

Aztech

AZTECH GLOBAL LTD.
Company Registration Number: 200909384G
Incorporated in Singapore on 27 MAY 2009

**KEY TECHNOLOGY ENABLER
FOR THE CONNECTED WORLD
OF TOMORROW**

Invitation in respect of 68,120,000 Offer Shares comprising:

- (i) 3,500,000 Public Offer Shares by way of Public Offer, and
- (ii) 64,620,000 Placement Shares by way of Placement, payable in full on application (subject to the Over-allotment Option)

at an Invitation Price of S\$1.28 per Offer Share

PROSPECTUS DATED 4 MARCH 2021
(Registered by the Monetary Authority of Singapore on 4 March 2021)

This document is important. Before making any investment in the securities being offered, you should consider the information provided in this document carefully, and consider whether you understand what is described in this document. You should also consider whether an investment in the securities being offered is suitable for you, taking into account your investment objectives and risk appetite. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser. You are responsible for your own investment choices.

This is an initial public offering of ordinary shares (the "Shares") in the capital of Aztech Global Ltd. (the "Company"). Aztech Group Ltd. (the "Vendor" or "AGRP") is offering for sale an aggregate of 68,120,000 Shares (the "Offer Shares") for purchase (the "Invitation") comprising (i) a placement and/or sale of 64,620,000 Offer Shares (the "Placement") to investors, including institutional and other investors in Singapore and outside the United States of America ("United States" or "U.S.") in reliance on Regulation S ("Regulation S") under the United States Securities Act 1933, as amended (the "US Securities Act"), and (ii) a public offer to purchase 3,500,000 Offer Shares in Singapore (the "Public Offer"). The Invitation will consist of an aggregate of 68,120,000 Offer Shares (subject to the Over-allotment Option (as defined herein)). The invitation price for each Offer Share (the "Invitation Price") is S\$1.28.

The Invitation is underwritten by United Overseas Bank Limited, Maybank Kim Eng Securities Pte. Ltd. and DBS Bank Ltd. (the "Joint Global Coordinators, Bookrunners and Underwriters") at the Invitation Price. At the same time as, but separate from, the Invitation, each of (i) Affin Hwang Asset Management Berhad, (ii) AIA Bhd., (iii) AIA Investment Management Private Limited, (iv) DBS Bank Ltd. (acting on behalf of certain of its wealth management clients), (v) Eastspring Investments (Singapore) Limited, (vi) Employees Provident Fund Board, (vii) FIL Investment Management (Hong Kong) Limited, (viii) Hong Leong Assurance Berhad, (ix) HSBC Global Asset Management (Hong Kong) Limited, (x) ICH Capital Pte Ltd, (xi) JPMorgan Asset Management (Singapore) Limited, (xii) Lion Global Investors Limited, (xiii) Magna New Frontiers Fund, OAKS Emerging and Frontier Opportunities Fund and OAKS Smaller Emerging Market Opportunities Fund (which are funds advised by Fiera Capital Corporation), (xiv) Matthews International Capital Management, LLC, (xv) New Silk Road Investment Pte. Ltd., (xvi) Tokio Marine Life Insurance Singapore Ltd, (xvii) UOB Kay Hian Private Limited (on behalf of certain corporate clients), and (xviii) Value Partners Hong Kong Limited, (collectively, the "Cornerstone Investors"), has entered into a cornerstone agreement with our Company and/or the Vendor (collectively, the "Cornerstone Agreements") to subscribe for and/or purchase an aggregate of 163,880,000 Shares (the "Cornerstone Shares") at the Invitation Price, of which 155,000,000 Shares (the "New Cornerstone Shares") will be new Shares issued by our Company and 8,880,000 Shares (the "Vendor Cornerstone Shares") will be existing Shares sold by the Vendor, conditional upon, among others, the Management and Underwriting Agreement (as defined herein) having been entered into and not having been terminated pursuant to its terms on or prior to the Listing Date.

In connection with the Invitation, the Vendor has granted the Joint Global Coordinators, Bookrunners and Underwriters the Over-allotment Option, exercisable by United Overseas Bank Limited, as the stabilising manager (the "Stabilising Manager") (or any of its affiliates or other persons acting on its behalf), in consultation with the other Joint Global Coordinators, Bookrunners and Underwriters, in full or in part, on one or more occasions, to purchase up to an aggregate of 13,600,000 Shares (representing approximately 20.0% of the total number of Offer Shares) (the "Over-allotment Shares") at the Invitation Price, solely to cover the over-allotment of the Offer Shares, if any, subject to any applicable laws and regulations, including the Securities and Futures Act (as defined herein) and any regulations thereunder, from the date of commencement of dealing in our Shares on the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Listing Date") until the earlier of (a) the date falling 30 days from the Listing Date, or (b) the date when the Stabilising Manager (or any of its affiliates or other persons acting on its behalf) has bought on the SGX-ST an aggregate of 13,600,000 Shares, representing approximately 20.0% of the total number of Offer Shares, to undertake stabilising actions. The exercise of the Over-allotment Option will not increase the total number of issued Shares immediately after the completion of the Invitation and the issuance of the New Cornerstone Shares.

Prior to the Invitation, there was no public market for our Shares. An application has been made to the SGX-ST for permission to list on the Main Board of the SGX-ST all of our existing issued Shares (including the Offer Shares, the Vendor Cornerstone Shares, and the Over-allotment Shares), the New Cornerstone Shares, the Award Shares (as defined herein) and the Option Shares (as defined herein) and our Company has received a letter of eligibility-to-list from the SGX-ST for permission to list all our existing issued Shares (including the Offer Shares, the Vendor Cornerstone Shares, and the Over-allotment Shares), the New Cornerstone Shares, the Award Shares and the Option Shares on the Main Board of the SGX-ST. Acceptance of applications for the Offer Shares will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in and for quotation of all our existing issued Shares (including the Offer Shares, the Vendor Cornerstone Shares, and the Over-allotment Shares), the New Cornerstone Shares, the Award Shares and the Option Shares on the Official List of the SGX-ST. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. If the Invitation is not completed because this permission is not granted or for any other reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendor, the Joint Issue Managers (as defined herein) or the Joint Global Coordinators, Bookrunners and Underwriters. The dealing in and quotation of our Shares will be in Singapore dollars.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Our Company's eligibility to list and admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our existing issued Shares (including the Offer Shares, the Vendor Cornerstone Shares, and the Over-allotment Shares), the New Cornerstone Shares, the Award Shares and the Option Shares.

A copy of this Prospectus has been lodged with the Authority on 24 February 2021 and registered by the Authority on 4 March 2021. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act (as defined herein), or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares and the Offer Shares, as the case may be, being offered for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

Nothing in this Prospectus constitutes an offer of securities for sale in the United States or any other jurisdiction where it is unlawful to do so. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and accordingly, they may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws. Accordingly, the Shares are only being offered and sold outside the United States in offshore transactions as defined in, and in reliance on, Regulation S and pursuant to the applicable laws of the jurisdiction where those offers and sales occur. For further details about restrictions on offers, sales and transfers of the Shares, please refer to the section entitled "Plan of Distribution" of this Prospectus.

The investment in our Shares involves risks which are described in the section entitled "Risk Factors" of this Prospectus. No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six (6) months after the date of registration of this Prospectus by the Authority.

Prospective investors applying for Offer Shares by way of Application Forms or Electronic Applications (each as defined herein) in the Public Offer will pay the Invitation Price on application, subject to the refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom and without any right or claim against us, the Vendor, the Joint Issue Managers or the Joint Global Coordinators, Bookrunners and Underwriters where (i) an application is rejected or accepted in part only; or (ii) the Invitation does not proceed for any reason.

Joint Issue Managers

Joint Global Coordinators, Bookrunners and Underwriters



ABOUT AZTECH GLOBAL LTD.

Our Group is a key technology enabler for the connected world of tomorrow, with a focus on providing one-stop design and manufacturing services.

Supported by our core strengths in R&D, design, engineering and manufacturing, our key products are IoT Devices, Data-communication products and LED lighting products.

Leveraging on our expertise, we also provide one-stop design and manufacturing services¹ to blue chip customers, technology start-ups and other companies with innovative products.

KEY PRODUCT SEGMENTS

1) IoT Devices and Data-communication products

Provides OEM, ODM, JDM or CMS services to brand owners sold under the label of the respective customers

Distributes wide range of IoT devices and Data-communication products sold under our proprietary "Aztech" and "Kyla" brands² through channel partners and e-commerce platforms

2) LED lighting products

Manufactures a wide range of LED lighting products used in residential, commercial and industrial applications; and specialises in the design and development of Smart Lighting Systems³

3) Other electrical products

Manufactures and sells two categories of electrical products, namely, (i) kitchen appliances and (ii) other home and living products, with more than 11 product lines and more than 35 models of electrical products⁴

Including key IoT products manufactured under our OEM, ODM, JDM and CMS channels



Smart security cameras



IoT lighting products



HomePlugs



Satellite modems

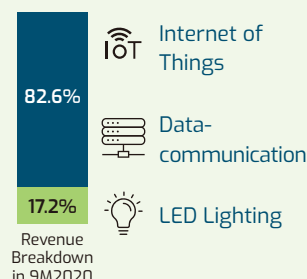


Climate control mattresses

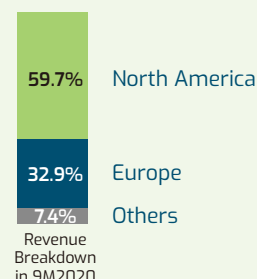


Tracking devices

Our Product Segments⁵



Key Geographical Markets⁶



Over 30 years
of Track Record⁷

290 Customers Globally
>40 Countries⁴

2,685
Employees worldwide⁸

4 R&D Centres
in Singapore, Hong Kong
and the PRC (Shenzhen and Dongguan)

3 Factories
in Dongguan, PRC and
Johor, Malaysia

Our Brands
Aztech 
B2B B2C

¹ Under Original Equipment Manufacturer, Original Design Manufacturer, Joint Development Manufacturing and Contract Manufacturing Services arrangements.

² Our Company commenced a rebranding exercise in December 2019 pursuant to which the "Aztech" brand will be used by our Group in the business-to-business markets where we provide OEM, ODM, JDM and CMS services while the "Kyla" brand will be used by our Group in the business-to-consumer markets where we sell products under our own name.

³ Consists of a network of wireless nodes with an in-built smart controller, allowing efficient use of lighting without compromising users' safety and security.

⁴ As at the Latest Practicable Date, being 15 February 2021 prior to the lodgement of this Prospectus with the Authority.

⁵ Our Group also reported S\$0.72 million revenue (0.2% of total revenue) from the Others segment, which primarily comprises electronic products.

⁶ Revenue is calculated based on geographical locations of our customers which the revenue is derived from. Europe comprises mainly France, Germany, Netherlands, United Kingdom and Poland. North America comprises mainly United States, Canada, Brazil and Mexico. Others comprise mainly Taiwan, Japan and South Korea.

⁷ Aggregate number of years of our Company and our parent company.

⁸ As at 31 December 2020.

KEY INVESTMENT HIGHLIGHTS

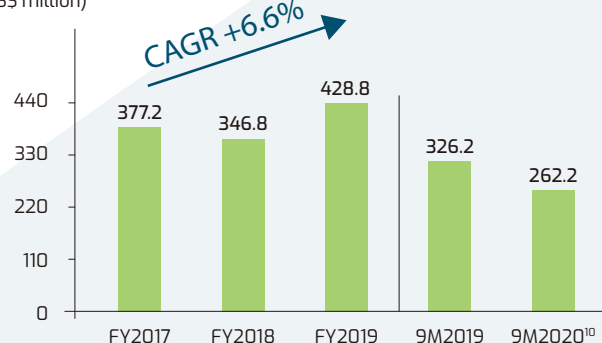
- 1 Committed and highly experienced founder and management team with deep insights into the electronics industry and instrumental in building brand and reputation globally
- 2 Established reputation and solid track record of over 30 years in the electronics industry and over 25 years in communication and networking technology
- 3 Strong core competencies of in-house R&D and production engineering capabilities that differentiate us from our competitors
- 4 Strong manufacturing capabilities at diversified and highly integrated facilities in the PRC and Malaysia
- 5 Key technology enabler to our customers, including multi-national blue-chip corporations, with our strong suite of core technological capabilities
- 6 Robust product portfolio catering to fast growing IoT, Data-communication and LED lighting industries
- 7 Globally diversified sales strategy with products sold and marketed through OEM, ODM, CMS, JDM and retail channels

KEY FINANCIAL HIGHLIGHTS

STRONG REVENUE GROWTH⁹ – DRIVEN BY IOT DEVICES AND DATA-COMMUNICATION PRODUCTS

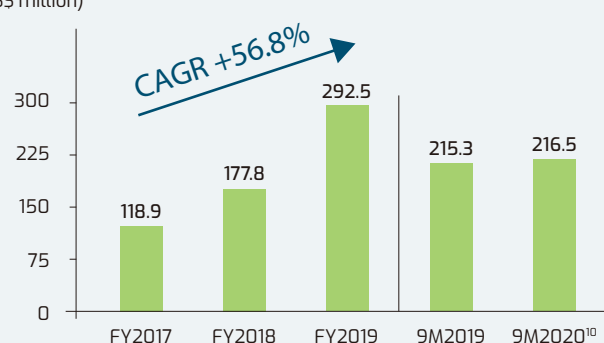
Revenue – Strong and accelerating growth

(S\$'million)



IoT Devices and Data-communication products

(S\$'million)



STRONG PROFITABILITY – IMPROVING MARGINS

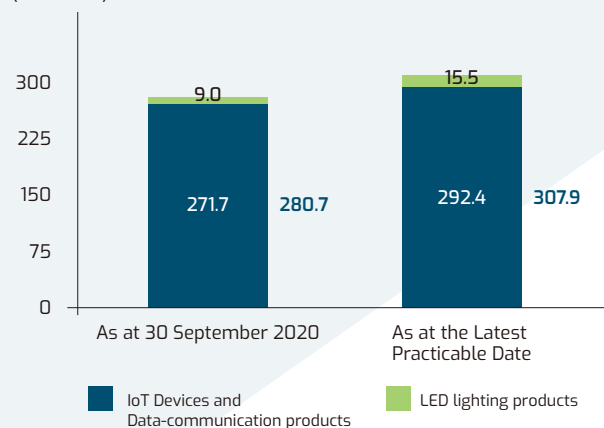
EBITDA & EBITDA Margin

(S\$'million)



Robust Order Book

(S\$'million)



Entire order book as at the Latest Practicable Date is expected to be delivered or completed within FY2021

⁹ Our Group generally experiences higher sales volume in the second half of the year.

