recognised directly in equity</b>					
Dividends (Note 29)	–	–	(2,993)	(2,993)	(2,993)
Balance at 30 June 2023	<u>30,759</u>	<u>20,705</u>	<u>15,832</u>	<u>36,537</u>	<u>67,296</u>

(1) Less than one thousand

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2023

	Group	
	2023 \$'000	2022 \$'000
<b>Operating activities</b>		
Profit before income tax	4,070	3,661
Adjustments for:		
Share of loss of associate	29	42
Depreciation of property, plant and equipment	1,085	985
Depreciation of right-of-use asset	247	241
Impairment loss on associate	–	168
Gain on disposal of property, plant and equipment	(3)	(16)
Allowance for inventories obsolescence	224	53
Interest expense	20	25
Interest income	(775)	(95)
Operating cash flows before movements in working capital	4,897	5,064
Trade receivables	606	(159)
Other receivables and prepayments	117	(580)
Inventories	(1,598)	(879)
Trade payables	386	(814)
Other payables	151	132
Cash generated from operations	4,559	2,764
Income tax paid	(755)	(539)
Interest paid	(20)	(25)
Interest received	261	95
Net cash from operating activities	4,045	2,295
<b>Investing activities</b>		
Additions to property, plant and equipment (Note A)	(1,177)	(736)
Advances paid for the purchase of property, plant and equipment	–	(1,042)
Proceeds from disposal of property, plant and equipment	3	16
(Placement of) Withdrawals from fixed deposits	(8,900)	4,000
Net cash (used in) from investing activities	(10,074)	2,238
<b>Financing activities</b>		
Dividends paid	(2,993)	(2,993)
Repayment of lease liabilities	(247)	(237)
Net cash used in financing activities	(3,240)	(3,230)
Net (decrease) increase in cash and cash equivalents	(9,269)	1,303
Cash and cash equivalents at beginning of the year	17,118	15,815
Effects of exchange rate changes on the balance of cash held	(3)	–
<b>Cash and cash equivalents at end of the year (Note 8)</b>	<b>7,846</b>	<b>17,118</b>

## Note A

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$2,219,000 (2022: \$736,000), of which \$1,042,000 (2022: \$Nil) was paid in advance in prior year.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 1 GENERAL

The Company (Registration No. 202002889W) is incorporated in Singapore with its principal place of business and registered office at 19A Serangoon North Avenue 5, Singapore 554859. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars, which is the functional currency of the Company and presentation currency for the consolidated financial statements.

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiaries are set out in Note 13.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2023 were authorised for issue by the Board of Directors on 29 September 2023.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** – The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) (“SFRS(I)s”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**ADOPTION OF NEW AND REVISED STANDARDS** – On 1 July 2022, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are mandatorily effective and are relevant to its operations. The adoption of these new/revise SFRS(I) pronouncements does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

**STANDARDS ISSUED BUT NOT EFFECTIVE** – Management anticipates that the adoption of the new SFRS(I) pronouncements that were issued but not effective at the date of authorisation of these financial statements in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 the 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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

In the Company's separate financial statements, investment in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

**FINANCIAL INSTRUMENTS** – Financial assets and financial liabilities are recognised in the statements of financial position when the Group and Company become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

#### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "administrative expenses" line item.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12 months ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

### *Significant increase in credit risk*

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if i) the financial asset has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group considers a financial asset to have low credit risk when it has an external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amount.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### *Definition of default*

When information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group), the Group considers this as constituting an event of default for internal credit risk management purposes, as historical experience indicates that receivables that meet this criteria are generally not recoverable.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### *Credit-impaired financial assets*

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 data about the following events:

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

### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the current reporting date except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## **Financial liabilities and equity instruments**

### Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial liabilities

#### *Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss in the "administrative expenses" line item.

### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## LEASES

### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### The Group as lessor

The Group enters into lease agreements as a lessor with respect to its property.

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration under the contract to each component.

**INVENTORIES** – Inventories are stated at the lower of cost (weighted-average method) and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**PROPERTY, PLANT AND EQUIPMENT** – Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method on the following basis:

Building and leasehold improvements	–	60 years
Plant and equipment	–	3 to 10 years
Computer software	–	3 years

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**IMPAIRMENT OF NON-FINANCIAL ASSETS** – At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recoverable amount is the higher of fair value less costs of disposal 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 (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

**ASSOCIATE** – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 1-36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, 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 the effect of the time value of money is material).

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.

**GOVERNMENT GRANTS** – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**REVENUE RECOGNITION** – Revenue is measured based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. The Group recognises revenue from the following major sources when it transfers control of a product or service to a customer. The Group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to the customer.

### Burn-In and Related Services

The Group provides Static Burn-In, Dynamic Burn-In, Test During Burn-In and High Power Burn-In for semiconductor manufacturers. The Group serves the segment of the industry that requires fail-safe or high reliability semiconductor devices, including automotive and microprocessor products. Revenue is recognised at the point in time upon completion of services.

### Burn-In Boards and Boards Related Products

The Group is involved in the designing and manufacturing of a wide range of Burn-In boards for the various types of Burn-In systems as well as boards for other types of reliability tests such as High Temperature Operating Life Test and Highly Accelerated Stress Test.

Revenue is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the Boards to the customer's specific location or upon acceptance by the customer.

### Engineering Services and Equipment Distribution

The Group provides services ranging from design, development and full turnkey outsourced manufacturing and system integration of semiconductor equipment to lab automation systems for the life sciences and biotech industries.

Revenue is recognised at the point in time when control of the assembled equipment/system is transferred to the customer, generally on delivery of the equipment/system to the customer's specific location.

### Dividend income

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

**RETIREMENT BENEFIT COSTS** – Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**EMPLOYEE LEAVE ENTITLEMENT** – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** – Income tax expense represents the sum of the tax currently payable and deferred tax.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in the countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax laws and rates that have been enacted or substantively enacted at the reporting date.

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.

Current and deferred tax are recognised in profit or loss.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, 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 foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

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 or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

**CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** – Cash and cash equivalents in the statement of cash flows comprise cash on hand, cash at bank and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, which are described in Note 2, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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 period, or in the period of the revision and future periods if the revision affects both current and future periods.

### ***Critical judgements in applying the Group's accounting policies***

Management is of the view that no critical judgement was made in the process of applying the Group's accounting policies that would have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as below.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### *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.

#### Allowance for inventories

The Group reviews the carrying value of its inventories so that they are stated at the lower of cost and net realisable value. In assessing net realisable value, management identifies inventories where there has been a significant decline in price or cost, aged inventory items and inventory items that may not be realised as a result of certain events, and estimates the recoverable amount of such inventory based on values at which such inventory items are expected to be realised at the end of the reporting period. Management also reviews the possible future use of the aged inventory items as well as the demand for on-going production and the ability to sell the products at prices above costs, taking into consideration the general economic conditions and market demand.

The carrying amount of inventories of the Group at the end of the reporting period was \$5,153,000 (2022: \$3,779,000), net of allowance amounted to \$538,000 (2022: \$1,179,000). Allowance for inventories of \$224,000 (2022: \$53,000) was made during the year.

#### Calculation of loss allowance for trade receivables

The Group uses provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information, where appropriate.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The Group has observed payments from customers continue to be forthcoming and therefore, the Group expects the probability of default to remain low.

The carrying amount of trade receivables of the Group at the end of the reporting period is disclosed in Note 9.

#### Impairment of property, plant and equipment

The Group assesses at the end of each reporting period whether property, plant and equipment have any indication of impairment. If there are indicators of impairment, the recoverable amount of property, plant and equipment will be determined based on higher of value in use calculations or the fair value less costs of disposal.