¹⁰ Production in the 1st quarter of FY2020 was affected by the Covid-19 pandemic

BUSINESS STRATEGIES AND FUTURE PLANS

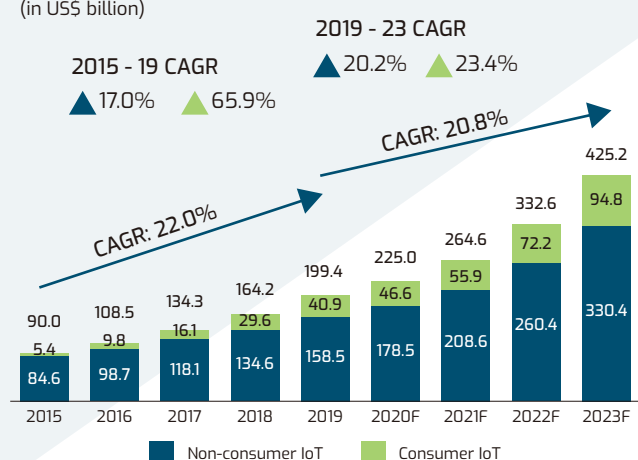
- Expansion and enhancement of manufacturing facilities to increase production capacity in view of growing demand**
 - Exploring sites outside of the PRC to add approximately 500,000 sq ft of production floor space to double existing manufacturing capacity
- Expansion of ODM/ JDM business to capitalise on opportunities in the growing IoT market**
 - Seek to build an ecosystem of inter-connected smart devices for home and office appliances to capture market share and opportunities in growing IoT market
- Enhancement of our R&D capabilities**
 - Staff recruitment and strategic collaborations to strengthen team, develop new products and technologies, and to enhance manufacturing capabilities
- Increase sales and marketing channels for overseas market expansion**
 - To establish sales network in countries with high penetration rate of IoT and smart connectivity devices, and LED penetration such as America, Europe, the PRC and Japan markets
- Expansion and diversification of business through investments, M&As, joint ventures and/or strategic collaborations**
 - To strengthen our market position, enhance the value-add in our products and/or services and/or expand into new areas that are complementary to our existing business

PROSPECTS AND OUTLOOK

a) Fast Growing Global IoT Market Achieving Mass Adoption

Market Size of IoT Devices

(in US\$ billion)

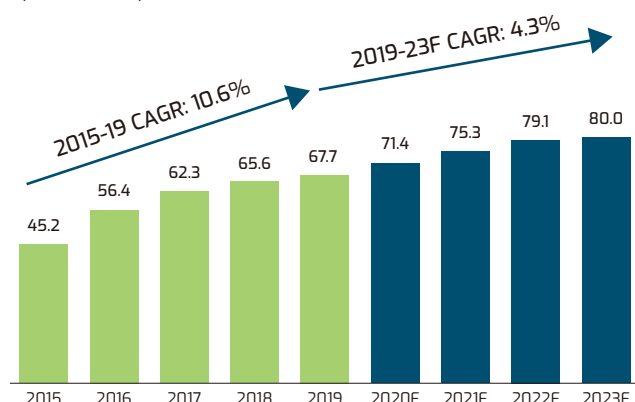


Source: Frost & Sullivan (January 2021)

b) Rising Demand for Energy-efficient Lighting Products

Market Size of LED Lighting

(in US\$ billion)



Source: Frost & Sullivan (January 2021)

HOW TO APPLY

Applications for the Public Offer can be made through:

- ATMs and Internet Banking websites of United Overseas Bank Limited, DBS Bank Ltd. (including POSB) and Oversea-Chinese Banking Corporation Limited
- Mobile banking interfaces of United Overseas Bank Limited and DBS Bank Ltd. (including POSB)
- Printed WHITE Public Offer Application Form, which forms part of this Prospectus

IMPORTANT DATES

Opening date and time for the Public Offer	5 March 2021 at 9.00 a.m.
Closing date and time for the Public Offer	10 March 2021 at 12.00 noon
Commence trading on a "ready" basis	12 March 2021 at 9.00 a.m.

TABLE OF CONTENTS

CORPORATE INFORMATION	1
DEFINITIONS	3
GLOSSARY OF TECHNICAL TERMS	12
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	14
DETAILS OF LISTING ON THE SGX-ST	16
INDICATIVE TIMETABLE OF LISTING	20
PLAN OF DISTRIBUTION	22
PROSPECTUS SUMMARY	30
THE INVITATION	34
RISK FACTORS	38
INVITATION STATISTICS	65
USE OF PROCEEDS AND EXPENSES OF THE INVITATION	66
DIVIDEND POLICY	69
SHARE CAPITAL	70
SHAREHOLDERS	73
DILUTION	79
CAPITAL REDUCTION	80
GROUP STRUCTURE	81
SELECTED FINANCIAL INFORMATION	83
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS	90
CAPITALISATION AND INDEBTEDNESS	114
GENERAL INFORMATION ON OUR GROUP	117
PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS	168
GOVERNMENT REGULATIONS	172
EXCHANGE CONTROLS	186
INTERESTED PERSON TRANSACTION	188
POTENTIAL CONFLICTS OF INTEREST	201
DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES	205
CORPORATE GOVERNANCE	234
DESCRIPTION OF OUR SHARES	243
TAXATION	248
CLEARANCE AND SETTLEMENT	251
GENERAL AND STATUTORY INFORMATION	252
APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019	A-1
APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020	B-1

TABLE OF CONTENTS

APPENDIX C – INDEPENDENT AUDITORS’ ASSURANCE REPORT AND THE COMPILATION OF UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020	C-1
APPENDIX D – SUMMARY OF SELECTED REGULATIONS OF THE CONSTITUTION OF OUR COMPANY	D-1
APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME	E-1
APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN	F-1
APPENDIX G – INDEPENDENT MARKET RESEARCH REPORT	G-1
APPENDIX H – LEGAL OPINION FROM GUANGHE (DONGGUAN) LAW FIRM	H-1
APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE	I-1

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Mr. Michael Mun (Executive Chairman and CEO) Mr. Jeremy Mun (Executive Director and COO) Mr. TS Tan (Lead Independent Director) Mr. Larry Tan (Independent Director) Mr. Christopher Huang (Independent Director)
COMPANY SECRETARY	:	Ms. Pavani Nagarajah (LLB (Hons))
REGISTERED OFFICE	:	31 Ubi Road 1 #01-05 Singapore 408694
JOINT ISSUE MANAGERS	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624 Maybank Kim Eng Securities Pte. Ltd. 50 North Canal Road #03-01 Singapore 059304
JOINT GLOBAL COORDINATORS, BOOKRUNNERS AND UNDERWRITERS	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624 Maybank Kim Eng Securities Pte. Ltd. 50 North Canal Road #03-01 Singapore 059304 DBS Bank Ltd. 12 Marina Boulevard, Level 46 Marina Bay Financial Centre Tower 3 Singapore 018982
AUDITORS AND REPORTING ACCOUNTANTS	:	BDO LLP 600 North Bridge Road #23-01 Parkview Square Singapore 188778 Partner-in-charge: Mr. Leong Hon Mun Peter (a practising member of the Institute of Singapore Chartered Accountants)
SOLICITORS TO THE INVITATION AND LEGAL ADVISER TO OUR COMPANY ON SINGAPORE LAW	:	Virtus Law LLP 1 Raffles Place #18-61 Tower 2 Singapore 048616
SOLICITORS TO THE JOINT ISSUE MANAGERS AND THE JOINT GLOBAL COORDINATORS, BOOKRUNNERS AND UNDERWRITERS	:	Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542
LEGAL ADVISER TO OUR COMPANY ON HONG KONG LAW	:	Stephenson Harwood 18 th Floor, United Centre 95 Queensway, Hong Kong

CORPORATE INFORMATION

LEGAL ADVISER TO OUR COMPANY ON MALAYSIA LAW	:	Wong Beh & Toh Peti #30, Level 19 West Block Wisma Golden Eagle Realty 142-C Jalan Ampang 50450 Kuala Lumpur, Malaysia
LEGAL ADVISER TO OUR COMPANY ON PRC LAW	:	Fangda Partners (方达律师事务所) 24/F HKRI Centre Two HKRI Taikoo Hui 288 Shi Men Yi Road Shanghai, PRC
LEGAL ADVISER TO AZTECH DONGGUAN AS TO PRC LAW ON LAND USE RIGHTS AND BUILDING RIGHTS IN RESPECT OF CERTAIN LAND AND BUILDINGS OF AZTECH DONGGUAN	:	Guangdong Guanghe (Dongguan) Law Firm (广东广和(东莞)律师事务所) 16/F, FengTai Building No. 3, YuanMei East Rd. Nancheng District, Dongguan City Guangdong Province, PRC
SHARE REGISTRAR	:	B.A.C.S. Private Limited 8 Robinson Road, #03-00 ASO Building Singapore 048544
PRINCIPAL BANKER	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
RECEIVING BANK	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
STABILISING MANAGER	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
VENDOR	:	Aztech Group Ltd. 31 Ubi Road 1 #01-05 Singapore 408694
INDEPENDENT MARKET RESEARCH CONSULTANT	:	Frost & Sullivan (Singapore) Pte. Ltd. 78 Shenton Way #32-00 Singapore 079120

DEFINITIONS

For the purposes of this Prospectus and the accompanying Application Forms, the following definitions apply where the context so admits:

Group Companies

“Aztech Dongguan”	:	Aztech Communication Device (DG) Ltd (快捷达通信设备(东莞)有限公司)
“Aztech Innovation”	:	Aztech Innovation Pte. Ltd.
“Aztech Systems”	:	Aztech Systems (Hong Kong) Limited
“Aztech Technologies”	:	Aztech Technologies Pte. Ltd.
“AZ E-Lite HK”	:	AZ E-Lite (HK) Limited
“AZ E-Lite JJS”	:	AZ E-Lite JJS Ltd (东莞安迪斯电子有限责任公司)
“AZ E-Lite SG”	:	AZ E-Lite Pte. Ltd.
“Company”	:	Aztech Global Ltd. (formerly known as Aztech Electronics Pte. Ltd.)
“Group”	:	Our Company and our subsidiaries as at the date of this Prospectus
“IOT Manufacturing”	:	IOT Manufacturing Sdn. Bhd.

Other Corporations, Agencies and Bodies

“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“AGRP” or “Vendor”	:	Aztech Group Ltd.
“Auditors and Reporting Accountants”	:	BDO LLP
“Authority” or “MAS”	:	The Monetary Authority of Singapore
“AVS Investments”	:	AVS Investments Pte. Ltd.
“AVS Printing”	:	AVS Printing Pte. Ltd.
“AVS Solutions”	:	AVS Solutions Sdn. Bhd.
“AVS Technologies”	:	AVS Technologies Pte. Ltd.
“AZ Marine Offshore”	:	AZ Marine Offshore Services Pte. Ltd.
“AZ United”	:	AZ United Pte. Ltd.
“CDP”	:	The Central Depository (Pte) Limited
“Changping Town Government”	:	Dongguan City Changping Town People’s Government (东莞市常平镇人民政府)
“CPF”	:	The Central Provident Fund
“DBS”	:	DBS Bank Ltd.
“DLRB”	:	Dongguan Land Resources Bureau (东莞市国土资源局), which is part of DNRB
“DNRB”	:	Dongguan Natural Resources Bureau (东莞市国土资源局), comprising DLRB
“DNRB Changping Branch”	:	Dongguan Natural Resources Bureau Changping Branch (东莞市自然资源局常平分局)
“Dongguan City Government”	:	Dongguan City People’s Government (东莞市常平镇人民政府)

DEFINITIONS

<i>“Frost & Sullivan” or “Independent Market Research Consultant”</i>	:	Frost & Sullivan (Singapore) Pte. Ltd.
<i>“Guanghe (Dongguan) Law Firm”</i>	:	Guangdong Guanghe (Dongguan) Law Firm (广东广和(东莞) 律师事务所)
<i>“Hitemco”</i>	:	Hitemco Pte. Ltd.
<i>“Huuve”</i>	:	Huuve Sdn. Bhd.
<i>“JJS”</i>	:	Jiujiangshui village (九江水村) as a collective entity
<i>“JJS Village Committee”</i>	:	Villagers’ Committee of Dongguan City Changping Town Jiujiangshui Village (东莞市常平镇九江水村村民委员会)
<i>“JJSEU”</i>	:	Jiujiangshui Economic Union Limited (九江水股份经济联合社)
<i>“JJSEUS”</i>	:	Jiujiangshui Economic Union Limited by shares (东莞市常平镇九江水股份经济联合社)
<i>“Joint Issue Managers”</i>	:	UOB and Maybank Kim Eng
<i>“Joint Global Coordinators, Bookrunners and Underwriters”</i>	:	UOB, Maybank Kim Eng and DBS
<i>“Kay Lee”</i>	:	Kay Lee Pte. Ltd.
<i>“Maybank Kim Eng”</i>	:	Maybank Kim Eng Securities Pte. Ltd.
<i>“PRC Legal Adviser”</i>	:	Fangda Partners (方达律师事务所)
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share Registrar”</i>	:	B.A.C.S. Private Limited
<i>“Stabilising Manager” or “UOB”</i>	:	United Overseas Bank Limited
<i>“Wynd”</i>	:	Wynd Technologies, Inc.
General		
<i>“9M”</i>	:	Nine (9)-month financial period ended 30 September
<i>“Application Forms”</i>	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
<i>“Associate”</i>	:	<p>(a) in relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:</p> <ul style="list-style-type: none"> (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he or his immediate family (whether directly or indirectly) have an interest of 30.0% or more; and <p>(b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such</p>

DEFINITIONS

		holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more
<i>“ATM”</i>	:	Automated teller machine of a Participating Bank
<i>“ATM Application”</i>	:	An application for Public Offer Shares made through an ATM in accordance with the terms and conditions of this Prospectus
<i>“Audit Committee”</i>	:	The audit committee of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Award”</i>	:	A contingent award of Shares granted under the PSP
<i>“Award Shares”</i>	:	The Shares which may be issued or transferred upon the vesting of share awards granted under the PSP
<i>“Board” or “Board of Directors”</i>	:	The board of Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>“CAGR”</i>	:	Compound annual growth rate
<i>“Capital Reduction Exercise”</i>	:	The capital reduction exercise undertaken by our Company in connection with the Invitation, as described in the section entitled “Capital Reduction” of this Prospectus
<i>“CEO”</i>	:	Chief executive officer
<i>“Changping”</i>	:	Changping Town in Dongguan (东莞市常平镇)
<i>“Code”</i>	:	The Code of Corporate Governance 2018 of Singapore, as amended, modified or supplemented from time to time
<i>“Companies Act”</i>	:	The Companies Act, (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
<i>“Constitution”</i>	:	The constitution of our Company, as amended or modified from time to time
<i>“Controlling Shareholder”</i>	:	In relation to a corporation, a person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15.0% or more of the aggregate of the nominal amount of all the voting shares in our Company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over our Company
<i>“Cornerstone Agreements”</i>	:	The separate cornerstone agreements dated 19 February 2021 and 22 February 2021 (where applicable) entered into between each of the Cornerstone Investors and our Company and/or the Vendor
<i>“Cornerstone Investors”</i>	:	The cornerstone investors who have entered into Cornerstone Agreements with our Company and/or the Vendor namely, (i) Affin Hwang Asset Management Berhad, (ii) AIA Bhd., (iii) AIA Investment Management Private Limited, (iv) DBS Bank Ltd. (acting on behalf of certain of its wealth management clients), (v) Eastspring Investments (Singapore) Limited, (vi) Employees Provident Fund Board, (vii) FIL Investment Management (Hong Kong) Limited, (viii) Hong Leong Assurance Berhad, (ix) HSBC Global Asset Management (Hong Kong) Limited, (x) ICH

DEFINITIONS

	Capital Pte Ltd, (xi) JPMorgan Asset Management Singapore) Limited, (xii) Lion Global Investors Limited, (xiii) Magna New Frontiers Fund, OAKS Emerging and Frontier Opportunities Fund and OAKS Smaller Emerging Market Opportunities Fund (which are funds advised by Fiera Capital Corporation), (xiv) Matthews International Capital Management, LLC, (xv) New Silk Road Investment Pte. Ltd., (xvi) Tokio Marine Life Insurance Singapore Ltd, (xvii) UOB Kay Hian Private Limited (on behalf of certain corporate clients), and (xviii) Value Partners Hong Kong Limited
<i>“Cornerstone Shares”</i>	: The aggregate of 163,880,000 Shares which are to be issued and/or sold pursuant to the Cornerstone Agreements
<i>“COO”</i>	: Chief operating officer
<i>“Directors”</i>	: The directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Dongguan”</i>	: Dongguan City (东莞市) in the PRC
<i>“Dongguan Land”</i>	: A piece of land located in Dongguan, where our Group’s manufacturing facility in the PRC is situated, further details of which are as set out in the section entitled “General Information on our Group - Properties and Fixed Assets” of this Prospectus
<i>“Electronic Applications”</i>	: Applications for the Public Offer Shares made through an ATM or the IB Websites of the relevant Participating Banks or through the mobile banking interface of the relevant Participating Banks, subject to and on the terms and conditions of this Prospectus
<i>“EPS”</i>	: Earnings per Share
<i>“ESOS”</i>	: The Aztech Employee Share Option Scheme, adopted by our Company on 18 February 2021, the rules of which are set out in Appendix E entitled “Rules of the Aztech Employee Share Option Scheme” to this Prospectus
<i>“Executive Directors”</i>	: The executive Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Executive Officers”</i>	: The executive officers of our Group as at the date of this Prospectus, unless otherwise stated
<i>“Financial Controller”</i>	: The financial controller of our Group as at the date of this Prospectus, unless otherwise stated
<i>“FY” or “Financial Year”</i>	: Financial year ended or, as the case may be, ending 31 December
<i>“Group Employee”</i>	: A confirmed employee of a company within our Group
<i>“GST”</i>	: Goods and services tax
<i>“Hong Kong”</i>	: Hong Kong Special Administrative Region
<i>“IB”</i>	: Internet banking
<i>“IB Application”</i>	: An application for Offer Shares made through an IB Website in accordance with the terms and conditions of this Prospectus

DEFINITIONS

<i>“IB Websites”</i>	:	IB websites of the Participating Banks
<i>“Independent Directors”</i>	:	The independent Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Independent Market Research Report”</i>	:	The “Independent Market Research on the Global IoT & Data Communication and LED Lighting Markets” report issued by Frost & Sullivan, which is set out in Appendix G to this Prospectus
<i>“Invitation”</i>	:	The Placement and the Public Offer
<i>“Invitation Price”</i>	:	S\$1.28 for each Offer Share
<i>“IOT Premises”</i>	:	The premises of IOT Manufacturing located in Johor, Malaysia, further details of which are as set out in the section entitled “General Information on our Group – Properties and Fixed Assets” of this Prospectus
<i>“IPO”</i>	:	Initial public offering
<i>“Jiujiangshui”</i>	:	Jiujiangshui village in Changping (东莞市常平镇九江水村)
<i>“Latest Practicable Date”</i>	:	15 February 2021, being the latest practicable date prior to the lodgement of this Prospectus with the Authority
<i>“Listing”</i>	:	The listing and quotation of all our Shares on the SGX-ST
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
<i>“Management and Underwriting Agreement”</i>	:	The management and underwriting agreement dated 4 March 2021 entered into between our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters in connection with the Invitation and Listing, details of which are set out in the section entitled “Plan of Distribution – Management and Underwriting Agreement” of this Prospectus
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“NAV”</i>	:	Net asset value
<i>“New Cornerstone Shares”</i>	:	The 155,000,000 new Shares to be allotted and issued pursuant to the Cornerstone Agreements
<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the date of this Prospectus, unless otherwise stated
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer Shares”</i>	:	The 68,120,000 Shares offered by the Vendor in the Invitation
<i>“Options”</i>	:	The share options which may be granted by our Company pursuant to the ESOS
<i>“Option Shares”</i>	:	The new Shares which may be allotted and issued from time to time upon the exercise of the Options
<i>“Over-allotment Option”</i>	:	The over-allotment option granted by AGRP to the Joint Global Coordinators, Bookrunners and Underwriters, exercisable by the Stabilising Manager (or any of its affiliates or other persons acting on its

DEFINITIONS

		behalf), in consultation with the other Joint Global Coordinators, Bookrunners and Underwriters, in full or in part, on one or more occasions, to purchase up to an aggregate of 13,600,000 Shares (representing approximately 20.0% of the total number of Offer Shares) at the Invitation Price, solely to cover the over-allotment of Shares (if any), subject to any applicable laws and regulations, including the SFA and any regulations thereunder, from the Listing Date until the earlier of (i) the date falling 30 days from the Listing Date, or (ii) the date when the Stabilising Manager (or any of its affiliates or other persons acting on its behalf) has bought on the SGX-ST an aggregate of 13,600,000 Shares, representing not more than approximately 20.0% of the total number of Offer Shares, to undertake stabilising actions
<i>“Over-allotment Shares”</i>	:	Up to an aggregate of 13,600,000 Shares (representing approximately 20.0% of the total number of Offer Shares) that the Stabilising Manager (or any of its affiliates or other persons acting on its behalf) may, upon exercise of the Over-allotment Option, purchase from AGRP at the Invitation Price, solely to cover the over-allotment of Shares (if any)
<i>“Participating Banks”</i>	:	UOB, DBS (including POSB) and Oversea-Chinese Banking Corporation Limited, and each a <i>“Participating Bank”</i>
<i>“PER”</i>	:	Price earnings ratio
<i>“Period Under Review”</i>	:	The period which comprises FY2017, FY2018, FY2019 and 9M2020
<i>“Placement”</i>	:	The international placement by the Joint Global Coordinators, Bookrunners and Underwriters of the Placement Shares to investors including institutional and other investors in Singapore and outside the United States in reliance on Regulation S at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Placement Shares”</i>	:	The 64,620,000 Offer Shares which are the subject of the Placement
<i>“PRC”</i>	:	People’s Republic of China, excluding Macau and Hong Kong, for the purposes of this Prospectus and for geographical reference only
<i>“Prospectus”</i>	:	This Prospectus dated 4 March 2021 issued by our Company in respect of the Invitation
<i>“PSP”</i>	:	The Aztech Performance Share Plan, adopted by our Company on 18 February 2021, the rules of which are set out in Appendix F entitled “Rules of the Aztech Performance Share Plan” to this Prospectus
<i>“Public Offer”</i>	:	The offer by our Company to the public in Singapore of the Public Offer Shares for the subscription and/or purchase at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Public Offer Shares”</i>	:	The 3,500,000 Offer Shares which are the subject of the Public Offer

DEFINITIONS

<i>“Regulation S”</i>	:	Regulation S of the US Securities Act
<i>“Regulations”</i>	:	The regulations for our Company as contained in our Constitution, as amended, or modified or supplemented from time to time
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Prospectus, unless otherwise stated
<i>“R&D”</i>	:	Research and development
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP, but does not include a securities sub-account
<i>“Securities and Futures Act” or “SFA”</i>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
<i>“Service Agreements”</i>	:	The service agreements entered into between our Company and our Executive Chairman and CEO, Mr. Michael Mun, and our Executive Director and COO, Mr. Jeremy Mun, respectively, as set out in the section entitled “Directors, Executive Officers, Legal Representatives and Employees – Service Agreements” of this Prospectus
<i>“SFR”</i>	:	Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore, as amended, modified or supplemented from time to time
<i>“SGXNET”</i>	:	Singapore Exchange Network, a system network used by listed companies in sending information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
<i>“Share Lending Agreement”</i>	:	The share lending agreement dated 4 March 2021 entered into between AGRP and the Stabilising Manager, the details of which are as set out in the section entitled “Plan of Distribution – Share Lending Agreement” of this Prospectus
<i>“Share(s)”</i>	:	Ordinary share(s) in the capital of our Company
<i>“Shareholder(s)”</i>	:	Person(s) who are registered as holder(s) of Shares in the register of members of our Company, or where CDP is the registered holder, the term “Shareholders” shall, in relation to such Shares, mean Depositors whose Securities Accounts are credited with Shares
<i>“Share Split”</i>	:	The sub-division of one (1) Share into forty (40) Shares
<i>“Singapore Take-over Code”</i>	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
<i>“Substantial Shareholders”</i>	:	Persons who have an interest in the Shares of not less than 5.0% of the aggregate of all the voting shares of our Company
<i>“United States” or “US”</i>	:	United States of America
<i>“US Securities Act”</i>	:	The United States Securities Act of 1933, as amended
<i>“Vendor Cornerstone Shares”</i>	:	The 8,880,000 Shares which are to be sold by the Vendor pursuant to a Cornerstone Agreement

DEFINITIONS

Currencies, Units of Measurement and Others

“%”	:	Per centum or percentage
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“RM” or “Ringgit Malaysia”	:	Ringgit Malaysia, the lawful currency of Malaysia
“RMB” or “Renminbi”	:	PRC Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	:	Singapore dollars, the lawful currency of Singapore
“sq ft”	:	Square feet
“US\$” or “USD”	:	United States dollars, the lawful currency of the United States

Name used in this Prospectus		Name in National Registration Identity Card/ Passport
“Annie Qian”	:	Qian Junmin
“Christopher Huang”	:	Huang Junli Christopher
“Daniel Oh”	:	Oh Yong Boon
“Ivan Mun”	:	Mun Weng Kai
“Jason Saw”	:	Saw Chwee Meng
“Jeremy Mun”	:	Mun Weng Hung
“Larry Tan”	:	Tan Jwee Meng
“Michael Mun”	:	Mun Hong Yew
“Pavani Nagarajah”	:	Pavani d/o Nagarajah
“Terence Kwong”	:	Kwong Man Hong
“TS Tan”	:	Tan Teik Seng

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term “entity” shall have the same meaning ascribed to it in Section 2 of the SFA, while the terms “associated company”, “related corporation” and “subsidiary” shall have the same meanings ascribed to them respectively in paragraph 1 of the Fourth Schedule of the SFR, the Companies Act and/or the Listing Manual, as the case may be.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus, the Application Forms and, in relation to the Electronic Applications, the instructions appearing on the screens of the ATMs or the relevant pages of the IB Websites of the relevant Participating Banks to any statute or enactment, is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Listing Manual, the Code or any statutory modification thereof and used in this Prospectus and the Application Forms shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Listing Manual, the Code or any statutory modification thereto, as the case may be.

Any reference in this Prospectus and the Application Forms to Shares being allotted to an applicant includes allotment to CDP for the Securities Account of that applicant.

Any reference to a time of day in this Prospectus, the Application Forms and, in relation to the Electronic Applications, the instructions appearing on the screens of the ATMs or the relevant pages of the IB Websites of the relevant Participating Banks shall be a reference to Singapore time, unless otherwise stated.

DEFINITIONS

References in this Prospectus to “our Group”, “we”, “our”, and “us” or any other grammatical variations thereof shall unless otherwise stated, mean our Company, our Group or any member of our Group as the context requires.

Reference in this Prospectus to “subscribe” and “subscription” or any other grammatical variations thereof in relation to Public Offer, Public Offer Shares, Invitation or Offer Shares shall unless otherwise stated, include “and/or purchase” or any other grammatical variations thereof.

Unless otherwise indicated, all information in this Prospectus assumes that (a) the Stabilising Manager has not exercised the Over-allotment Option and (b) no Offer Shares have been re-allocated between the Placement and the Public Offer.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

The exchange rates used in this Prospectus are for reference only. No representation is made that any HK\$, RM and/or RMB amounts were, could have been, will be or could be converted into S\$ amounts at any of the exchange rates used in this document, at any other rate or at all.

The information on our website or any website directly or indirectly linked to such websites or the websites of any of our related corporations or other entities in which we may have an interest does not form part of this Prospectus and should not be relied on.

Certain Chinese names and characters, such as those of entities, properties, cities, governmental and regulatory authorities, laws and regulations and notices, have been translated into English or from English names and characters, solely for your convenience, and such translations should not be construed as representations that the English names actually represent the Chinese names and characters or that the Chinese names actually represent the English names and characters.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary contains an explanation and description of certain technical terms and abbreviations used in this Prospectus. The terms and abbreviations and their assigned meanings may not correspond to standard industry meanings or common meanings or usage, as the case may be, of these terms.

<i>“ADSL”</i>	:	Asymmetric digital subscriber line, which is a data communications technology that enables faster data transmission over copper telephone lines
<i>“Box Build Assemblies”</i>	:	The assembly of complete products which involves the assembly of completed PCBAs, plastic parts and other components into a final product
<i>“CMS”</i>	:	Contract manufacturing services, which are one-stop services providing the procurement of raw materials, product manufacture, related logistics and after-sale services
<i>“Data-communication products”</i>	:	Products that facilitate and improve the exchange of data between a source and a receiver, <i>via</i> the form of transmission media such as a wire cable or WiFi
<i>“DECT”</i>	:	Digital Enhanced Cordless Telecommunications, which is a standard primarily used for creating cordless telephone systems
<i>“DFM”</i>	:	Design for manufacturability report, which is provided to the R&D team for production risk assessment and mitigation, as well as improvement of product and process design and efficiency
<i>“GPS”</i>	:	Global positioning system
<i>“HomePlug”</i>	:	A device to transform existing domestic power lines into a networking infrastructure using standard technical specifications under the ‘HomePlug’ designation, with each specification offering unique performance capabilities and coexistence or compatibility with other specifications under the ‘HomePlug’ designation
<i>“Internet of Things” or “IoT”</i>	:	A network of physical objects or things (such as devices, vehicles, equipment, homes, buildings) that are connected to the internet through embedded devices and software, which allows these physical objects to collect, analyse and exchange data
<i>“IoT Devices”</i>	:	Physical objects that can connect with each other and other systems via the Internet, spanning from traditional computing hardware such as a laptop or desktop, to common mobile devices such as a smartphone or tablet, to an increasingly wide range of physical devices and objects
<i>“JDM”</i>	:	Joint development manufacturing, where the manufacturer and the customer work together on the design and manufacture of a product which is eventually sold under the customer’s brand name
<i>“LED”</i>	:	Light-emitting diode
<i>“LoRa”</i>	:	A low power wide area wireless network technology

GLOSSARY OF TECHNICAL TERMS

<i>“ODM”</i>	:	Original design manufacturer, where the manufacturer designs and manufactures a product based on a customer’s requirements and specifications and the product is eventually sold under the customer’s brand name
<i>“OEM”</i>	:	Original equipment manufacturer, where products or parts of products are manufactured in accordance with the manufacturer’s design and specifications and are marketed and sold under the customer’s brand name or under the manufacturer’s own brands
<i>“PC”</i>	:	Personal computer
<i>“PCB”</i>	:	Printed circuit board
<i>“PCBA”</i>	:	Printed circuit board assemblers which is the semi-finished product resulting from the process of soldering or assembly of electronic components to a PCB
<i>“SMT”</i>	:	Surface-mount technology, which is a method for producing electronic circuits in which the components are mounted or placed directly onto the surface of PCBs
<i>“VDSL”</i>	:	Very high speed digital subscriber line, which is a data communications technology that enables faster data transmission over copper telephone lines and which provides a faster data transmission rate than ADSL
<i>“WiFi”</i>	:	Wireless networking technology that uses radio waves to provide high speed internet and network connections
<i>“Zigbee”</i>	:	A wireless communication standard used to create personal area networks with small, low power devices

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these statements by forward-looking terms such as “anticipate”, “believe”, “could”, “estimate”, “profit estimate”, “expect”, “intend”, “may”, “plan”, “will” and “would” or similar words and phrases. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, trend information, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including without limitation, statements as to:

- (a) our revenue and profitability;
- (b) expected growth in demand;
- (c) expected industry trends and development;
- (d) anticipated expansion plans and development plans; and
- (e) other matters discussed in this Prospectus regarding matters that are not historical fact,

are only predictions. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. These statements are based on our beliefs and assumptions, which in turn are based on current available information. Although we believe the assumptions upon which these forward-looking statements are based on are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be inaccurate.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements.