A considerable amount of judgement is required in determining the recoverable amount of the property, plant and equipment, which among other factors, the recent transaction prices for similar assets, the condition, utility, age, wear and tear and/or obsolescence of the property, plant and equipment.

The carrying amount of property, plant and equipment of the Group at the end of the reporting period is disclosed in Note 15.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) Categories of financial instruments

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

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Financial assets</b>				
Financial assets at amortised cost	40,840	41,702	17,831	18,720
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	5,075	4,538	1,997	139

### (b) Financial risk management policies and objectives

The Group's overall financial risk management strategy is to minimise potential adverse effects of financial performance of the Group. The board of directors reviews the overall financial risk management on specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, liquidity risk, use of derivative financial instruments and investing excess cash. These are reviewed quarterly by the board of directors. Risk management is carried out by the finance department under the oversight by the board of directors.

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) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Group.

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses ("ECL")
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Trade receivables: Lifetime ECL – not credit-impaired Other receivables: 12-month ECL
Doubtful	Amount is >30 days past due and there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due and there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

The table below details the credit quality of the Group's and Company's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<b>Group</b>						
<u>2023</u>						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	7,039	–	7,039
Other receivables	10	Performing	12-month ECL	1,055	–	1,055
Other financial asset at amortised cost	12	In default	Lifetime ECL – credit-impaired	500	(500)	–
				<b>8,594</b>	<b>(500)</b>	<b>8,094</b>
<u>2022</u>						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	7,926	–	7,926
Other receivables	10	Performing	12-month ECL	658	–	658
Other financial asset at amortised cost	12	In default	Lifetime ECL – credit-impaired	500	(500)	–
				<b>9,084</b>	<b>(500)</b>	<b>8,584</b>
<b>Company</b>						
<u>2023</u>						
Other receivables	10	Performing	12-month ECL	405	–	405
<u>2022</u>						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	12	–	12
Other receivables	10	Performing	12-month ECL	5	–	5
				<b>17</b>	<b>–</b>	<b>17</b>

(i) The Group and Company determine the expected credit losses on trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions, where relevant.

Cash and fixed deposits are held with creditworthy financial institutions and are subject to immaterial credit loss.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

Before accepting any new customer, management assesses the potential customer's credit quality and defines credit limits by customer. Limits granted to customers are reviewed periodically. The Group's exposure to credit risks and the credit limits to counterparties are continuously monitored. The Group monitors collections due and follows up with debtors as part of the credit management process.

The Group is exposed to concentration of credit risk given that its revenue is generated mainly from five (2022: five) major customers, which accounted for 54% (2022: 57%) of the carrying amount of trade receivables. Management believes that the risk of default is mitigated by the good financial standings of these customers.

### (ii) Interest rate risk management

Details of the interest-earning and interest-bearing financial assets and financial liabilities of the Group are disclosed in Notes 7 and 19 respectively. The Group does not use derivative financial instruments to mitigate this risk.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

### (iii) Foreign exchange risk management

The Group is exposed to foreign exchange risk due to business transactions denominated in foreign currencies. Significant foreign currencies include United States dollar and Chinese renminbi.

The exposure to the foreign exchange risk is managed as far as possible by natural hedges of matching assets and liabilities.

The carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currency at the reporting date are as follows:

	Assets		Liabilities	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Group</b>				
United States dollar	7,189	6,071	2,248	2,193
Chinese renminbi	2,194	2,258	33	3

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### *Foreign currency sensitivity*

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis below includes only significant outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

If the relevant foreign currencies strengthen by 5% against the functional currency of each group entity, the Group's profit before income tax will increase (decrease) by:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
United States dollar	247	194
Chinese renminbi	108	113

If the relevant foreign currencies weaken by 5% against the functional currency of each group entity, there would be an equal and opposite impact on the Group's profit before income tax.

The Company does not have significant exposure to exchange rate fluctuations.

### (iv) Liquidity risk management

The Group has sufficient cash resources and maintains adequate lines of credit to finance its activities. Management has assessed liquidity risk to be low in view of the Group's strong working capital and cash reserve.

### *Liquidity and interest risk analyses*

#### Non-derivative financial liabilities

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 Company can be required to pay. The table includes both interest and principal cash flows.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

The contractual maturity is based on the earliest date on which the Group and Company may be required to pay.

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	Adjustment \$'000	Total \$'000
<b>Group</b>					
<u>2023</u>					
Non-interest bearing Lease liabilities	–	5,075	–	–	5,075
(fixed interest rate)	2.10	267	582	(28)	821
Total		<u>5,342</u>	<u>582</u>	<u>(28)</u>	<u>5,896</u>
<u>2022</u>					
Non-interest bearing Lease liabilities	–	4,538	–	–	4,538
(fixed interest rate)	2.10	265	818	(45)	1,038
Total		<u>4,803</u>	<u>818</u>	<u>(45)</u>	<u>5,576</u>
<b>Company</b>					
<u>2023</u>					
Non-interest bearing	–	<u>1,997</u>	–	–	<u>1,997</u>
<u>2022</u>					
Non-interest bearing	–	<u>139</u>	–	–	<u>139</u>

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and Company anticipate that the cash flows will occur in a different period.

	<u>Effective Interest rate %</u>	<u>On demand or within 1 year \$'000</u>	<u>Adjustment \$'000</u>	<u>Total \$'000</u>
<b>Group</b>				
<u>2023</u>				
Non-interest bearing	–	14,440	–	14,440
Fixed interest rate instruments	2.60 – 4.50	26,869	(469)	26,400
Total		<u>41,309</u>	<u>(469)</u>	<u>40,840</u>
<u>2022</u>				
Non-interest bearing	–	13,202	–	13,202
Fixed interest rate instruments	0.50 – 1.21	28,622	(122)	28,500
Total		<u>41,824</u>	<u>(122)</u>	<u>41,702</u>
<b>Company</b>				
<u>2023</u>				
Non-interest bearing	–	531	–	531
Fixed interest rate instruments	2.60 – 4.45	17,605	(305)	17,300
Total		<u>18,136</u>	<u>(305)</u>	<u>17,831</u>
<u>2022</u>				
Non-interest bearing	–	220	–	220
Fixed interest rate instruments	0.90 – 1.15	18,595	(95)	18,500
Total		<u>18,815</u>	<u>(95)</u>	<u>18,720</u>

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

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

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their respective fair values due to the relatively short-term maturity of these financial assets and financial liabilities and the interest rates approximating market rates.

### (c) **Capital management policies and objectives**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (lease liabilities disclosed in Note 19 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings).

The Group's overall strategy remains unchanged from prior year.

## 5 RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements of the Group are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. Unless otherwise stated, the balances are unsecured, interest-free and repayable on demand.

### Compensation of directors and key management personnel

The remuneration of directors and key management during the year is as follows:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term benefits	1,771	1,801
Post-employment benefits	98	93
	<u>1,869</u>	<u>1,894</u>

## 6 CASH AND BANK BALANCES

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	6,344	4,613	126	203
Cash on hand	2	5	-	-
	<u>6,346</u>	<u>4,618</u>	<u>126</u>	<u>203</u>

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 7 FIXED DEPOSITS

### Group

The deposits bear effective interest in the range of 2.60% to 4.50% (2022: 0.50% to 1.21%) per annum with maturity period of 3 to 12 months (2022: 3 to 12 months).

Included in the fixed deposits are \$1,500,000 (2022: \$12,500,000) with maturity period of 3 months or less (Note 8).

Included in the fixed deposits are \$24,900,000 (2022: \$16,000,000) with maturity period of more than 3 months.

### Company

The deposits bear effective interest in the range of 2.60% to 4.45% (2022: 0.90% to 1.15%) per annum with maturity period of 11 to 12 months (2022: 3 to 12 months).

Included in the fixed deposits are \$Nil (2022: \$2,500,000) with maturity period of 3 months or less.