These risks, uncertainties and other factors include, *inter alia*, the following:

- (i) changes in political, social, economic, business and financial conditions and stock or securities market conditions and regulatory environment, laws and regulations and interpretation thereof in the jurisdictions where we conduct business or expect to conduct business;
- (ii) changes to existing regulations relating to tariffs and duties;
- (iii) our inability to implement our business strategies and future plans;
- (iv) our inability to realise our anticipated growth strategies and expected internal growth;
- (v) changes in currency exchange rates or interest rates;
- (vi) changes in the availability and prices of products and services which we require to operate our business;
- (vii) changes in customer preferences and needs;
- (viii) changes in competitive conditions and our ability to compete under such conditions, locally and internationally;
- (ix) changes in our future capital needs and the availability of financing and capital to fund these needs;
- (x) significant capital expenditure requirements;
- (xi) changes in technology;
- (xii) the impact of the recent global pandemic outbreak of COVID-19 on our business and operations;

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

- (xiii) the factors described under the section entitled “Risk Factors” of this Prospectus; and
- (xiv) other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include but are not limited to those discussed in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Position and Results of Operations” of this Prospectus. All forward-looking statements made by or attributable to our Company, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters or persons acting on our or the Joint Issue Managers’ and the Joint Global Coordinators, Bookrunners and Underwriters’ behalf, contained in this Prospectus are expressly qualified in their entirety by such factors.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. None of our Company, the Joint Issue Managers, the Joint Global Coordinators, Bookrunners and Underwriters or any other person represents or warrants that our actual future results, performance or achievements will be as discussed in those statements. The forward-looking statements are applicable only as of the date of this Prospectus.

The section entitled “Prospects, Business Strategies and Future Plans” of this Prospectus as well as other parts of this Prospectus may (to the extent applicable) contain data, information, financial analysis, forecast, figures and statements (including market and industry data and forecasts that have been obtained from reports and studies, where appropriate, as well as market research, publicly available information and industry publications) which are forward-looking and based on certain assumptions and projections. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. Neither our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, nor person(s) acting on our or their behalf have conducted an independent review or verified the accuracy or veracity of such data, information, financial analysis, forecast, figures and statements, assumptions and projections (the “**Experts’ Data**”). No representation is made by our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters or person(s) acting on our or their behalf in respect of any of the Experts’ Data and neither our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters nor person(s) acting on our or their behalf takes any responsibility for any of the Experts’ Data.

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. Our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the future. We are, however, subject to the provisions of the SFA and the Listing Manual regarding corporate disclosure.

In particular, pursuant to Section 241 of the SFA, if after the registration of this Prospectus but before the close of the Invitation, we become aware of:

- (a) a false or misleading statement or matter in this Prospectus;
- (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the SFA; or
- (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority, which would have been required by Section 243 of the SFA to be included in this Prospectus if it had arisen before this Prospectus was lodged,

and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

DETAILS OF LISTING ON THE SGX-ST

Our Company has applied to the SGX-ST for permission to deal in, and for listing of and quotation for, all our Shares already issued (including the Offer Shares, the Vendor Cornerstone Shares and the Over-allotment Shares), the New Cornerstone Shares, the Award Shares and the Option Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptances of applications and the allotment and allocation of the Offer Shares will be conditional upon, *inter alia*, the SGX-ST granting permission to list and deal in, and for all our existing issued Shares (including the Offer Shares, the Vendor Cornerstone Shares and the Over-allotment Shares), the New Cornerstone Shares, the Award Shares and the Option Shares. Monies paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, if the said permission is not granted for any reason, and the applicant will not have any claim against our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. No Shares will be allotted and/or allocated on the basis of this Prospectus later than six (6) months after the date of registration of this Prospectus by the Authority. The dealing in and quotation of our Shares will be in Singapore dollars.

Our Company has received a letter of eligibility from the SGX-ST for the listing and quotation of all our Shares already issued (including the Offer Shares, the Vendor Cornerstone Shares and the Over-allotment Shares), the New Cornerstone Shares, the Award Shares and the Option Shares on the Main Board of the SGX-ST. Our Company's eligibility to list and admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our existing issued Shares, the Offer Shares, the Cornerstone Shares, the Award Shares or the Option Shares. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Prospectus.

A copy of this Prospectus has been lodged with the Authority. The Authority assumes no responsibility for the contents of this Prospectus. The Authority has not, in any way, considered the merits of our existing issued Shares (including the Offer Shares, the Vendor Cornerstone Shares and the Over-allotment Shares), the New Cornerstone Shares, the Award Shares or the Option Shares, as the case may be, being offered or in respect of which an Invitation is made, for investment. Our Company has not lodged or registered this Prospectus in any other jurisdiction.

Notification under Section 309B of the SFA: The Shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

By applying for the Offer Shares on the terms and subject to the conditions in this Prospectus, each investor in the Offer Shares represents and warrants that, except as otherwise disclosed to the Joint Global Coordinators, Bookrunners and Underwriters in writing, he is not (a) a Director or Substantial Shareholder, (b) an Associate of any of the persons mentioned in (a), or (c) a connected client of the Joint Global Coordinators, Bookrunners and Underwriters or lead broker or distributor of the Offer Shares.

Our Company is subject to the provisions of the SFA and the Listing Manual regarding corporate disclosure. In particular, if after the registration of this Prospectus but before the close of the Invitation, our Company and/or the Vendor become aware of:

- (a) a false or misleading statement or matter in this Prospectus;
- (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the SFA; or
- (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and which would have been required by Section 243 of the SFA to be included in this Prospectus if it had arisen before this Prospectus was lodged, and

that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

DETAILS OF LISTING ON THE SGX-ST

In the event that a supplementary or replacement prospectus is lodged with the Authority, the Invitation shall be kept open for at least fourteen (14) days after the lodgement of such supplementary or replacement prospectus.

Where prior to the lodgement of the supplementary or replacement prospectus, applications have been made under this Prospectus to purchase and/or subscribe for the Offer Shares and:

- (a) where the Offer Shares have not been issued to the applicants, our Company shall either:
 - (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications and take all reasonable steps to make available within a reasonable period the supplementary or replacement prospectus, as the case may be, to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement prospectus;
 - (ii) within seven (7) days from the date of lodgement of the supplementary or replacement prospectus, give the applicants the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; or
 - (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled and our Company and/or the Vendor (as the case may be) shall within seven (7) days from the date of lodgement of the supplementary or replacement prospectus, return all monies paid in respect of any application, without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk and the applicants shall not have any right to claim against our Company, the Vendor, and the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters; or
- (b) where the Offer Shares have been issued to the applicants, our Company shall either:
 - (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same and provide the applicants with an option to return to our Company and/or the Vendor (as the case may be) the Offer Shares which they do not wish to retain title in and take all reasonable steps to make available within a reasonable period the supplementary or replacement prospectus, as the case may be, to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement prospectus;
 - (ii) within seven (7) days from the date of lodgement of the supplementary or replacement prospectus, give the applicants the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to return to our Company and/or the Vendor (as the case may be) the Offer Shares which they do not wish to retain title in; or
 - (iii) treat the issue of the Offer Shares as void, in which case the issue and/or sale of the Offer Shares shall be deemed void and our Company and/or the Vendor (as the case may be) shall within seven (7) days from the date of lodgement of the supplementary or replacement prospectus return all monies paid in respect of any application, without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk.

An applicant who wishes to exercise his option under paragraph (a)(i) or (ii) above to withdraw his application shall, within fourteen (14) days from the date of lodgement of the supplementary or replacement prospectus, notify our Company of this, whereupon our Company and/or the Vendor (as

DETAILS OF LISTING ON THE SGX-ST

the case may be) shall, within seven (7) days from the receipt of such notification, pay to him all monies paid by him on account of his application for the Offer Shares without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk and the applicant shall not have any claim against our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters.

An applicant who wishes to exercise his option under paragraph (b)(i) or (ii) above to return the Offer Shares issued to him shall, within fourteen (14) days from the date of lodgement of the supplementary or replacement prospectus, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Offer Shares, to our Company and/or the Vendor (as the case may be), whereupon our Company and/or the Vendor (as the case may be) shall, within seven (7) days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Offer Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the issue of those Offer Shares shall be deemed to be void, and he shall not have any claim against our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters.

Pursuant to Section 242 of the SFA, the Authority, may, in certain circumstances issue a stop order (the **"Stop Order"**) to our Company, directing that no Shares or no further Shares, to which this Prospectus relates, be allotted, issued or sold. Such circumstances will include a situation where this Prospectus (i) contains any statement or matter which, in the Authority's opinion, is false or misleading (ii) omits any information that should have been included in it under the SFA, (iii) does not, in the Authority's opinion, comply with the requirements of the SFA, or (iv) the Authority is of the opinion that it is in the public interest to do so.

In the event that the Authority issues a Stop Order and applications to subscribe for and/or purchase the Offer Shares have been made prior to the Stop Order, then:

- (a) where the Offer Shares have not been issued to the applicants, the applications of the Offer Shares pursuant to the Invitation shall be deemed to have been withdrawn and cancelled and our Company and/or the Vendor (as the case may be) shall, within fourteen (14) days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the Offer Shares; or
- (b) where the Offer Shares have been issued to the applicants, the issue of the Offer Shares pursuant to the Invitation shall be deemed to be void and our Company and/or the Vendor (as the case may be) shall, within fourteen (14) days from the date of the Stop Order pay to the applicants all monies paid by them for the Offer Shares.

Such monies paid in respect of an application will be returned to the applicants at their own risk, without interest or any share of revenue or other benefit arising therefrom, and they will not have any claim against our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. This shall not apply where only an interim Stop Order has been served.

Neither our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, nor any other parties involved in the Invitation is making any express or implied representation, warranty or covenant to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations or as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall, to the extent permitted by law, be relied upon as a promise, representation or covenant by our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers. No information in this Prospectus should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or

DETAILS OF LISTING ON THE SGX-ST

representation must not be relied upon as having been authorised by our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. Neither the delivery of this Prospectus and the Application Forms nor any documents relating to the Invitation, nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our subsidiaries or in any statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, our Company will comply with the relevant provisions and, if required, make an announcement of the same to the SGX-ST and to the public and/or lodge a supplementary or replacement prospectus with the Authority. You should take note of any such announcement and, upon release of such an announcement, shall be deemed to have been given notice of such changes.

Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. The Offer Shares are offered for subscription for and/or purchase solely on the basis of the instructions contained and representations made in this Prospectus.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Offer Shares or for any other purpose.

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Offer Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability during office hours, from:

United Overseas Bank Limited
80 Raffles Place
#03-03 UOB Plaza 1
Singapore 048624

**Maybank Kim Eng Securities
Pte. Ltd.**
50 North Canal Road
#03-01
Singapore 059304

DBS Bank Ltd.
12 Marina Boulevard,
Level 3, Marina Bay Financial
Centre Tower 3
Singapore 018982

and where applicable, members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore.

An electronic copy of this Prospectus is also available on:

- (i) the SGX-ST website at <http://www.sgx.com>; and
- (ii) the Authority's OPERA website at <http://eservices.mas.gov.sg/opera>.

The Public Offer will open at 9.00 a.m. on 5 March 2021 and will remain open until 12.00 noon on 10 March 2021 or for such further period or periods as our Directors and the Vendor may, in consultation with the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, in their absolute discretion, decide, subject to any limitations under all applicable laws and regulations. In the event a supplementary prospectus or replacement prospectus is lodged with the Authority, the Public Offer will remain open for at least 14 days after the lodgement of the supplementary or replacement prospectus.

Details of the procedures to subscribe for and/or purchase the Offer Shares are set out in "Appendix I – Terms, Conditions and Procedures for Application and Acceptance" to this Prospectus.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable for trading in the Shares is set out below for your reference:

Indicative Date / Time (Singapore time)	Event
9.00 a.m. on 5 March 2021	Opening date and time for the Public Offer
12.00 noon on 10 March 2021	Closing date and time for the Public Offer
11 March 2021	Balloting of applications for the Public Offer, if necessary (in the event of over-subscription for the Offer Shares)
11 March 2021	Commence returning or refunding of application monies to unsuccessful or partially successful applicants, if necessary
9.00 a.m. on 12 March 2021	Commence trading on a “ready” basis
16 March 2021	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative and is subject to change at our and the Vendor’s discretion, with the agreement of the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. It assumes that (i) the date of closing of the Public Offer is 10 March 2021, (ii) the date of admission of our Company to the Official List of the SGX-ST is 12 March 2021, and (iii) the SGX-ST’s shareholding spread requirement will be complied with and the Offer Shares will be allotted and issued and fully paid-up prior to 12 March 2021. **The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.**

The above timetable and procedures may be subject to such modifications as the SGX-ST may, in its absolute discretion, decide, including the decision to permit commencement of trading on a “ready” basis and the commencement date of such trading. **All persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted or are otherwise beneficially entitled to.**

Our Company and the Vendor may, in our discretion, with the agreement of the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, subject to all applicable laws and regulations and the rules of the SGX-ST, agree to extend or shorten the period during which the Invitation is open, provided that such period of the Public Offer shall not be shorter than two (2) Market Days.

In the event of any changes in the closure of the Public Offer or the time period during which the Invitation is open, our Company will publicly announce the same:

- (a) through a SGXNET announcement to be posted on the internet at the SGX-ST’s website at <http://www.sgx.com>; and
- (b) in a local English language newspaper in Singapore.

Investors should consult the SGX-ST’s announcement on the “ready” trading date released on the internet (at the SGX-ST’s website at <http://www.sgx.com>) or the local newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.

Our Company will publicly announce the level of subscription for the Offer Shares and the basis of allotment and/or allocation of the Offer Shares as soon as it is practicable after the close of the Public Offer through the channels described in (a) and/or (b) above.

Our Company and the Vendor reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application for the Offer Shares under the Public Offer, without assigning any reason therefor, and no enquiry and/or correspondence on our Company’s and the Vendor’s decision will be entertained. In deciding the basis of allocation, due consideration will be given to the desirability of allocating the Offer Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

INDICATIVE TIMETABLE FOR LISTING

Where an application under the Public Offer is rejected or unsuccessful, the full amount of the application monies will be refunded (at the applicant's own risk and without interest or any share of revenue or other benefit arising therefrom, and the applicant shall not have any right or claim against us, the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) to the applicant within 24 hours after the balloting of applications (provided that such refunds are made in accordance with the procedures set out in "Appendix I – Terms, Conditions and Procedures for Application and Acceptance" to this Prospectus).

Where an application under the Public Offer is accepted in full or in part only, any balance of the application monies will be refunded (at the applicant's own risk and without interest or any share of revenue or other benefit arising therefrom, and the applicant shall not have any right or claim against us, the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) to the applicant within 14 Market Days after the close of the Public Offer (provided that such refunds are made in accordance with the procedures set out in "Appendix I – Terms, Conditions and Procedures for Application and Acceptance" to this Prospectus).

Where the Invitation does not proceed for any reason, the full amount of application monies received pursuant to an application made under the Public Offer will be returned (at the applicant's own risk and without interest or any share of revenue or other benefit arising therefrom, and the applicant shall not have any right or claim against our Company, the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) to the applicants within three (3) Market Days after the Invitation is discontinued (provided that such refunds are made in accordance with the procedures set out in "Appendix I – Terms, Conditions and Procedures for Application and Acceptance" to this Prospectus).

The manner and method of applications and acceptances under the Placement will be determined by our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters at their sole discretion.

PLAN OF DISTRIBUTION

The Invitation is for 68,120,000 Offer Shares offered by way of the Public Offer and the Placement. At the same time as but separate from the Invitation, each of (i) Affin Hwang Asset Management Berhad, (ii) AIA Bhd., (iii) AIA Investment Management Private Limited, (iv) DBS Bank Ltd. (acting on behalf of certain of its wealth management clients), (v) Eastspring Investments (Singapore) Limited, (vi) Employees Provident Fund Board, (vii) FIL Investment Management (Hong Kong) Limited, (viii) Hong Leong Assurance Berhad, (ix) HSBC Global Asset Management (Hong Kong) Limited, (x) ICH Capital Pte Ltd, (xi) JPMorgan Asset Management (Singapore) Limited, (xii) Lion Global Investors Limited, (xiii) Magna New Frontiers Fund, OAKS Emerging and Frontier Opportunities Fund and OAKS Smaller Emerging Market Opportunities Fund (which are funds advised by Fiera Capital Corporation), (xiv) Matthews International Capital Management, LLC, (xv) New Silk Road Investment Pte. Ltd., (xvi) Tokio Marine Life Insurance Singapore Ltd, (xvii) UOB Kay Hian Private Limited (on behalf of certain corporate clients), and (xviii) Value Partners Hong Kong Limited, has entered into separate Cornerstone Agreements with our Company and/or the Vendor to subscribe for and/or purchase an aggregate of 163,880,000 Cornerstone Shares at the Invitation Price, conditional upon, among others, the Management and Underwriting Agreement having been entered into and not having been terminated pursuant to its terms on or prior to the Listing Date.

The Invitation is managed and underwritten by the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. Prior to the Invitation, there has been no public market for our Shares. The Invitation Price is determined after a bookbuilding process and agreed among our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for our Shares. The Invitation Price is the same for all Offer Shares and is payable in full on application. The Offer Shares may be re-allocated between the Placement and the Public Offer at the discretion of the Joint Global Coordinators, Bookrunners and Underwriters following consultation with our Company and the Vendor, subject to any applicable laws.

Investors may apply to subscribe for any number of Offer Shares in integral multiples of 100 Shares subject to a minimum application for 1,000 Shares. In order to ensure a reasonable spread of Shareholders, we have the absolute discretion to prescribe a limit to the number of Offer Shares to be allotted and/or allocated to any single applicant and/or to allot and/or allocate Offer Shares above or under such prescribed limit as we shall deem fit.

The Public Offer Shares are made available to the public in Singapore. Investors may apply for the Public Offer Shares by way of Application Forms, or by way of ATM Application or IB Application.

Under the Placement, the Placement Shares are being offered by way of an international placement through the Joint Global Coordinators, Bookrunners and Underwriters to investors, in offshore transactions as defined in, and in reliance on, Regulation S.

The closing of the Invitation is conditional upon, among others, the closing of the transactions contemplated in the Management and Underwriting Agreement entered into among our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, including, among others, the fulfilment or waiver by the SGX-ST of all conditions contained in the letter of eligibility from the SGX-ST for the listing and quotation of the Shares on the Main Board of the SGX-ST.

This section should be read in conjunction with, and is qualified in its entirety by reference to "Appendix I — Terms, Conditions and Procedures for Application and Acceptance" to this Prospectus.

MANAGEMENT AND UNDERWRITING AGREEMENT

Our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters have entered into the Management and Underwriting Agreement. Subject to the terms and conditions contained in the Management and Underwriting Agreement, our Company and the Vendor have agreed to appoint the Joint Global Coordinators, Bookrunners and Underwriters named below to procure subscribers and/or purchasers for, and each of the Joint Global Coordinators, Bookrunners and Underwriters has agreed, severally, and not jointly, to procure subscribers and/or purchasers for, or failing which, to subscribe for and/or purchase, the number of Offer Shares and Cornerstone Shares set forth opposite its name below at the Invitation Price.

PLAN OF DISTRIBUTION

Joint Global Coordinators, Bookrunners and Underwriters	Number of Offer Shares	Number of Cornerstone Shares
UOB	29,972,800	72,107,200
Maybank Kim Eng	24,523,200	58,996,800
DBS	13,624,000	32,776,000
Total	68,120,000	163,880,000

We and the Vendor have agreed in the Management and Underwriting Agreement to indemnify the Joint Global Coordinators, Bookrunners and Underwriters against certain liabilities.

We will pay the Joint Global Coordinators, Bookrunners and Underwriters, as compensation for their services in connection with the Invitation, underwriting fees (excluding GST) amounting to 3.25% of the total gross proceeds from the issuance of the New Cornerstone Shares. These underwriting fees will amount to approximately S\$0.0416 (excluding GST) per New Cornerstone Share.

The Vendor will pay the Joint Global Coordinators, Bookrunners and Underwriters, as compensation for their services in connection with the Invitation, underwriting fees (including GST) amounting to 3.25% of the total gross proceeds from the sale of the Offer Shares and the Vendor Cornerstone Shares (excluding Shares provided under the Share Lending Agreement but including the Over-allotment Shares (if the Over-allotment Option is exercised)). The Vendor will bear its own professional and other incidental expenses related to the Invitation.

Subscribers of our Placement Shares may be required to pay brokerage of up to 1.00% of the Invitation Price (including GST thereon, if applicable) to the Joint Global Coordinators, Bookrunners and Underwriters.

PURCHASE OF THE OFFER SHARES

To the best of our knowledge and belief, none of our Directors or Substantial Shareholders intends to purchase the Offer Shares. If such person(s) were to purchase the Offer Shares and are subsequently transferred such number of Offer Shares, our Company will make the necessary announcements at the appropriate time.

To the best of our knowledge and belief, none of the members of our Company's management or employees intends to purchase more than 5.0% of the Offer Shares.

To the best of our knowledge and belief, as at the date of this Prospectus, our Company is not aware of any person who intends to purchase more than 5.0% of the Offer Shares.

However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate interest to purchase more than 5.0% of the Offer Shares. If such person(s) were to make an application for more than 5.0% of the Offer Shares pursuant to the Invitation and subsequently transferred such number of Shares, our Company will make the necessary announcements at an appropriate time.

No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six (6) months after the date of registration of this Prospectus by the Authority.

OVER-ALLOTMENT OPTION

In connection with the Invitation, the Vendor has granted to the Joint Global Coordinators, Bookrunners and Underwriters the Over-allotment Option exercisable by the Stabilising Manager (or any of its affiliates or other persons acting on its behalf), in consultation with the other Joint Global Coordinators, Bookrunners and Underwriters, in full or in part, on one or more occasions, to purchase up to an aggregate of 13,600,000 Shares (representing approximately 20.0% of the total number of Offer Shares) at the Invitation Price, solely to cover the over-allotment of Shares (if any), subject to any applicable laws and regulations, including the SFA and any regulations thereunder, from the Listing

PLAN OF DISTRIBUTION

Date until the earlier of (i) the date falling 30 days from the Listing Date, or (ii) the date when the Stabilising Manager (or any of its affiliates or other persons acting on its behalf) has bought on the SGX-ST an aggregate of 13,600,000 Shares, representing approximately 20.0% of the total number of Offer Shares, to undertake stabilising actions. The exercise of the Over-allotment Option will not increase the total number of issued Shares immediately after the completion of the Invitation and the issuance of the New Cornerstone Shares.

PRICE STABILISATION

In connection with the Invitation, the Stabilising Manager (or any of its affiliates or persons acting on its behalf) may over-allot Shares or effect transactions that stabilise or maintain the market price of the Shares at levels that might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations hereunder. However, there is no assurance that the Stabilising Manager (or any of its affiliates or other persons acting on its behalf) will undertake any stabilisation action. Such transactions may commence on or after the Listing Date and, if commenced, may be discontinued at any time at the Stabilising Manager's sole discretion and must not be effected after the earlier of (i) the date falling 30 days from the Listing Date, or (ii) the date when the Stabilising Manager (or any of its affiliates or other persons acting on its behalf) has bought on the SGX-ST an aggregate of 13,600,000 Shares, representing approximately 20.0% of the total number of Offer Shares, to undertake stabilising actions.

None of our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters or the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Shares. In addition, none of our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters or the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) makes any representation that the Stabilising Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice (unless such notice is required by law). The Stabilising Manager will also be required to make a public announcement through the SGX-ST in relation to the cessation of the stabilising actions and the number of Shares in respect of which the Over-allotment Option has been exercised not later than the start of the trading day of the SGX-ST immediately after the day of cessation of stabilising actions.

SHARE LENDING AGREEMENT

In connection with the Over-allotment Option, the Stabilising Manager has entered into a Share Lending Agreement with AGRP pursuant to which the Stabilising Manager may borrow up to 13,600,000 Shares from AGRP, which will be borrowed before the commencement of trading of the Shares on the SGX-ST, for the sole purpose of facilitating settlement of the over-allotment of Shares in connection with the Invitation. Any Shares that may be borrowed by the Stabilising Manager under the Share Lending Agreement will be returned by the Stabilising Manager to AGRP by no later than 30 business days following the earlier of (i) the last date for exercising the Over-allotment Option and (ii) the date on which the Over-allotment Option is exercised, either through the purchase of Shares in the open market by the Stabilising Manager in the conduct of stabilisation activities or through the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the Joint Global Coordinators, Bookrunners and Underwriters.

NO INTRODUCERS AND CONSULTANTS

No introducer fees or commission has been paid or is payable by our Company in connection with the Invitation.

MORATORIUM

AGRP

As at the date of this Prospectus, AGRP directly holds 100.0% of our share capital. Immediately following the completion of the Invitation and the issue and sale of the Cornerstone Shares, AGRP will

PLAN OF DISTRIBUTION

directly hold 541,720,000 Shares, representing approximately 70.0% of our post-Invitation share capital (assuming the Over-allotment Option is not exercised).

To demonstrate its commitment to our Company, AGRP has, in relation to all the Shares which it holds at the expiry of the Over-allotment Option, irrevocably and unconditionally undertaken, not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of (the “**Disposal**”) or enter into any agreement, transaction or arrangement that will directly or indirectly constitute or will be deemed as a Disposal of any part of its interest in our Company immediately after the Invitation (adjusted for any bonus issue or sub-division of our Shares) for a period of six (6) months commencing from the date of our admission to the SGX-ST. For the avoidance of doubt, the foregoing restrictions do not apply to (a) the Vendor Cornerstone Shares, (b) the Offer Shares, (c) any Shares purchased by the Stabilising Manager under the Over-allotment Option, and (d) the transfer of Shares by AGRP pursuant to the Share Lending Agreement (provided that the foregoing restriction will apply to such Shares returned to AGRP pursuant to the Share Lending Agreement).

AVS Investments

AVS Investments, which owns 79,806,884 shares in AGRP (representing approximately 84.09% of the issued and paid up share capital of AGRP) has irrevocably and unconditionally undertaken not to directly or indirectly, effect a Disposal or enter into any agreement, transaction or arrangement that will directly or indirectly constitute or will be deemed as a Disposal of any part of its interests in AGRP for a period of six (6) months commencing from the date of our admission to the SGX-ST.

AVS Investments shall procure that AGRP shall not directly or indirectly, effect a Disposal or enter into any agreement, transaction or arrangement that will directly or indirectly constitute or will be deemed as a Disposal of any part of its interests in our Company for a period of six (6) months commencing from the date of our admission to the SGX-ST.

Mr. Michael Mun

Mr. Michael Mun, who is the sole shareholder of AVS Investments, has irrevocably and unconditionally undertaken not to, directly or indirectly, effect a Disposal or enter into any agreement, transaction or arrangement that will directly or indirectly constitute or will be deemed as a Disposal of any part of his interests in AVS Investments for a period of six (6) months commencing from the date of our admission to the SGX-ST.

Mr. Michael Mun shall procure that AVS Investments shall not directly or indirectly, effect a Disposal or enter into any agreement, transaction or arrangement that will directly or indirectly constitute or will be deemed as a Disposal of any part of its interests in AGRP for a period of six (6) months commencing from the date of our admission to the SGX-ST.

NO SALE OF SIMILAR SECURITIES BY OUR COMPANY

Our Company has agreed with the Joint Global Coordinators, Bookrunners and Underwriters that our Company will not, from the date of the Management and Underwriting Agreement until the date falling six (6) months after the Listing Date (both dates inclusive), without the consent of the Joint Global Coordinators, Bookrunners and Underwriters, directly or indirectly:

- (a) allot, offer, issue, sell, contract to issue, grant any option, warrant or other right to subscribe or purchase, grant security over, encumber (whether by way of mortgage, assignment of rights, charge, pledge, pre-emption rights, rights of first refusal or otherwise), or otherwise dispose of or transfer, any Shares or any other securities of our Company or any subsidiary of our Company (including any equity-linked securities, perpetual securities and any securities convertible into or exchangeable for, or which carry rights to subscribe for or purchase such Shares or any other securities of our Company or any subsidiary of our Company), whether such transaction is to be settled by delivery of Shares or other securities of our Company or subsidiary of our Company, or in cash or otherwise;

PLAN OF DISTRIBUTION

- (b) enter into any swap, hedge or other transaction or arrangement (including a derivative transaction) that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any securities of our Company or any subsidiary of our Company, or any interest in any of the foregoing (including any securities convertible into or exercisable or exchangeable for, or which carry rights to subscribe for or purchase any Shares or any other securities of our Company or any subsidiary of our Company), whether such transaction is to be settled by delivery of Shares or other securities of our Company or subsidiary of our Company, or in cash or otherwise;
- (c) deposit any Shares or any other securities of our Company or any subsidiary of our Company (including any securities convertible into or exercisable or exchangeable for, or which carry rights to subscribe for or purchase any Shares or any other securities of our Company or any subsidiary of our Company) in any depository receipt facilities (other than in a CDP designated moratorium account for the purposes of complying with these restrictions);
- (d) enter into any transaction which is designed or which may reasonably be expected to result in any of the above; or
- (e) announce or publicly disclose any intention to do any of the above, provided, however, that the foregoing restrictions shall not apply in respect of the New Cornerstone Shares, the Option Shares and the Award Shares.