Included in the fixed deposits are \$17,300,000 (2022: \$16,000,000) with maturity period of more than 3 months.

## 8 CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances (Note 6)	6,346	4,618
Fixed deposits that are readily convertible to a known amount of cash (Note 7)	1,500	12,500
Cash and cash equivalents in the consolidated statement of cash flows at end of year	<u>7,846</u>	<u>17,118</u>

## 9 TRADE RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Outside parties	7,039	7,926	–	–
Advance to suppliers	404	123	–	–
Subsidiary	–	–	–	12
	<u>7,443</u>	<u>8,049</u>	<u>–</u>	<u>12</u>

As at 1 July 2021, trade receivables from contracts with customers of the Group amounted to \$7,890,000.

Trade receivables are non-interest bearing and are generally on 60 days (2022: 60 days) credit terms.

Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and considering general economic conditions of the industry in which the debtors operate at the reporting date, where applicable.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 9 TRADE RECEIVABLES (CONTINUED)

There has been no change in the estimation techniques during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables from contracts. As the Group's historical loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the different customer base.

	Trade receivables – days past due					Total \$'000
	Not past due \$'000	Within 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	
<b>Group</b>						
<u>2023</u>						
Expected credit loss rate	*	*	*	*	*	*
Estimated total gross carrying amount at default	5,655	1,079	268	3	34	7,039
Lifetime ECL	–	–	–	–	–	–
<u>2022</u>						
Expected credit loss rate	*	*	*	*	*	*
Estimated total gross carrying amount at default	5,969	1,512	61	222	162	7,926
Lifetime ECL	–	–	–	–	–	–

\* The expected credit loss rate is assessed as negligible.

## 10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current:				
Deposits	479	590	–	–
Prepaid expenses	71	71	2	11
Others	576	68	405	5
	<u>1,126</u>	<u>729</u>	<u>407</u>	<u>16</u>
Non-current:				
Other receivables – advances paid for the purchase of property, plant and equipment	–	1,042	–	–

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 10 OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Other receivables are considered to have low risk of default as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default as well as the loss upon default.

There has been no change in the estimation techniques during the current reporting period.

## 11 INVENTORIES

	Group	
	2023 \$'000	2022 \$'000
Work-in-process	1,983	1,352
Raw materials	3,708	3,606
	5,691	4,958
Less: Allowance for inventories	(538)	(1,179)
	5,153	3,779

Movement in allowance for inventories:

	Group	
	2023 \$'000	2022 \$'000
Balance at beginning of the year	1,179	1,356
Charge to profit or loss for the year	224	53
Written off	(865)	(230)
Balance at end of the year	538	1,179

The cost of inventories recognised as an expense includes allowance made for inventories obsolescence of \$224,000 (2022: \$53,000).

## 12 OTHER FINANCIAL ASSET AT AMORTISED COST

	Group	
	2023 \$'000	2022 \$'000
Bond, at amortised cost	500	500
Less: Loss allowance	(500)	(500)
	-	-

The bond had nominal value amounting to \$500,000 with coupon rate of 4.25% per annum and had matured on 7 September 2018.

For purpose of impairment assessment, the investment in debt security is assessed for any significant increase in credit risk since initial recognition. Accordingly, the loss allowance is measured either at an amount equal to 12-month expected credit losses (ECL) or at an amount equal to lifetime ECL.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 12 OTHER FINANCIAL ASSET AT AMORTISED COST (CONTINUED)

In determining the ECL, management has taken into account the financial position of the counterparty, any default or past due event, as well as the future prospects of the industries in which the counterparty operates which are obtained from financial analyst reports and various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of this financial asset occurring within its loss assessment time horizon, as well as the loss upon default in each case.

Impairment loss on financial instrument measured at amortised cost was recognised in profit or loss in previous years due to issuer being placed under debt restructuring.

Management has determined fair value of the bond to be nil at the end of the reporting period as the bond had ceased trading in prior year.

## 13 SUBSIDIARIES

	Company	
	2023 \$'000	2022 \$'000
Unquoted equity shares, at cost	51,464	51,464

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2023	2022	
		%	%	
Avi-Tech Electronics Pte. Ltd. <sup>(1)</sup>	Singapore	100	100	Burn in services, board manufacturing, and engineering services
AVT Connect Pte. Ltd. <sup>(2)</sup>	Singapore	100	100	Business support activities
Avi-Tech Electronics (Suzhou) Limited <sup>(2)</sup>	People's Republic of China	100	100	Business support activities

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Not audited for consolidation purpose as management is of the opinion that the results of these subsidiaries for the year are not significant.

## 14 ASSOCIATE

	Group	
	2023 \$'000	2022 \$'000
Cost of investment	500	500
Share of loss of associate	(161)	(132)
Less: Allowance for impairment	(168)	(168)
	171	200

In 2022, the Group recognised an impairment loss of \$168,000 against the carrying amount of its investment in associate, being the difference between the carrying amount of the Group's investment and the fair value less costs of disposal of the associate. The fair value of the associate estimated by management was based on the expected investment value of the associate.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 14 ASSOCIATE (CONTINUED)

Details of the Group's associate at the end of the reporting period are as follows:

Name of associate	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2023	2022	
		%	%	
Movel AI Pte Ltd <sup>(1)</sup>	Singapore	9	9	AI-Based Autonomous Navigation Software

(1) The Group has significant influence over Movel AI Pte Ltd by virtue of its contractual right to appoint one out of three directors to the board of that company, based on definition under SFRS(I) 1-28.

Summarised financial information in respect of the Group's associate is set out below.

	2023 \$'000	2022 \$'000
Current assets	23	45
Non-current assets	3	31
Current liabilities	(92)	(109)
Non-current liabilities	(307)	(13)
Revenue	168	265
Loss for the year, representing total comprehensive loss for the year	(327)	(465)

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in these consolidated financial statements:

	2023 \$'000	2022 \$'000
Net liabilities of the associate	(373)	(46)
Proportion of the Group's ownership interest in associate	9%	9%
Goodwill	205	205
Others	-	(1)
Carrying amount of the Group's interest in associate	171	200

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 15 PROPERTY, PLANT AND EQUIPMENT

<b>Group</b>	<b>Building and leasehold improvements \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Computer software \$'000</b>	<b>Total \$'000</b>
Cost:				
At 1 July 2021	15,226	28,027	1,600	44,853
Additions	–	669	67	736
Disposals	–	(1,398)	–	(1,398)
At 30 June 2022	15,226	27,298	1,667	44,191
Additions	–	2,210	9	2,219
Disposals	–	(109)	(8)	(117)
Written off	–	(504)	–	(504)
At 30 June 2023	15,226	28,895	1,668	45,789
Accumulated depreciation:				
At 1 July 2021	5,624	26,400	1,115	33,139
Depreciation for the year	259	522	204	985
Disposals	–	(1,398)	–	(1,398)
At 30 June 2022	5,883	25,524	1,319	32,726
Depreciation for the year	259	644	182	1,085
Disposals	–	(109)	(8)	(117)
Written off	–	(504)	–	(504)
At 30 June 2023	6,142	25,555	1,493	33,190
Impairment:				
At 1 July 2021, 30 June 2022 and 2023	–	633	–	633
Carrying amount:				
At 30 June 2022	9,343	1,141	348	10,832
At 30 June 2023	9,084	2,707	175	11,966

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 16 RIGHT-OF-USE ASSET

The Group leases land for use of office premises with lease term of 30 years with an extension of the lease for a further 30 years at market rent subject to certain conditions.

Lease payments are subject to annual revision by the lessor.