SELLING AND TRANSFER RESTRICTIONS

SINGAPORE

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for our Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legal or regulatory requirements of any jurisdiction, except for the lodgement and/or registration of this Prospectus in Singapore in order to permit a public offering of our Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of our Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by us, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Vendor, the Joint Issue Managers or the Joint Global Coordinators, Bookrunners and Underwriters.

Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any other information herein for any purpose whatsoever nor permit or cause the same to occur.

By accepting this Prospectus, you agree to be bound by the foregoing limitations. No part of this Prospectus may be (i) copied, photocopied or duplicated in any form by any means, or (ii) distributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose whatsoever.

HONG KONG

Please be warned that the contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Invitation. If you are in doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

This Prospectus has not been, and will not be, registered as a “prospectus” under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**C(WUMP)O**”), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it.

The Offer Shares have not been, may not be, and will not be, offered or sold in Hong Kong, or offered or directed for sale outside Hong Kong to any person in Hong Kong, by means of this Prospectus or

PLAN OF DISTRIBUTION

any document other than: (i) to “professional investors” as defined in the SFO and any rules made thereunder (including, but not limited to the Securities and Futures (Professional Investor) Rules (Chapter 571D of the Laws of Hong Kong) (the “**Professional Investor Rules**”)), and/or (ii) in other circumstances which do not result in this Prospectus being a “prospectus” as defined in the C(WUMP)O, or which do not constitute an offer to the public within the meaning of that ordinance. No person has issued or had in his/her/its possession, for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Offer Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made thereunder (including but not limited to the Professional Investor Rules). This Prospectus and the information contained herein may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong.

The Invitation is not an offer for sale to the public in Hong Kong and it is not our intention that the Offer Shares be offered for sale to the public in Hong Kong.

MALAYSIA

The offering of the Offer Shares in Malaysia has not been approved by the Securities Commission Malaysia (“**Commission**”) and this Prospectus or other offering material or document in connection with the Invitation of the Offer Shares has not been or will not be reviewed/approved by or registered with the Commission pursuant to the Capital Markets and Services Act, 2007 (“**CMSA**”). It is also not our intention to issue an information memorandum in connection with the Invitation of the Offer Shares in Malaysia pursuant to the CMSA. Accordingly, this Prospectus and any other material or document in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (i) a closed-end fund approved by the Commission, (ii) a holder of a Capital Markets Services Licence under the CMSA, (iii) a person who, if he or she acquire(s) the securities pursuant to an offer, as principal, if the offer is on terms that the securities may only be acquired at a consideration of not less than RM250,000 or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise, (iv) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3,000,000 (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual, (v) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies), per annum in the preceding twelve (12) months, (vi) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or its equivalent in foreign currencies), per annum in preceding twelve (12) months, (vii) a corporation with total net assets exceeding RM10,000,000 (or its equivalent in foreign currencies), based on the last audited accounts, (viii) a partnership with total net assets exceeding RM10,000,000 (or its equivalent in foreign currencies), (ix) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act, 2010, (x) an Islamic bank licensee as defined in the Labuan Financial Services and Securities Act, 2010, and (xi) any other person who may be specified by the Commission, provided that, in each of the preceding categories (i) to (xi), the distribution of the Offer Shares is made by a holder of a Capital Markets Services Licence who carries on the business of dealing in securities.

PRC

The Shares may not be offered or sold, directly or indirectly, and will not be offered or sold to or for the benefit of, any legal or natural person in the PRC (for such purpose, not including the Hong Kong and Macau Special Administrative Regions or Taiwan) as part of the initial offering of the Shares, except pursuant to applicable laws and regulations of the PRC.

Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the Shares without obtaining all prior PRC governmental approvals that are required, whether statutory or otherwise. Persons who come into possession of this document are required by our Company and its

PLAN OF DISTRIBUTION

representatives to observe these restrictions. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any legal or natural person to whom it is unlawful to make the offer or solicitation in the PRC. No action has been taken by the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters which would permit a public offering of any Shares or distribution of this Prospectus in the PRC. Accordingly, the Shares are not being offered or sold within the PRC by means of this Prospectus or any other document. Neither this Prospectus nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations of the PRC.

TAIWAN

The offer of the Shares has not been and will not be registered with the Financial Supervisory Commission of Taiwan (the “**FSC**”) pursuant to relevant securities laws and regulations of Taiwan and will not be offered, sold, delivered or distributed within Taiwan through a public offer or in circumstances which constitute a public offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the FSC. No person or entity in Taiwan has been authorised to offer, sell, distribute, give advice regarding or otherwise intermediate the offering, sale or distribution of the Shares in Taiwan. Taiwan investors who subscribe and purchase the Shares shall comply with all relevant securities, tax and foreign exchange laws and regulations in effect in Taiwan.

THAILAND

The offer of the Shares has not been approved by or registered with the Office of the Securities and Exchange Commission of Thailand or any other regulatory authority of Thailand. No Shares may be offered or sold in Thailand nor be made the subject of an invitation for subscription or purchase in Thailand, except under circumstances which do not constitute an offer for sale of the Shares to the public for the purposes of the Securities and Exchange Act B.E. 2535 (1992) (as amended), or does not require approval, or through applicable exemptions from approval and filing requirements of the Office of the Securities and Exchange Commission of Thailand under all applicable laws, regulations and guidelines promulgated by the Thai government and regulatory authorities in effect at the relevant time. This Prospectus and any other document or material in connection with the offer or sale of the Shares have not been circulated or distributed, and will not be circulated or distributed, to investors in Thailand for the purposes of offering and sale of the Shares or an invitation for subscription or purchase of the Shares in Thailand, except under circumstances as described.

UNITED STATES

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly, they may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws. Accordingly, the Shares are only being offered and sold outside the United States in offshore transactions as defined in, and in reliance on, Regulation S and pursuant to the applicable laws of the jurisdiction where those offers and sales occur.

MEMBER STATES OF THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

In relation to each Member State of the European Economic Area and the United Kingdom (each a “**Relevant State**”), no Shares have been offered or will be offered pursuant to the Invitation to the public in that Relevant State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that an offer of Shares to the public may be made in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

- (i) to any legal entity which is a qualified investor as defined under the Prospectus Regulation (a “**Qualified Investor**”);

PLAN OF DISTRIBUTION

- (ii) to fewer than 150 natural or legal persons (other than Qualified Investors), subject to obtaining the prior consent of the Joint Global Coordinators, Bookrunners and Underwriters for any such offer; or
- (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall require our Company or any of the Joint Global Coordinators, Bookrunners and Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression “Prospectus Regulation” means Regulation(EU) 2017/1129.

In addition, in the United Kingdom, this Prospectus may only be communicated, or caused to be communicated, to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”), does not apply and may be distributed in the United Kingdom, and is directed at only persons who are Qualified Investors and who are: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”); (ii) persons falling within Articles 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Order; and (iii) persons to whom it may otherwise lawfully be communicated (all such persons, being “**Relevant Persons**”). In the United Kingdom, this Prospectus is directed only at Relevant Persons. This Prospectus must not be acted or relied on (i) in the United Kingdom, by persons who are not Relevant Persons and (ii) in any Relevant State other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this Prospectus relates is available only to (i) in the United Kingdom, Relevant Persons and (ii) in any Relevant State other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

PROSPECTUS SUMMARY

The information contained in this summary is derived from, and should be read in conjunction with, the full text of this Prospectus. As it is a summary, it does not contain all of the information that prospective investors should consider before investing in our Shares. Prospective investors should read this entire Prospectus carefully, especially the matters set out in the section entitled “Risk Factors” of this Prospectus, before deciding to invest in our Shares.

OVERVIEW OF OUR GROUP

Our Company

Our Company was incorporated in the Republic of Singapore on 27 May 2009 under the Companies Act as a private limited company, under the name of “Aztech Electronics Pte. Ltd.”. Our Company’s registration number is 200909384G. On 13 February 2020, our Company changed our name to “Aztech Global Pte. Ltd.”. On 19 February 2021, our Company was converted into a public company and changed our name to “Aztech Global Ltd.”. Our Group currently comprises our Company and our subsidiaries, namely, Aztech Systems, AZ E-Lite HK, Aztech Dongguan, AZ E-Lite JJS, AZ E-Lite SG, Aztech Technologies, Aztech Innovation and IOT Manufacturing.

Our Business

We are a key technology enabler for the connected world of tomorrow, with a focus on providing one-stop design and manufacturing services. Supported by our core strengths in R&D, design, engineering and manufacturing, our key products are IoT Devices, Data-communication products and LED lighting products. Leveraging on our expertise, we also provide JDM and CMS services to blue chip customers, technology start-ups and other companies with innovative products. As at the Latest Practicable Date, we have over 290 customers worldwide, with our products sold in over 40 countries.

Our key products can be broadly categorised into the following segments:

- i. IoT Devices and Data-communication products;
- ii. LED lighting products; and
- iii. Other electrical products.

Further details are set out in the section entitled “General Information on our Group – Business Overview” of this Prospectus.

Our Competitive Strengths

Our competitive strengths are as follows:

- We have a committed and highly experienced founder and management team, with deep insights into the electronics industry, who have been instrumental in building our Group’s brand and reputation globally.
- We have an established reputation and strong track record of over 30 years, demonstrating flexibility and adaptability to evolving market trends.
- Our core competencies in strong in-house R&D and production engineering capabilities differentiate us from our competitors.
- We have strong manufacturing capabilities at diversified and highly integrated facilities.
- We are a key technology enabler to our customers.
- We offer a robust portfolio of products that cater to the fast growing IoT, Data-communications and LED lighting industries.
- We have a globally diversified sales strategy that enables us to attract customers.

PROSPECTUS SUMMARY

Further details are set out in the section entitled “General Information on our Group — Competitive Strengths” of this Prospectus.

Our Business Strategies and Future Plans

Our business strategies and future plans are as follows:

- Expansion and enhancement of our manufacturing facilities;
- Expansion of our ODM/JDM business to capitalise on opportunities in the growing IoT market;
- Enhancement of our R&D capabilities;
- Increase sales and marketing channels for overseas markets expansion; and
- Expansion of our business through, *inter alia*, investments, mergers and acquisitions, joint ventures and/or strategic collaborations.

Further details are set out in the section entitled “Prospects, Business Strategies and Future Plans — Business Strategies and Future Plans” of this Prospectus.

Where you can find us

Our registered office and principal place of business is at 31 Ubi Road 1, #01-05, Singapore 408694. Our telephone and facsimile numbers are +65 6594 2288 and +65 6749 1198, respectively. Our email address is corporate@aztech.com and our corporate website is <http://www.aztechglobal.com>.

Information contained in our website does not constitute part of this Prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated financial information should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations”, our audited consolidated financial statements for FY2017, FY2018, FY2019 and 9M2020, the accompanying notes and the related audited reports as set out in “Appendix A — Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2017, 2018 and 2019” and “Appendix B — Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Period from 1 January 2020 to 30 September 2020” of this Prospectus.

Summary Consolidated Statements of Comprehensive Income

	Audited			Unaudited	Audited
	FY2017	FY2018	FY2019	9M2019	9M2020
	S\$’000	S\$’000	S\$’000	S\$’000	S\$’000
Revenue	377,154	346,822	428,825	326,200	262,221
Other income	1,386	719	759	503	487
Changes in inventories of finished goods and work in progress, and raw materials used	(292,811)	(262,688)	(306,957)	(235,299)	(183,431)
Employee benefits expense	(45,136)	(40,876)	(42,739)	(32,576)	(24,446)
Amortisation and depreciation expense	(6,212)	(6,873)	(8,602)	(6,310)	(6,416)
Other operating expenses	(20,808)	(16,076)	(15,565)	(12,360)	(10,526)
Loss allowance of trade receivables	(1)	(726)	(500)	(520)	(55)
Investment revenue	68	70	43	36	635
Other gains and losses	(157)	3,105	436	1,835	(928)
Finance costs	(1,291)	(1,403)	(914)	(726)	(918)
Profit before income tax	12,192	22,074	54,786	40,783	36,623
Income tax expense	(1,134)	(2,064)	(7,614)	(5,495)	(6,102)
Profit for the financial year / period⁽¹⁾⁽²⁾	11,058	20,010	47,172	35,288	30,521

PROSPECTUS SUMMARY

Notes:

- (1) The remuneration in respect of the Executive Directors and certain key Executive Officers, which amounted to approximately S\$1.9 million, S\$2.0 million and S\$1.0 million in FY2017, FY2018 and FY2019, respectively, have not been recorded in the financial statements of our Group for the respective financial year as these personnel were then under the direct payroll of AGRP.
- (2) Had the Service Agreements been in place on 1 January 2019, the profit attributable to equity holders of our Company for FY2019 would have been approximately S\$46.2 million.

Summary Consolidated Statements of Financial Position

	Audited		
	As at 31 December		As at
	2017	2018	30 September
	S\$'000	S\$'000	2020 S\$'000
Total current assets	180,148	175,876	135,933
Total non-current assets	25,477	22,048	24,778
Total assets	205,625	197,924	160,711
Total current liabilities	165,451	140,215	135,270
Total non-current liabilities	3,221	1,601	2,742
Total equity	36,953	56,108	22,699
Total liabilities and equity	205,625	197,924	160,711

Summary Consolidated Statements of Cash Flows

	Audited			Unaudited	Audited
	FY2017	FY2018	FY2019	9M2019	9M2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Net cash (used in) / from operating activities	(12,804)	39,572	41,659	26,591	32,529
Net cash used in investing activities	(10,492)	(3,738)	(7,756)	(2,739)	(4,397)
Net cash from / (used in) financing activities	32,996	(40,088)	(31,121)	(21,009)	(20,669)
Net change in cash and cash equivalents	9,700	(4,254)	2,782	2,843	7,463
Effects of exchange rate changes on the balance of cash held in foreign currencies	468	190	243	223	192
Cash and cash equivalents at beginning of the financial year / period	5,152	15,320	11,256	11,256	14,281
Cash and cash equivalents at end of the financial year / period	15,320	11,256	14,281	14,322	21,936

PROSPECTUS SUMMARY

SUMMARY CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The following summary consolidated pro forma financial information should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations”, our audited consolidated financial statements for FY2017, FY2018, FY2019 and 9M2020, the accompanying notes and the related audited reports as set out in “Appendix A – Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2017, 2018 And 2019”, “Appendix B – Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Period from 1 January 2020 to 30 September 2020” and “Appendix C – Independent Auditors’ Assurance Report and the Compilation of Unaudited Pro Forma Consolidated Financial Information for the Financial Year Ended 31 December 2019 and the Financial Period from 1 January 2020 to 30 September 2020” of this Prospectus.

In particular, please refer to the section entitled “Selected Financial Information” of this Prospectus and Note 2 on page C-18 of “Appendix C – Independent Auditors’ Assurance Report and the Compilation of Unaudited Pro Forma Consolidated Financial Information for the Financial Year Ended 31 December 2019 and the Financial Period from 1 January 2020 to 30 September 2020” of this Prospectus on the significant event relating to our Company’s declaration of interim dividends of approximately S\$41.0 million subsequent to 31 December 2019.