	<b>Land \$'000</b>
<b>Group</b>	
Cost:	
At 1 July 2021 and 30 June 2022	1,717
Revision of lease payments	30
At 30 June 2023	<u>1,747</u>
Accumulated depreciation:	
At 1 July 2021	473
Depreciation for the year	241
At 30 June 2022	714
Depreciation for the year	247
At 30 June 2023	<u>961</u>
Carrying amount:	
At 30 June 2022	<u>1,003</u>
At 30 June 2023	<u>786</u>

## 17 TRADE PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>2023 \$'000</b>	<b>2022 \$'000</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
Outside parties	<u>3,296</u>	<u>2,910</u>	<u>91</u>	<u>-</u>

The average credit period on purchases of goods is 45 days (2022: 45 days). No interest is payable on the overdue trade payables.

## 18 OTHER PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>2023 \$'000</b>	<b>2022 \$'000</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
Deposits received	145	145	-	-
Accrued expenses	1,358	1,172	116	88
Accrued directors' fees and accrued bonus to directors	267	265	267	13
Others	9	46	6	38
Subsidiary	-	-	1,517	-
	<u>1,779</u>	<u>1,628</u>	<u>1,906</u>	<u>139</u>

Amount due to subsidiary is unsecured, interest-free and repayable on demand.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 19 LEASE LIABILITIES

	Group	
	2023 \$'000	2022 \$'000
Maturity analysis:		
Year 1	267	265
Year 2	270	259
Year 3	267	259
Year 4	45	259
Year 5	–	41
	<u>849</u>	<u>1,083</u>
Less: Unearned interest	(28)	(45)
	<u>821</u>	<u>1,038</u>
Analysed as:		
Current	254	241
Non-current	567	797
	<u>821</u>	<u>1,038</u>

The Group does not face a significant liquidity risk with regard to their lease liabilities.

### Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 July 2022 \$'000	Financing cash flows \$'000	Revision of lease payments \$'000	30 June 2023 \$'000
Lease liabilities	<u>1,038</u>	<u>(247)</u>	<u>30</u>	<u>821</u>
	1 July 2021 \$'000	Financing cash flows \$'000	Revision of lease payments \$'000	30 June 2022 \$'000
Lease liabilities	<u>1,275</u>	<u>(237)</u>	<u>–</u>	<u>1,038</u>

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 20 DEFERRED TAX LIABILITIES

The deferred tax liability mainly relates to the excess of tax over book depreciation of property, plant and equipment. The movements thereon, during the current and prior reporting periods are as follow:

	Group	
	2023 \$'000	2022 \$'000
At the beginning of year	1,103	1,103
Charged to profit or loss (Note 26)	193	–
At the end of year	<u>1,296</u>	<u>1,103</u>

## 21 SHARE CAPITAL

	Group			
	2023 '000	2022 '000	2023 \$'000	2022 \$'000
	<b>Number of ordinary shares</b>			
Issued and paid up:				
At the beginning of year	171,046	175,200	30,759	31,732
Cancellation of shares pursuant to corporate restructuring <sup>(2)</sup>	–	(4,154)	–	(973)
At the end of year	<u>171,046</u>	<u>171,046</u>	<u>30,759</u>	<u>30,759</u>

	Company			
	2023 '000	2022 '000	2023 \$'000	2022 \$'000
	<b>Number of ordinary shares</b>			
Issued and paid up:				
At the beginning of year	171,046	– <sup>(1)</sup>	30,759	– <sup>(1)</sup>
Issuance of shares pursuant to corporate restructuring <sup>(2)</sup>	–	171,046	–	30,759
At the end of year	<u>171,046</u>	<u>171,046</u>	<u>30,759</u>	<u>30,759</u>

(1) Less than one thousand

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.

### TREASURY SHARES

This pertains to ordinary shares of the Group bought back by the Group. The total amounts paid to acquire the shares were deducted from shareholders' equity. These shares repurchased are held as treasury shares which have no rights to dividends.

	Group			
	2023 '000	2022 '000	2023 \$'000	2022 \$'000
	<b>Number of ordinary shares</b>			
At the beginning of year	–	4,154	–	973
Cancellation of treasury shares pursuant to corporate restructuring <sup>(2)</sup>	–	(4,154)	–	(973)
At the end of year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

(2) During the preceding financial year ended 30 June 2022, Avi-Tech Electronics Limited ("AVTE") completed a corporate restructuring through which the Company acquired all the issued and paid-up ordinary shares of AVTE through the issuance of ordinary shares in exchange for AVTE's ordinary shares.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 22 CAPITAL RESERVE

This represents the difference between share capital of the Company which were issued in exchange for the ordinary shares of AVTE pursuant to the corporate restructuring of AVTE (Note 21) by way of a scheme of arrangement in December 2021, and the carrying amount of total equity of AVTE at the date of restructuring.

## 23 REVENUE

The Group derives its revenue from the transfer of goods and services at a point in time in the following major revenue streams which is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (Note 32).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2023 \$'000	2022 \$'000
Burn-In and Related Services	6,247	6,340
Burn-In Boards and Boards Related Products	20,267	17,008
Engineering Services and Equipment Distribution	8,382	7,501
	<u>34,896</u>	<u>30,849</u>

## 24 OTHER OPERATING INCOME

	Group	
	2023 \$'000	2022 \$'000
Interest income	775	95
Rental income	524	528
Grant income	–	132
Gain on disposal of property, plant and equipment	3	16
Others	45	47
	<u>1,347</u>	<u>818</u>

## 25 FINANCE COSTS

	Group	
	2023 \$'000	2022 \$'000
Interest on lease liabilities	20	25

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 26 INCOME TAX EXPENSE

	Group	
	2023 \$'000	2022 \$'000
Current tax expense	501	575
Under (Over) provision in respect of prior years:		
– Current tax	117	(55)
– Deferred tax (Note 20)	193	–
	<u>811</u>	<u>520</u>

The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 17% (2022: 17%) to profit before income tax as a result of the following differences:

	Group	
	2023 \$'000	2022 \$'000
Profit before income tax	4,070	3,661
Tax at the domestic income tax rate of 17% (2022: 17%)	692	622
Tax effect of items that are not taxable in determining taxable profit	(179)	(35)
Effect of tax exemption	(17)	(17)
Under (Over) provision of tax in respect of prior year	310	(55)
Others	5	5
	<u>811</u>	<u>520</u>

## 27 PROFIT FOR THE YEAR

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

	Group	
	2023 \$'000	2022 \$'000
Employee benefits expense (including directors' remuneration)	8,029	7,539
Costs of defined contribution plans (included in employee benefits expense)	516	594
Directors' remuneration	848	838
Directors' fees	150	150
Depreciation of property, plant and equipment	1,085	985
Depreciation of right-of-use asset	247	241
Gain on disposal of property, plant and equipment	(3)	(16)
Foreign currency exchange loss (gain) – net	458	(153)
Audit fees:		
– Auditors of the Company	138	138
Non-audit fees:		
– Auditors of the Company	19	18
– Other auditors	10	10
Impairment loss on associate	–	168
Cost of inventories recognised as expense (including allowance for inventories obsolescence)	<u>17,785</u>	<u>15,218</u>

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 28 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Group	
	2023 \$'000	2022 \$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	3,259	3,141
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	171,046	171,046
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	171,046	171,046
Earnings per share (cents):		
– Basic	1.90	1.84
– Diluted	1.90	1.84

## 29 DIVIDENDS

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Dividends on ordinary shares in respect of the financial year ended 30 June 2021:				
– Final one-tier tax exempt dividend of 1.0 cent per share	–	1,710	–	–
Dividends on ordinary shares in respect of the financial year ended 30 June 2022:				
– Interim one-tier tax exempt dividend of 0.75 cent per share	–	1,283	–	1,283
– Final one-tier tax exempt dividend of 1.0 cent per share	1,710	–	1,710	–
Dividends on ordinary shares in respect of the financial year ended 30 June 2023:				
– Interim one-tier tax exempt dividend of 0.75 cent per share	1,283	–	1,283	–
	<u>2,993</u>	<u>2,993</u>	<u>2,993</u>	<u>1,283</u>

Subsequent to the end of the reporting period, the Company proposed a final one-tier tax exempt dividend of 1.0 cent per ordinary share totalling \$1,710,000 in respect of the financial year ended 30 June 2023.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 30 OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group leases out part of the office premise to third parties with lease terms ranging from 2 to 3 years with extension options of 1 to 2 year(s). Rental is fixed for the duration of the lease.

Maturity analysis of operating lease payments:

	Group	
	2023 \$'000	2022 \$'000
Year 1	487	307
Year 2	245	-
Year 3	126	-
Total	858	307

## 31 COMMITMENTS

	Group	
	2023 \$'000	2022 \$'000
Capital expenditure	-	167

## 32 SEGMENT INFORMATION

The Group is primarily engaged in three main operating divisions namely, Burn-In and Related Services, Burn-In Boards and Boards Related Products, and Engineering Services and Equipment Distribution. Management monitors performance by the three main operating divisions and the division results are provided to the chief operating decision maker.

Principal activities of each reportable segment are as follows:

Burn-In and Related Services ("Burn-In Services")

Burn-In is a process whereby the individual integrated circuit ("IC") chips is stressed at high temperature to weed out any defects caused during the assembly process.

Burn-In Boards and Boards Related Products ("Manufacturing and PCBA Services")

Manufacturing comprises the design and assembly of printed circuit boards used for Burn-In and reliability testing of IC chips.

Engineering Services and Equipment Distribution ("Engineering")

This includes system integration projects, equipment manufacturing, provision of technical services and distribution of third party products.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 32 SEGMENT INFORMATION (CONTINUED)

### (a) Segment revenue and expenses

Segment revenue and expenses are revenue and expenses reported in the consolidated financial statements that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs, rental income, interest revenue and interest expense, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### (b) Segment assets and liabilities

Segment assets are all operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the assets attributable to each segment.

All assets are allocated to reportable segments other than financial assets of cash, fixed deposits, other receivables, and investments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Burn-In Services		Manufacturing and PCBA Services		Engineering		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>										
External revenue	6,247	6,340	20,267	17,008	8,382	7,501	-	-	34,896	30,849
Inter-segment revenue	403	196	1,177	884	346	168	(1,926)	(1,248)	-	-
Total revenue	<u>6,650</u>	<u>6,536</u>	<u>21,444</u>	<u>17,892</u>	<u>8,728</u>	<u>7,669</u>	<u>(1,926)</u>	<u>(1,248)</u>	<u>34,896</u>	<u>30,849</u>
<b>Segment results</b>	631	1,039	1,445	1,489	1,285	805	-	-	3,361	3,333
Interest expense									(20)	(25)
Interest income									775	95
Rental income									524	528
Unallocated income									-	154
Unallocated expense									(570)	(424)
Profit before income tax									4,070	3,661
Income tax expense									(811)	(520)
Profit for the year									<u>3,259</u>	<u>3,141</u>

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 32 SEGMENT INFORMATION (CONTINUED)

### Assets and liabilities and other segment information

	Burn-In Services		Manufacturing and PCBA Services		Engineering		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Segment assets</b>								
Segment assets	3,635	4,176	13,738	13,952	7,975	6,576	25,348	24,704
Unallocated corporate assets							34,043	34,048
Total assets							<u>59,391</u>	<u>58,752</u>
<b>Segment liabilities</b>								
Segment liabilities	1,061	1,171	3,420	3,067	1,415	1,338	5,896	5,576
Unallocated corporate liabilities							1,795	1,739
Total liabilities							<u>7,691</u>	<u>7,315</u>
<b>Other information</b>								
Additions to non-current assets	139	508	947	1,251	91	19	1,177	1,778
Impairment loss on associate included in unallocated expenses							-	168
<b>Depreciation</b>								
Allocated	240	258	772	674	320	294	<u>1,332</u>	<u>1,226</u>

### Geographical segments

The Group operates in five principal geographical areas namely, Singapore, USA, China, Malaysia and Philippines.

The revenue by geographical segments are based on location of customers. Segment assets (non-current assets excluding financial assets) are based on the geographical location of the assets and capital expenditure which is in Singapore (country of domicile).

	2023 \$'000	2022 \$'000
<u>Revenue from external customers</u>		
Singapore	11,640	11,066
USA	11,232	9,639
China	4,615	4,135
Malaysia	2,689	1,815
Philippines	2,010	2,696
Others <sup>(1)</sup>	2,710	1,498
	<u>34,896</u>	<u>30,849</u>

(1) Includes Germany, Thailand, Taiwan and Vietnam.

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2023

## 32 SEGMENT INFORMATION (CONTINUED)

### Information about major customers

Included in revenue of \$34,896,000 (2022: \$30,849,000) are revenue of \$10,046,000 (2022: \$9,113,000) arising from sales to a major customer from the Burn-in Services business segment and Manufacturing and PCBA Services business segment, \$3,617,000 (2022: \$Nil) arising from sales to a major customer from the Manufacturing and PCBA Services business segment, and \$6,255,000 (2022: \$5,873,000) arising from sales to a major customer from the Engineering business segment. These revenues account for approximately 57% (2022: 49%) of the Group's revenue.

# STATISTICS OF SHAREHOLDINGS

AS AT 14 SEPTEMBER 2023

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	14	0.90	796	0.00
100 – 1,000	220	14.12	140,978	0.08
1,001 – 10,000	565	36.27	3,534,447	2.07
10,001 – 1,000,000	737	47.30	49,287,038	28.81
1,000,001 AND ABOVE	22	1.41	118,082,782	69.04
<b>TOTAL</b>	<b>1,558</b>	<b>100.00</b>	<b>171,046,041</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LIM ENG HONG	48,977,875	28.63
2	LOH ZEE LAN NANCY	10,295,000	6.02
3	CITIBANK NOMINEES SINGAPORE PTE LTD	7,748,929	4.53
4	DBS NOMINEES (PRIVATE) LIMITED	5,429,080	3.17
5	PHILLIP SECURITIES PTE LTD	4,654,867	2.72
6	TSIA HAH TONG	4,270,650	2.50
7	PROVIDENCE INVESTMENTS PTE LTD	4,082,500	2.39
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,751,900	2.19
9	IFAST FINANCIAL PTE. LTD.	3,045,000	1.78
10	FONG CHING LOON	2,900,000	1.70
11	KGI SECURITIES (SINGAPORE) PTE. LTD.	2,848,400	1.67
12	LIM WEI LING ELAINE	2,840,000	1.66
13	SHIH KAW @ CHEW LIAN KWEI	2,750,100	1.61
14	LEW WING KIT	2,243,500	1.31
15	KHO BOON PENG	2,008,050	1.17
16	SAN TAI CONSTRUCTION (S) PTE. LTD.	1,800,200	1.05
17	YONG SER SEN	1,768,610	1.03
18	KOH CHOON NAM	1,767,300	1.03
19	ABN AMRO CLEARING BANK N.V.	1,421,900	0.83
20	RAFFLES NOMINEES (PTE.) LIMITED	1,291,121	0.75
<b>TOTAL</b>		<b>115,894,982</b>	<b>67.74</b>

## SUBSTANTIAL SHAREHOLDINGS

NAME	Direct Interest	%	Deemed Interest	%
LIM ENG HONG	48,977,875	28.63%	13,135,000 <sup>(1)</sup>	7.68%
LOH ZEE LAN NANCY	10,295,000	6.02%	–	–

### Note:

(1) The deemed interest of Lim Eng Hong arises from his deemed interest in the 13,135,000 shares in the capital of the Company held by Lim Wei Ling Elaine (his daughter) and Loh Zee Lan Nancy (his wife).