Summary Unaudited Pro Forma Consolidated Statements of Financial Position

	Pro Forma	
	As at 31 December 2019	As at 30 September 2020
	S\$’000	S\$’000
Total current assets	121,652	192,336
Total non-current assets	24,778	23,865
Total assets	146,430	216,201
Total current liabilities	161,979	196,783
Total non-current liabilities	2,742	5,612
(Net capital deficiency) / Total equity	(18,291)	13,806
Total liabilities and equity	146,430	216,201

Summary Unaudited Pro Forma Consolidated Statements of Cash Flows

	Pro Forma	
	FY2019	9M2020
	S\$’000	S\$’000
Net cash from operating activities	41,659	32,529
Net cash used in investing activities	(7,756)	(4,397)
Net cash used in financing activities	(45,402)	(30,723)
Net change in cash and cash equivalents	(11,499)	(2,591)
Effects of exchange rate changes on the balance of cash held in foreign currencies	243	192
Cash and cash equivalents at beginning of the financial year / period	11,256	14,281
Cash and cash equivalents at end of the financial year / period	-	11,882

THE INVITATION

- Invitation : 68,120,000 Offer Shares offered by the Vendor under the Placement and Public Offer (subject to the Over-allotment Option). The completion of the Placement and the Public Offer are each conditional upon the completion of the other.
- The Offer Shares will rank *pari passu* in all respects with our existing issued Shares.
- Invitation Price : S\$1.28 for each Offer Share.
- Vendor : AGRP
- Placement : 64,620,000 Placement Shares being offered at the Invitation Price by way of an international placement to investors, including institutional and other investors in Singapore and outside the United States in reliance on Regulation S, subject to and on the terms and conditions of this Prospectus.
- Public Offer : 3,500,000 Public Offer Shares being offered at the Invitation Price by way of a public offer in Singapore, subject to and on the terms and conditions of this Prospectus.
- Cornerstone Investors : Concurrently with but separate from the Invitation, each of (i) Affin Hwang Asset Management Berhad, (ii) AIA Bhd., (iii) AIA Investment Management Private Limited, (iv) DBS Bank Ltd. (acting on behalf of certain of its wealth management clients), (v) Eastspring Investments (Singapore) Limited, (vi) Employees Provident Fund Board, (vii) FIL Investment Management (Hong Kong) Limited, (viii) Hong Leong Assurance Berhad, (ix) HSBC Global Asset Management (Hong Kong) Limited, (x) ICH Capital Pte Ltd, (xi) JPMorgan Asset Management (Singapore) Limited, (xii) Lion Global Investors Limited, (xiii) Magna New Frontiers Fund, OAKS Emerging and Frontier Opportunities Fund and OAKS Smaller Emerging Market Opportunities Fund (which are funds advised by Fiera Capital Corporation), (xiv) Matthews International Capital Management, LLC, (xv) New Silk Road Investment Pte. Ltd., (xvi) Tokio Marine Life Insurance Singapore Ltd, (xvii) UOB Kay Hian Private Limited (on behalf of certain corporate clients), and (xviii) Value Partners Hong Kong Limited, has entered into separate Cornerstone Agreements with our Company and/or the Vendor to subscribe for and/or purchase an aggregate of 163,880,000 Cornerstone Shares at the Invitation Price, of which 155,000,000 Cornerstone Shares will be New Cornerstone Shares and 8,880,000 Cornerstone Shares will be Vendor Cornerstone Shares, conditional upon, amongst others, the Management and Underwriting Agreement having been entered into and not having been terminated pursuant to its terms on or prior to the Listing Date. Please refer to the section entitled “Shareholders – Cornerstone Investors” of this Prospectus for further information.
- Purpose of the Invitation : Our Directors believe that the listing of our Company and the quotation of our Shares on the Official List of the SGX-ST will enhance our public image both locally and internationally and enable us to tap the capital markets to fund our

THE INVITATION

business growth. The Invitation will also provide members of the public, our employees, business associates and others who have contributed to the success of our Group, with an opportunity to participate in the equity of our Company.

Clawback and Re-allocation : The Offer Shares may be re-allocated between the Placement and the Public Offer, at the discretion of the Joint Global Coordinators, Bookrunners and Underwriters (in consultation with our Company and the Vendor), subject to any applicable laws.

Application Procedures for the Public Offer : Investors applying for the Public Offer Shares must follow the application procedures set out in “Appendix I —Terms, Conditions and Procedures for Application and Acceptance” to this Prospectus. Applications must be paid for in Singapore dollars. The minimum initial subscription is for 1,000 Offer Shares. An applicant may apply for a larger number of Offer Shares in integral multiples of 100.

Use of Proceeds : We intend to utilise the net proceeds from the issuance of the New Cornerstone Shares primarily for the following purposes:

- Expansion and enhancement of our manufacturing facilities;
- Expansion of our business through, *inter alia*, investments, mergers and acquisitions, joint ventures and/or strategic collaboration;
- Enhancement of our R&D capabilities;
- Increase sales and marketing channels for overseas markets expansion; and
- Expansion of our ODM/JDM business to capitalise on opportunities in the growing IoT market.

Please refer to the section entitled “Use of Proceeds and Expenses of the Invitation” of this Prospectus for further details.

We will not receive any of the proceeds from the Invitation and the sale of the Vendor Cornerstone Shares nor will we receive any of the proceeds from the exercise of the Over-allotment Option granted by AGRP.

Over-allotment Option : In connection with the Invitation, the Vendor has granted to the Joint Global Coordinators, Bookrunners and Underwriters, the Over-allotment Option exercisable by the Stabilising Manager (or any of its affiliates or other persons acting on its behalf), in consultation with the other Joint Global Coordinators, Bookrunners and Underwriters, in full or in part, on one or more occasions, to purchase up to an aggregate of 13,600,000 Shares (representing approximately 20.0% of the total number of Offer Shares) at the Invitation Price, solely to cover the over-allotment of Shares (if any), subject to any applicable laws and regulations, including the SFA and any regulations

THE INVITATION

thereunder, from the Listing Date until the earlier of (i) the date falling 30 days from the Listing Date, or (ii) the date when the Stabilising Manager (or any of its affiliates or other persons acting on its behalf) has bought on the SGX-ST an aggregate of 13,600,000 Shares, representing approximately 20.0% of the total number of Offer Shares, to undertake stabilising actions. The exercise of the Over-allotment Option will not increase the total number of issued Shares immediately after the completion of the Invitation and the issuance of the New Cornerstone Shares.

Market Capitalisation : The market capitalisation of our Company immediately upon the Listing and based on the Invitation Price of S\$1.28 and the post-Invitation share capital of 773,720,000 Shares will be approximately S\$990.4 million.

Moratorium : Our Company has agreed with the Joint Global Coordinators, Bookrunners and Underwriters that, subject to certain exemptions, from the date of the Management and Underwriting Agreement until the date falling six (6) months from the Listing Date, we will not, without the consent of the Joint Global Coordinators, Bookrunners and Underwriters, amongst other things, allot, offer, issue, sell, contract to issue, grant an option, warrant or other right to subscribe or purchase, grant security over, encumber, or otherwise dispose of or transfer any Shares, or announce or publicly disclose any intention to do the foregoing.

Each of AGRP, AVS Investments and Mr. Michael Mun has agreed to certain moratorium arrangements for a period of six (6) months commencing from the date of our admission to the SGX-ST.

Please refer to the sections entitled “Plan of Distribution - No Sale of Similar Securities by our Company” and “Plan of Distribution - Moratorium” of this Prospectus for further details on the above.

Price Stabilisation : In connection with the Invitation, the Stabilising Manager (or any of its affiliates or persons acting on its behalf) may over-allot Shares or effect transactions that stabilise or maintain the market price of the Shares at levels that might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations hereunder. However, there is no assurance that the Stabilising Manager (or any of its affiliates or other persons acting on its behalf) will undertake any stabilisation action.

Such transactions may commence on or after the Listing Date and, if commenced, may be discontinued at any time at the Stabilising Manager's sole discretion and must not be effected after the earlier of (i) the date falling 30 days from the Listing Date, or (ii) the date when the Stabilising Manager (or any of its affiliates or other persons acting on its behalf) has bought on the SGX-ST an aggregate of

THE INVITATION

13,600,000 Shares, representing approximately 20.0% of the total number of Offer Shares, to undertake stabilising actions.

Dividends

- : We currently do not have a fixed dividend policy. The declaration and payment of future dividends may be recommended by our Directors at their discretion, after considering a number of factors deemed relevant by our Directors.

Currently, our Directors intend to recommend dividends of at least 30.0% of our net profit after tax (excluding exceptional items) generated in FY2021 and FY2022, as we wish to reward our Shareholders for participating in our Group's growth.

Investors should note that the foregoing statements, particularly the statement of our proposed intention to recommend dividends, are merely statements of our present intention and shall not constitute legally binding obligations in respect of any future dividends (including those proposed for FY2021 and FY2022 which may be subject to modification (including the reduction or non-declaration thereof)) at our Directors' absolute discretion. No inference can be nor shall any inference be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends.

Please refer to the section entitled "Dividend Policy" of this Prospectus for further details.

Listing and Trading

- : Prior to the Invitation, there was no public market for our Shares. Our Shares will be quoted on the Official List of the SGX-ST in Singapore dollars, subject to admission of our Company to the Official List of the SGX-ST and permission for dealing in, and for quotation of, our Shares being granted by the SGX-ST and the Authority not issuing a Stop Order.

The Shares will, upon their listing and quotation on the SGX-ST, be traded on the SGX-ST under the book-entry (scripless) settlement system of CDP. Dealing in and quotation of the Shares will be in S\$. The Shares will be traded in board lots of 100 Shares.

Risk Factors

- : Investing in our Shares involves risks which are described, in particular, but not limited to, in the section entitled "Risk Factors" of this Prospectus.

RISK FACTORS

Prospective investors should carefully consider and evaluate the following considerations and all other information contained in this Prospectus before deciding to invest in our Shares. The following section describes some of the significant risks known to us now that could directly or indirectly affect us and the value or trading price of our Shares. The following section does not state risks unknown to us now but which could occur in the future, and risks which we currently believe to be immaterial, which could turn out to be material. Should these risks occur and/or turn out to be material, they could materially and adversely affect our business, results of operations, financial position and prospects. Some of the following risk factors relate principally to the industry which our Group operates and the business of our Group in general. Other considerations relate principally to general economic and political conditions and the securities market and ownership of our Shares, including possible future sales of our Shares. If any of the following considerations and uncertainties develops into actual events, our business, results of operations and financial position could be materially and adversely affected. In such cases, the trading price of our Shares could decline due to any of these considerations and uncertainties, and investors may lose all or part of their investment in our Shares. To the best of our Directors' belief and knowledge, all the risk factors that are material to investors in making an informed judgement have been set out below. Before deciding to invest in the Shares, prospective investors should seek professional advice from their advisers about their particular circumstances.

This Prospectus also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Prospectus.

RISKS RELATING TO OUR BUSINESS

We are subject to potential adverse consequences due to our lack of valid certificates, permits and other approvals in respect of the Dongguan Land and the buildings on it

Our main production and ancillary facilities are located at the Dongguan Land which is leased from the JJSEU (now known as JJSEUS after its restructuring). As at the Latest Practicable Date, neither our Group nor the JJSEUS has obtained (i) the Certificate of State-owned Land Use Rights (国有土地使用权证) / Certificate of Collective-owned Land Use Rights (集体使用权证) for the Dongguan Land; or (ii) the Certificate of Property Rights (房屋产权证), construction work planning permits (建设工程规划许可证) or construction work commencement permits (建筑工程施工许可证) for all the buildings erected on it. Based on the due diligence report issued by our PRC Legal Adviser, Fangda Partners, our lease of the Dongguan Land may not be legally valid, binding and enforceable, and our Group's use of the Dongguan Land and the buildings erected on it may be disturbed or discontinued. According to the Dongguan City Implementing Rules of Approval Procedures for the Land Use Rights and Land Planning Examination of Buildings with Historical Outstanding Issues and Public Facilities Illegally Constructed (《东莞市历史遗留产业类和公共配套类违法建筑补办建设用地使用权审批手续及土地规划审查操作实施细则》), which was promulgated by DNRB on 20 May 2020, Aztech Dongguan, being the party exerting the right to the buildings on the Dongguan Land, may submit an application for the rectification of the right to use the Dongguan Land, subject to the approvals by the DNRB Changping Branch, DNRB and the Dongguan City Government. As at the Latest Practicable Date, Aztech Dongguan and JJSEUS are still obtaining the necessary documents and resolving the outstanding issues in relation thereto. Please refer to the section entitled "General Information of our Group – Properties and Fixed Assets" of this Prospectus for further details.

As practice may vary in different cities, our Directors are of the view that a law firm in Dongguan will be in a better position to provide further details relating to the issues of the Dongguan Land. As such, Aztech Dongguan has commissioned Guanghe (Dongguan) Law Firm to advise on the land use rights and building rights in respect of the Dongguan Land. Our Directors understand that Guanghe (Dongguan) Law Firm is a branch of Guangdong Guanghe Law Firm which is the 15th largest domestic law firm in Asia as at 2019⁽¹⁾ and is one of the largest comprehensive law firms in South China⁽²⁾. In addition, Guangdong Guanghe Law Firm office is ranked Band 2 under the Corporate/Commercial

Notes:

(1) Source: <https://www.legalbusinessonline.com/features/alb-asia-top-50-2019-resilience-uncertain-climate>

(2) Source: <https://law.asia/law-firm/guanghe-law-firm/>

RISK FACTORS

category by Chambers & Partners and is described as a “well-established Shenzhen firm with impressive knowledge of real estate and construction matters, covering grant and transfer of land use rights, mergers and acquisitions and restructuring of real estate companies, sale and leasing as well as tax planning”⁽¹⁾.

Based on the legal opinion issued by Guanghe (Dongguan) Law Firm in relation to the issues relating to the Dongguan Land, in the event that Aztech Dongguan fails to obtain the Certificate of State-owned Land Use Rights (国有土地使用权证) or the Certificate of Collectively-owned Land Use Rights (集体土地使用权证) and complete the Rectification Title Registration (补办房地产权登记手续) by March 2022, and if any government agency makes any penalty decision under the relevant administrative laws and regulations to require Aztech Dongguan to demolish the buildings or terminate the leasing arrangement, Aztech Dongguan will, prior to such demolition or termination, have at least six (6) months to seek alternative ways to solve the issues in relation to the penalty decision. Please refer to the legal opinion from Guanghe (Dongguan) Law Firm as set out in “Appendix H – Legal Opinion from Guanghe (Dongguan) Law Firm” to this Prospectus for more details.

In connection therewith, while Guanghe (Dongguan) Law Firm has advised that there is no risk for Aztech Dongguan to be subject to any further fines by the PRC authorities, our Group may be required to write off the net book value of the Dongguan Land and our buildings (including our main production facility) on the Dongguan Land, which amounted to approximately S\$3.0 million as at 30 September 2020. Our Group also estimates that the total costs of relocation of existing production equipment and the fitting out of a new manufacturing facility in the PRC to be approximately S\$2.0 million.

In the event that our Group is required to vacate from the Dongguan Land and is unable to relocate our production facilities in the PRC within the six (6)-month period, and the tenancy to the Secondary Factory (as defined in the section entitled “General Information on our Group – Properties and Fixed Assets” of this Prospectus) is terminated at the same time, it is expected that our Group’s Malaysian manufacturing facility will be able to handle up to 60% of the production (in value) of our Group’s production requirements, following completion of certain expansion and enhancement works by the first half of FY2021, through selective production of products which are of comparatively higher values.