Approximately 62.85% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the listing manual of the SGX-ST.

Treasury share = Nil  
Subsidiary holdings = Nil

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of Avi-Tech Holdings Limited (the "**Company**") will be convened and held at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859 on Monday, 30 October 2023 at 11.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 30 June 2023 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect as Director Mr Lim Tai Meng Alvin who is retiring pursuant to Article 104(2) of the Company's Constitution and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").  
[See explanatory note (i)] **(Resolution 2)**
3. To record the retirement of Mr Goh Chung Meng as a Director of the Company under Article 104(2) of the Company's Constitution and who has decided not to seek re-election.  
  
(Note: The Board would like to express its appreciation to Mr Goh Chung Meng for his invaluable contributions to the Board and Company).
4. To re-elect as Director Mr Michael Grenville Gray who is retiring pursuant to Article 104(2) of the Company's Constitution and Rule 720(5) of the Listing Manual of the SGX-ST.  
[See explanatory note (ii)] **(Resolution 3)**
5. To elect Mr Tan Ka Huat as Director.  
[See explanatory note (iii)] **(Resolution 4)**
6. To approve the payment of Directors' fees of S\$150,000 for the year ended 30 June 2023.  
(FY2022: S\$150,000) **(Resolution 5)**
7. To approve the final one-tier tax exempt dividend of 1.0 cent per ordinary share for the year ended 30 June 2023. **(Resolution 6)**
8. To re-appoint Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**
9. To transact any other ordinary business which may properly be transacted at an AGM.

## AS SPECIAL BUSINESS

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

### 10. **Authority to allot and issue shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act 1967 of Singapore (the "**Companies Act**") and Rule 806 of the Listing Manual ("**Listing Manual**") of the SGX-ST, authority be and is hereby given to the Directors of the Company to allot and issue:

- (a) shares; or
- (b) convertible securities; or
- (c) additional convertible securities issued pursuant to Rule 829 of the Listing Manual (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the additional securities are issued, provided that the adjustment does not give the holder a benefit that a shareholder does not receive); or

# NOTICE OF ANNUAL GENERAL MEETING

(d) shares arising from the conversion of the securities in (b) and (c) above (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the shares are to be issued),

in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that:

(i) the aggregate number of shares and convertible securities to be allotted and issued pursuant to this Resolution must be not more than 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (calculated in accordance with (ii) below); and

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued shares shall be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and (c) any subsequent bonus issue, consolidation or subdivision of shares. Adjustments in accordance with (a) or (b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution approving the mandate.

Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this Resolution shall remain in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See explanatory note (iv)]

**(Resolution 8)**

## 11. **Authority to grant awards and issue shares under the Avi-Tech Restricted Share Plan 2021 (the "RSP 2021") (for all persons eligible to participate except for controlling shareholders and their associates)**

That, where the committee of Directors to be nominated by the Board to administer the RSP 2021 ("**Committee**") has decided on the grant of any awards ("**Awards**") in accordance with the provisions of the RSP 2021, pursuant to Section 161 of the Companies Act 1967, authority be and is hereby given to the Directors to:

(a) offer and grant Awards in accordance with the rules and terms of the RSP 2021; and

(b) allot and issue new fully-paid up ordinary shares in the capital of the Company ("**RSP Shares**"), as may be required to be allotted and issued from time to time pursuant to the vesting of Awards under the RSP 2021,

provided that the aggregate number of shares available pursuant to Awards granted under the RSP 2021 and any other share-based schemes (if applicable), which the Company may have in place, shall not exceed fifteen per cent. (15%) of the total issued shares excluding treasury shares and subsidiary holdings in the capital of the Company from time to time.

Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this Resolution shall remain in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See explanatory note (v)]

**(Resolution 9)**

# NOTICE OF ANNUAL GENERAL MEETING

## 12. Authority to grant awards and issue shares under the RSP 2021 (for controlling shareholders and their associates)

That, subject to further shareholder approval being obtained in accordance with Rule 853 of the Listing Manual, where the Committee has decided on the grant of any Awards in accordance with the provisions of the RSP 2021 to controlling shareholders and/or their associates (all such persons collectively, the “**Controlling Participants**”), pursuant to Section 161 of the Companies Act 1967, authority be and is hereby given to the Directors to:

- (a) offer and grant Awards in accordance with the rules and terms of the RSP 2021 to the Controlling Participants; and
- (b) allot and issue RSP Shares, as may be required to be allotted and issued from time to time pursuant to the vesting of Awards under the RSP 2021, to the Controlling Participants,

provided that:

- (a) the aggregate number of shares available pursuant to Awards granted under the RSP 2021 to Controlling Participants shall not exceed twenty-five per cent. (25%) of the shares available under the RSP 2021; and
- (b) the number of shares available pursuant to Awards granted under the RSP 2021 to each Controlling Participant shall not exceed ten per cent. (10%) of the shares available under the RSP 2021.

Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this Resolution shall remain in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See explanatory note (vi)]

**(Resolution 10)**

By Order of the Board  
Adrian Chan Pengee  
Company Secretary

Singapore  
6 October 2023

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) Resolution 2 – Detailed information about Directors of the Company can be found in the “Board of Directors” section of the Company’s Annual Report, including their current directorships in other listed companies and other principal commitments held. Please also refer to the section titled “Additional Information on Directors Seeking Election/Re-Election” appended to this Notice of Annual General Meeting for additional information on Mr Lim Tai Meng Alvin. Mr Lim Tai Meng Alvin will, upon re-election as a Director of the Company, continue to serve as Executive Director of the Company.
- (ii) Resolution 3 – Detailed information about Directors of the Company can be found in the “Board of Directors” section of the Company’s Annual Report, including their current directorships in other listed companies and other principal commitments held. Please also refer to the section titled “Additional Information on Directors Seeking Election/Re-Election” appended to this Notice of Annual General Meeting for additional information on Mr Michael Grenville Gray. Mr Michael Grenville Gray will, upon re-election as a Director of the Company, remain as Chairman of the Audit and Risk Committee, and a member of the Remuneration and Nominating Committees, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Save that he is an Independent Director of the Company, Mr Michael Grenville Gray has no relationships including immediate family relationships with any of the Directors, the Company or its 5% shareholders.
- (iii) Resolution 4 – Please refer to the section titled “Additional Information on Directors Seeking Election/Re-Election” appended to this Notice of Annual General Meeting for additional information on Mr Tan Ka Huat. Mr Tan Ka Huat will, upon election as a Director of the Company, be considered independent for the purposes of Rule 704(8) of the Listing Manual. Mr Tan Ka Huat has no relationships including immediate family relationships with any of the Directors, the Company or its 5% shareholders.
- (iv) Resolution 8 – If passed, this Resolution will empower the Directors from the date of the above meeting until the date of the next AGM, to allot and issue shares and convertible securities in the Company up to an amount not exceeding 50% of the total number of issued shares in the capital of the Company (excluding treasury shares), of which up to 20% may be issued other than on a pro rata basis.
- (v) Resolution 9 – If passed, this Resolution will empower the Directors to allot and issue RSP Shares pursuant to the vesting of Awards under the RSP 2021, provided that the aggregate number of shares available pursuant to Awards granted under the RSP 2021 and any other share-based schemes (if applicable), which the Company may have in place, shall not exceed fifteen per cent. (15%) of the total issued shares excluding treasury shares and subsidiary holdings in the capital of the Company from time to time. Pursuant to Rule 859 of the Listing Manual, shareholders who are eligible to participate in the RSP 2021 shall abstain from voting on Resolution 9.
- (vi) Resolution 10 – If passed, and subject to further shareholder approval being obtained in accordance with Rule 853 of the Listing Manual, this Resolution will empower the Directors to allot and issue RSP Shares to Controlling Participants pursuant to the vesting of Awards under the RSP 2021, provided that: (a) the aggregate number of shares available pursuant to Awards granted under the RSP 2021 to Controlling Participants shall not exceed twenty-five per cent. (25%) of the shares available under the RSP 2021; and (b) the number of shares available pursuant to Awards granted under the RSP 2021 to each Controlling Participant shall not exceed ten per cent. (10%) of the shares available under the RSP 2021. Pursuant to Rule 859 of the Listing Manual, shareholders who are eligible to participate in the RSP 2021 shall abstain from voting on Resolution 10. Pursuant to Rule 853 of the Listing Manual, participation in the RSP 2021 by the Controlling Participants must be approved by independent shareholders. Shareholders who are not independent shall therefore abstain from voting on Resolution 10.

## Notes:

1. The AGM is being convened, in a wholly physical format, at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859 on Monday, 30 October 2023 at 11.00 a.m.. There will be no option for shareholders to participate virtually. Printed copies of the Notice of Annual General Meeting and the Proxy Form will be sent to shareholders. Printed copies of the Annual Report and Sustainability Report for the financial year ended 30 June 2023 (the “**FY2023 Annual and Sustainability Reports**”) will not be sent to shareholders. Instead, the FY2023 Annual and Sustainability Reports may be accessed at the Company’s website at the URL <http://www.avi-tech.com.sg>. The FY2023 Annual and Sustainability Reports are also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. Nonetheless, shareholders who wish to obtain a printed copy of the FY2023 Annual and Sustainability Reports may complete, sign and return the enclosed request form to the Company to make an appointment during ordinary business hours to collect the FY2023 Annual and Sustainability Reports at the Company’s office at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859.
2. Save for members of the Company which are nominee companies or Relevant Intermediaries (as defined below), a member of the Company entitled to attend and vote at a meeting of the Company shall not be entitled to appoint more than two proxies to attend and vote on his behalf. Where a member of the Company (other than a Relevant Intermediary) appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
3. Pursuant to Section 181(1C) of the Companies Act, any member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). “**Relevant Intermediary**” means: (a) a banking corporation licensed under the Banking Act 1970 of Singapore or its wholly-owned subsidiary which provides nominee services and who holds shares in that capacity; (b) a capital markets services license holder which provides custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or (c) the Central Provident Fund (“**CPF**”) Board, established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. A proxy need not be a member of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

5. The Proxy Form must be submitted to the Company in the following manners:
  - a. if submitted by post, be deposited at the registered office of the Company at 19A Serangoon North Avenue 5 Singapore 554859; or
  - b. if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Company at [ir@avi-tech.com.sg](mailto:ir@avi-tech.com.sg)in either case, at least **72 hours** before the time fixed for holding the Annual General Meeting. A member who wishes to submit the Proxy Form must first complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorized officer.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the meeting in order for the Depositor to be entitled to attend and vote at the meeting.
9. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 11:00 a.m. on 18 October 2023.
10. Members will be able to ask questions during the Annual General Meeting. Nevertheless, all members may submit questions related to the resolutions to be tabled for approval at the Annual General Meeting by email to [ir@avi-tech.com.sg](mailto:ir@avi-tech.com.sg), or in hard copy by post to the registered office of the Company at 19A Serangoon North Avenue 5 Singapore 554859, by no later than 11:00 a.m. on Monday, 16 October 2023. The Company will endeavour to respond to the substantial and relevant questions by 24 October 2023 and publish its responses on SGXNET and on the Company's website at the URL <http://avitech.listedcompany.com/#investors>.
11. Minutes of the AGM will be published on SGXNET and the Company's website within one month after the date of the AGM.

## PERSONAL DATA PRIVACY:

Photographic, sound and/or video recordings may be made by the Company at the meeting for record keeping and to ensure the accuracy of the minutes prepared. Accordingly, your personal data (such as your name, your presence at this meeting and any questions you may raise or motions you propose/second) may be recorded by the Company for such purpose. The Company may upon the request of any shareholder and in accordance with the Companies Act, provide such shareholder with a copy of the minutes of meeting, which may contain your personal data as explained herein. By participating in the meeting, raising any questions and/or proposing/seconding any motion, you will be deemed to have consented to have your personal data recorded and dealt with for the purposes and in the manner explained herein.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting of the Company and/or any adjournment thereof, a member of the Company thereby: (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 purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents 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

## Additional Information on Directors Seeking Election/Re-Election

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Mr Lim Tai Meng Alvin and Mr Michael Grenville Gray are the retiring Directors who are seeking re-election at the forthcoming AGM to be convened on 30 October 2023 under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 6 October 2023.

Mr Tan Ka Huat is seeking election at the forthcoming AGM to be convened on 30 October 2023 under Ordinary Resolution 4 as set out in the Notice of AGM dated 6 October 2023.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Directors, in accordance with Appendix 7.4.1 to the Listing Manual of the SGX-ST, is set out below:

	<b>Lim Tai Meng Alvin</b>	<b>Tan Ka Huat</b>	<b>Michael Grenville Gray</b>
Date of initial appointment (including as a director of Avi-Tech Electronics Limited)	1 August 2018	NA	30 October 2006
Date of last re-appointment (including as a director of Avi-Tech Electronics Limited) (if applicable)	28 October 2021	NA	27 October 2022
Age	47	71	77
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	The Board had considered the Nominating Committee's recommendation and assessment on Mr Lim Tai Meng Alvin's commitment in the discharge of his duties as a Director, inter alia, and is satisfied that he will continue to contribute to the Board.	The Board had considered the Nominating Committee's recommendation and assessment on Mr Tan Ka Huat and is satisfied that he will, if elected as a Director, contribute to the Board.	The Board had considered the Nominating Committee's recommendation and assessment on Mr Michael Grenville Gray's independence and commitment in the discharge of his duties as a Director, inter alia, and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Lim Tai Meng Alvin is the Chief Operating Officer of the Group. Mr Lim Tai Meng Alvin is responsible for overseeing the Group's operations for Burn-In Services, Manufacturing and PCBA Services and Engineering Services, and also develops the competitive positioning and strategies of the Group.	Non-executive.	Non-executive.

# NOTICE OF ANNUAL GENERAL MEETING

	<b>Lim Tai Meng Alvin</b>	<b>Tan Ka Huat</b>	<b>Michael Grenville Gray</b>
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chief Operating Officer and Executive Director	Non-Executive and Independent Director	Non-Executive and Lead Independent Director  Chairman of the Audit and Risk Committee, and Member of the Nominating Committee and Remuneration Committee
Professional qualifications	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	Master of Business, University of Technology, Sydney.  Please refer to the section of the Company's Annual Report entitled "Persons Standing for Election as Directors of the Company at the Forthcoming Annual General Meeting" for further details.	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.
Working experience and occupation(s) during the past 10 years	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	Mr Tan was the managing director of CEI Limited, and continued to hold this position after CEI Limited was renamed to CEI Pte. Ltd., following its delisting in 2021. He is presently a business advisor to CEI Pte. Ltd.  Please refer to the section of the Company's Annual Report entitled "Persons Standing for Election as Directors of the Company at the Forthcoming Annual General Meeting" for further details.	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.
Shareholding interest in the in the listed issuer and its subsidiaries	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	No	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.
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	Mr Lim Tai Meng Alvin is the son of Mr Lim Eng Hong, an Executive Director and the Chief Executive Officer and Executive Chairman of the Company.	No	No

# NOTICE OF ANNUAL GENERAL MEETING

	<b>Lim Tai Meng Alvin</b>	<b>Tan Ka Huat</b>	<b>Michael Grenville Gray</b>
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the form set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes.	Yes.	Yes.
<b>Other Principal Commitments including Directorships</b>			
Past (for the last 5 years)	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	Mr Tan was the managing director of CEI Limited, and continued to hold this position after CEI Limited was renamed to CEI Pte. Ltd., following its delisting in 2021.  Mr Tan was also a board member of CEI Limited.  Please refer to the section of the Company's Annual Report entitled "Persons Standing for Election as Directors of the Company at the Forthcoming Annual General Meeting" for further details.	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.
Present	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	Mr Tan is presently a business advisor to CEI Pte. Ltd, and a director of Dou Yee Enterprises (S) Pte. Ltd.  Please refer to the section of the Company's Annual Report entitled "Persons Standing for Election as Directors of the Company at the Forthcoming Annual General Meeting" for further details.	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.

# NOTICE OF ANNUAL GENERAL MEETING

	Lim Tai Meng Alvin	Tan Ka Huat	Michael Grenville Gray
<b>Information required</b>			
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.
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.

# NOTICE OF ANNUAL GENERAL MEETING

	<b>Lim Tai Meng Alvin</b>	<b>Tan Ka Huat</b>	<b>Michael Grenville Gray</b>
Whether there is any unsatisfied judgment against him?	No.	No.	No.
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.
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.

# NOTICE OF ANNUAL GENERAL MEETING

	<b>Lim Tai Meng Alvin</b>	<b>Tan Ka Huat</b>	<b>Michael Grenville Gray</b>
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.
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.

# NOTICE OF ANNUAL GENERAL MEETING

	<b>Lim Tai Meng Alvin</b>	<b>Tan Ka Huat</b>	<b>Michael Grenville Gray</b>
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.
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.
Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:  (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.

# NOTICE OF ANNUAL GENERAL MEETING

	<b>Lim Tai Meng Alvin</b>	<b>Tan Ka Huat</b>	<b>Michael Grenville Gray</b>
(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.
(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.
(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,  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.

# NOTICE OF ANNUAL GENERAL MEETING

	<b>Lim Tai Meng Alvin</b>	<b>Tan Ka Huat</b>	<b>Michael Grenville Gray</b>
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.
With respect to Mr Tan Ka Huat, any prior experience as director of a listed company?	N.A.	Yes	N.A.

## NOTICE OF RECORD DATE AND DIVIDEND PAYMENT DATE

### FINAL DIVIDEND

NOTICE HAS BEEN GIVEN in the Company's announcement of 22 August 2023 that the Transfer Books and Register of Members of the Company will be closed on 14 November 2023 for the preparation of the one-tier tax exempt final dividend to be proposed at the Annual General Meeting of the Company to be held on 30 October 2023.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., of 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632, up to 5.00 p.m. on 10 November 2023 will be registered to determine shareholders' entitlements to the one-tier tax exempt final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 10 November 2023 will be entitled to the proposed final dividend.

The proposed final dividend, if approved at the Annual General Meeting, will be paid on 28 November 2023.

See accompanying notes to financial statements.

**PROXY FORM  
2023 ANNUAL GENERAL MEETING**

**AVI-TECH HOLDINGS LIMITED**

(Company Registration Number 202002889W)  
(Incorporated in the Republic of Singapore)

**IMPORTANT:**

1. A Relevant Intermediary may appoint more than two proxies to attend the Annual General Meeting and vote [please see Note 4 for the definition of "Relevant Intermediary"].
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Avi-Tech Holdings Limited's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

I/We, \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of AVI-TECH HOLDINGS LIMITED (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859 on Monday, 30 October 2023 at 11.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

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

No.	Resolutions relating to:	For	Against	Abstain
1.	Adoption of Directors' Statement and Audited Financial Statements together with the Auditor's Report thereon			
2.	Re-election of Mr Lim Tai Meng Alvin as a Director			
3.	Re-election of Mr Michael Grenville Gray as a Director			
4.	Election of Mr Tan Ka Huat as a Director			
5.	Approval of Directors' Fees			
6.	Approval of proposed final dividend			
7.	Re-appointment of Deloitte & Touche LLP as Auditors			
8.	General Mandate to Directors to issue shares			
9.	Authority to grant awards and issue shares under the Avi-Tech Restricted Share Plan 2021 (for all persons eligible except controlling shareholders and their associates)			
10.	Authority to grant awards and issue shares under the Avi-Tech Restricted Share Plan 2021 (for controlling shareholders and their associates)			

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s)/or  
Common Seal of Corporate Shareholders



## Notes:

1. The AGM is being convened, in a wholly physical format, at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859 on Monday, 30 October 2023 at 11.00 a.m.. There will be no option for shareholders to participate virtually. Printed copies of the Notice of Annual General Meeting and the Proxy Form will be sent to shareholders. Printed copies of the Annual Report and Sustainability Report for the financial year ended 30 June 2023 (the "**FY2023 Annual and Sustainability Reports**") will not be sent to shareholders. Instead, the FY2023 Annual and Sustainability Reports may be accessed at the Company's website at the URL <http://www.avi-tech.com.sg>. The FY2023 Annual and Sustainability Reports are also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. Nonetheless, shareholders who wish to obtain a printed copy of the FY2023 Annual and Sustainability Reports may complete, sign and return the enclosed request form to the Company to make an appointment during ordinary business hours to collect the FY2023 Annual and Sustainability Reports at the Company's office at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859.
2. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore) (the "**SFA**"), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
3. Save for members of the Company which are nominee companies or Relevant Intermediaries (as defined below), a member of the Company entitled to attend and vote at a meeting of the Company shall not be entitled to appoint more than two proxies to attend and vote on his behalf. Where a member of the Company (other than a Relevant Intermediary) appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
4. Pursuant to Section 181(1C) of the Companies Act 1967 of Singapore (the "**Companies Act**"), any member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). "**Relevant Intermediary**" means: (a) a banking corporation licensed under the Banking Act 1970 of Singapore or its wholly-owned subsidiary which provides nominee services and who holds shares in that capacity; (b) a capital markets services license holder which provides custodial services for securities under the SFA and who holds shares in that capacity; or (c) the Central Provident Fund ("**CPF**") Board, established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. A proxy need not be a member of the Company.
6. The Proxy Form must be submitted to the Company in the following manners:
  - a. if submitted by post, be deposited at the registered office of the Company at 19A Serangoon North Avenue 5 Singapore 554859; or
  - b. if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Company at [ir@avi-tech.com.sg](mailto:ir@avi-tech.com.sg) in either case, at least 72 hours before the time fixed for holding the Annual General Meeting. A member who wishes to submit the Proxy Form must first complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or executed under the hand of its attorney or a duly authorized officer.
8. Where an instrument appointing a proxy or proxies 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.
9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act.
10. The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
11. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the meeting in order for the Depositor to be entitled to attend and vote at the meeting.

## Personal Data Privacy:

Photographic, sound and/or video recordings may be made by the Company at the meeting for record keeping and to ensure the accuracy of the minutes prepared. Accordingly, your personal data (such as your name, your presence at this meeting and any questions you may raise or motions you propose/second) may be recorded by the Company for such purpose. The Company may upon the request of any shareholder and in accordance with the Companies Act, provide such shareholder with a copy of the minutes of meeting, which may contain your personal data as explained herein. By participating in the meeting, raising any questions and/or proposing/seconding any motion, you will be deemed to have consented to have your personal data recorded and dealt with for the purposes and in the manner explained herein.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting of the Company and/or any adjournment thereof, a member of the Company thereby: (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 purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents 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.





**AVI-TECH HOLDINGS LIMITED**

Company Registration No. 202002889W  
19A Serangoon North Avenue 5  
Singapore 554859  
[www.avi-tech.com.sg](http://www.avi-tech.com.sg)