Our business operations may be materially and adversely affected if we fail to comply with laws, regulations and conditions stipulated in any licences, permits, registrations or approvals, and/or are unable to obtain, maintain and/or renew the required licences, permits, registrations and approvals

In carrying out our business operations, we are required to comply with relevant laws and regulations and obtain certain licences, permits, registrations and approvals from various governmental authorities in the countries that we operate in. Please refer to the sections entitled “Government Regulations” and “General Information on our Group – Licences, Permits and Approvals” of this Prospectus for a summary of the key laws and regulations affecting our Group and the key licences, permits, registrations and approvals obtained as at the Latest Practicable Date.

Some of these licences, permits, registrations and approvals may be subject to periodic renewal and reassessment by the relevant authorities, and the standards of compliance required in relation thereto may from time to time be subject to changes. New laws, regulations or policies may also be adopted. Accordingly, we have to constantly monitor and ensure compliance with the relevant conditions, laws and regulations. While we have not encountered any instances of failure to obtain or renew any licences, permits, registrations or approvals required for the operation of our business during the Period Under Review, obtaining, retaining or renewing the terms of the necessary licences, permits and registrations or approvals can be a time consuming process. There is no assurance that we will be able to obtain renewed licences, permits, registrations and approvals upon their expiration in a timely manner, or at all. Any failure to obtain or renew such licences, permits, registrations and approvals as planned, or any requirement for a more stringent compliance standard may have a material and adverse effect on our business, results of operations and financial position.

Note:

(1) Source: <https://chambers.com/department/guangdong-guanghe-law-firm-corporate-commercial-east-coast-guangdong-prc-firms-asia-pacific-8:2462:60:1:164695>

RISK FACTORS

There is no assurance that the regulatory environments in which we operate will not change significantly or become more stringent in the future. Compliance with any changes in existing or new laws and regulations may increase our compliance costs, which may adversely affect our business, operations, financial performance and prospects. In addition, there is no assurance that we would be able to comply with such amended or new laws and regulations, which may have an adverse effect on our business, operations, financial performance or prospects. In the event that we fail to comply with the relevant laws and regulations, we may be penalised for such breaches of law or regulation, and our business, operations, financial performance and prospects may be adversely affected as a result.

We are exposed to concentration risk of reliance on our major customers, and may be adversely affected by any disruption or termination of our business relationships with our major customers or fluctuations in their demand for our products

During the Period Under Review, we generated a significant portion of our revenue from our major customers. For FY2017, FY2018, FY2019 and 9M2020, the total revenue generated from our major customers accounted for approximately 87.7%, 87.9%, 86.3% and 83.3% of our Group's revenue, respectively. We expect revenue generated from our major customers to continue to represent a significant portion of our revenue in the foreseeable future. As such, we may be subject to concentration risk from such customers. Please refer to the section entitled "General Information on our Group – Major Customers" of this Prospectus for further details of our major customers.

There is no assurance that we will be able to retain these major customers or that they will maintain their business relationships with us. If there is a reduction or cessation of orders from these major customers and we are unable to obtain suitable orders of a comparable size and terms in replacement, our business, results of operations, financial position and cash flow may be materially and adversely affected.

For example, we provide manufacturing services under OEM/ODM/JDM/CMS arrangements for various products which are marketed under our customers' brands and such business is dependent on the customers continuing to outsource their engineering, design and manufacturing requirements to us. If more owners of brands decide to undertake their manufacturing activities in-house instead of outsourcing to third party service providers, there will be a reduction or cessation of orders from these customers and our business, results of operations, financial position, cash flow and future growth relating to such business may be materially and adversely affected.

We believe we are the sole supplier for some of the products of certain of our customers. However, our business is generally not based on long-term exclusive contracts with our major customers. Although we have entered into master manufacturing agreements with certain customers which set out a broad framework of the business relationship and arrangements with these customers, these agreements do not always oblige these customers to place certain minimum orders with us, nor are they necessarily exclusive.

Our ability to maintain our price competitiveness and adhere to high quality standards is therefore important to our ability to secure new orders or renew existing contracts. There is no guarantee that our customers will continue to place orders or that the volume of our orders will be maintained. As we do not enter into long-term contracts with our customers, the selling prices for some of our existing products may be subject to downward price revisions due to, *inter alia*, price competition from other approved suppliers, rapid technological changes and short product life cycles. Rapid technological changes and short product life cycles leading to new products being introduced into the market at a faster pace may also cause selling prices of existing products to drop. Should the selling prices of our existing products decrease and we are unable to secure sufficient additional orders to make up for the loss in revenue, our business, results of operations, financial position and cash flow will be materially and adversely affected.

There is also no assurance that we would be able to maintain good business relationships with our customers in the future. Our customers are not obliged in any way to continue providing us with new businesses in the future at a level similar to that in the past or at all. Should any of these customers reduce substantially the size of its transactions with us, terminate its business relationship with us entirely, wind up or fail to make payments on time, there can be no assurance that we would be able to

RISK FACTORS

secure new businesses from other customers to compensate for such reduction in transactions or loss of business entirely. In addition, there can be no assurance that new businesses secured from other customers for replacement, if any, would be on commercially comparable terms. Accordingly, our business, results of operations, financial position and cash flow may be materially and adversely affected.

We plan our production based on our customers' projections of the demand for their products which may not materialise into orders

We plan our production based on our customers' projections of the demand for their products. There can be no certainty that such projections will materialise into purchase orders. Any shortfall in these projections will adversely affect our production costs and efficiencies and we risk committing resources for projections that may not materialise. Such shortfalls in projections will cause an inefficient allocation of staff and raw materials, which could have been better utilised for other profitable products. Additionally, new products are vulnerable to specification changes and product launch delays which are outside of our control. The occurrence of any of the foregoing may have a material and adverse effect on our business, financial position, results of operations and prospects.

We are exposed to the credit risks of our customers

Our sales to customers are usually made on credit terms of between 30 and 95 days for the products which we manufacture. There is no guarantee that our customers will settle payment in full as it falls due. In the event our customers are unable to settle trade amounts due to us on a timely basis, this will have an adverse impact on our results of operations, cash flows and financial position. In addition, there may be an adverse impact on our operations as it diverts our management resources, time and attention to pursue any unsettled invoices. During the Period Under Review, our loss allowance on trade receivables amounted to approximately S\$1,000, S\$0.7 million, S\$0.5 million and S\$55,000 in FY2017, FY2018, FY2019 and 9M2020, respectively. Please refer to the section entitled "General Information on our Group – Credit Management" of this Prospectus for further details on our credit management procedures.

We operate in a highly competitive industry and may not be able to continue competing successfully

Our business is highly competitive and we face competition from players in the market. Some of our present and potential future competitors may have access to greater financial, marketing, technical or manufacturing resources, and in some cases, higher brand recognition and more experience than we have. Some competitors may enter markets we serve and sell products at lower prices in order to obtain market share. Our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the development, promotion and sale of their products and services than we can. Current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties that enhance their ability to address the needs of our prospective customers. It is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Our competitors may also produce products that are equal or superior to our products, which could reduce our market share, reduce our overall sales and require us to invest additional funds in new technology development.

There is no assurance that we will be able to continue competing successfully against our competitors. In the event that we are unable to retain our existing customers and/or attract new customers amidst the competition, our business, results of operations, financial position and cash flow may be materially and adversely affected. Please refer to the section entitled "General Information on our Group – Competition" of this Prospectus for further details of the competition we face and our competitors.

Furthermore, the selling prices of certain of our products may be subject to downward price pressures due to intense competition. In the event that we are unable to adequately cope with the declining selling prices and/or competitive pressures, our profit margins will be adversely affected. This will also have a material adverse effect on our business, including our financial position, results of operations and cash flow.

RISK FACTORS

We are dependent on our ability to continuously introduce new innovative products through our R&D efforts and to adapt to changes in engineering and production technologies

The lighting, IoT and Data-communications industries are characterised by rapid technology changes, constant innovation and keen global competition. The industry is also susceptible to changes in product life cycles. These rapid technological developments require us to consider the regulatory standards, integrate new technology into our products, create new and relevant product categories and adapt to changing business models in a timely manner.

Our competitors may develop or acquire alternative and competing technologies and standards that could allow them to create new and disruptive products and/or produce similar, competitive products at lower costs of production, thus rendering our products less competitive or obsolete. Our ability to compete effectively will therefore depend on our ability to adapt to advancements in engineering and production technologies to meet our customers' needs, our ability to identify and leverage on new trends in the electronics market and our ability to innovate on our R&D capabilities.

As a result, we may need to invest significant resources in R&D to maintain our market position, keep pace with technological and regulatory changes and compete effectively. Our R&D expenses for the Period Under Review were approximately S\$2.6 million, S\$2.8 million, S\$1.7 million and S\$1.4 million in FY2017, FY2018, FY2019 and 9M2020 respectively, representing approximately 0.7%, 0.8%, 0.4% and 0.5% of our Group's revenue, respectively. Our business and results of operations may be adversely affected if we do not operate as efficiently as our competitors or if we cannot adapt on a timely basis to technological changes or if we are unable to effectively engage in R&D to introduce new products which meet the needs of the market in a timely manner.

We may be required to purchase key components from a limited number of suppliers

We may, from time to time, in our ODM/CMS contracts, be required by our customers to purchase certain key components used in the manufacturing of our products from a limited number of suppliers. We may also, from time to time, purchase key components used in the manufacturing of our products from suppliers as directed by our customers.

Lead times for materials and components ordered by us can vary significantly and depend on factors such as the supply and demand for a component at a given time. We face competition for supplies of materials and components, which may drive up prices and increase lead times. Although our operations have not in the past been adversely affected by any shortage or interruptions in supply of key components, we cannot assure you that such shortages or interruptions will not occur, or if our competitors establish arrangements with our suppliers, in which case we would need to explore alternative sourcing options such as engaging independent contract manufacturers. We cannot assure you that we will be able to find alternative suppliers or independent contract manufacturers that are able to comply with our specifications and meet our delivery requirements on acceptable terms and/or in a timely manner, or at all, which could materially and adversely affect our business, results of operations and financial position.

If our growth outpaces our ability to source for new suppliers and/or key components, we may experience difficulty in meeting our delivery requirements. This may impede our ability to grow rapidly, or according to our expansion plans. As costs of key components increase, our profit margins may be materially and adversely affected as well.

We do not have long-term supply arrangements with our suppliers of raw materials and may be adversely affected by shortages or fluctuations in the cost of our raw materials

Manufacturing our products requires raw materials and components, including but not limited to petroleum-based plastics and rare earth metals that are susceptible to fluctuations in price and availability. The main raw materials used in our products are electronics, plastics, metal and packaging materials.

We are not able to control any fluctuations in price or availability. In order to ensure that we are able to deliver to our customers quality products at competitive prices, we need to obtain from our suppliers, in

RISK FACTORS

a timely manner, sufficient quantities of raw materials of good quality at acceptable prices. As we have not entered into any long-term supply agreements with our suppliers for any of our raw materials, there is no assurance that these suppliers will continue to supply their products to us. In the event that these suppliers are unable to fulfil our raw materials needs, cease or limit the supply of their products or increase their selling prices, we may not be able to find timely replacements or alternative sources for such products at competitive prices. An insufficient supply of raw materials will disrupt or delay our production and result in our inability to satisfy customer orders.

Furthermore, significant increases in the cost of raw materials may affect our profitability as there is no assurance that we will be able to pass all or any part of the increase in the cost of raw materials to our customers in a timely manner or find a cheaper source of supply when there is a significant increase in the cost of raw materials. We may also need to raise our product prices in the long run to recover increased raw materials costs and to maintain our gross margins, which may lead to lower demand for our products. In such event, our business, results of operations, financial position and cash flow may be materially and adversely affected. Please refer to the section entitled “General Information on our Group – Major Suppliers” of this Prospectus for further details of our major suppliers.

Unexpected disruptions to our manufacturing facilities and production processes may materially and adversely affect our business operations

Our revenue is dependent on the continued operation of our manufacturing facilities in Dongguan, PRC, and more recently, in Johor, Malaysia. Our manufacturing facilities and production processes are subject to operational risks beyond our control including, *inter alia*, fire, breakdown, failure of our equipment and machinery, power shortages, natural disasters and any interruption in our operations as a result of any failure to comply with any applicable laws, regulations and standards. If there is any damage to our manufacturing facilities, we may not be able to remedy such situations in a timely and proper manner and our ability to manufacture our products in a timely manner could be materially and adversely affected. Any breakdown or malfunction of any of our equipment could cause a material disruption of our operations. Frequent or prolonged occurrence of any of such events may have a material adverse effect on our business, financial position and results of operation. In addition, if we are not able to renew the lease for our manufacturing facilities, the ensuing disruption to our operations may materially affect our business, results of operations and financial position.

A serious disruption, such as a natural disaster, or impediments such as increases in transportation or fuel costs or labour unrest at any of our manufacturing or warehousing facilities could also damage our inventory and could materially impair our ability to distribute our products to customers, in a timely manner or at a reasonable cost. We could incur significantly higher costs and experience longer lead times associated with distributing our products during the time that it takes for us to procure the services of a replacement facility or wait for such facility to reopen or to replace a logistics facility. We are also susceptible to any problems which may impact international delivery, freight and shipping such as acts of God, wars, political instability and terrorist attacks. Any such disruption to our logistics could materially and adversely affect our business, financial position and results of operations.

Save for the disruption to our operations caused by the COVID-19 pandemic as set out in the risk factor entitled “Our Group is subject to risks related to the outbreak of communicable diseases including in particular the ongoing COVID-19 pandemic” in this Prospectus, we have not encountered any unexpected disruptions to our manufacturing facilities and production processes for the operation of our business during the Period Under Review.

Our Group is subject to risks related to the outbreak of communicable diseases including, in particular, the ongoing COVID-19 pandemic

The outbreak of communicable diseases such as severe acute respiratory syndrome (SARS), H5N1 avian flu, Influenza A (H1N1), MERS, Ebola and most recently, COVID-19, in the countries which we operate may disrupt the operations of our factories and our ability to fulfil the orders of our customers. The governments in the countries in which we operate may mandate the closure of businesses, offices and factories based on factors beyond our control. Any failure on our part to properly manage and contain the effects of such outbreaks in our factories could severely disrupt our operations, damage our reputation, and in turn, our relationships with customers. As a result, our factories may be

RISK FACTORS

perceived by our customers to be unsafe and poorly managed, which may discourage our existing customers, as well as prospective customers, from conducting business with us.

As at the Latest Practicable Date, the outbreak of the contagious disease, COVID-19, had affected 223 countries or territories, including the PRC, Malaysia and Singapore, and has resulted in approximately 109 million confirmed cases and approximately 2.4 million deaths⁽¹⁾. The COVID-19 outbreak was on 11 March 2020 declared as a pandemic by the World Health Organisation⁽²⁾. Unlike the SARS outbreak in 2003, which was largely limited to East Asia, the number of infected COVID-19 cases has increased rapidly across the world, from Asia to Europe and the United States. The global economy is projected to enter into a recession with economic growth projected at -4.4% in 2020 and recovery in 2021 is projected to be gradual⁽³⁾. The global COVID-19 pandemic has resulted in the lockdown of cities, the cessation of various business operations and the imposition of travel restrictions by governments around the world. The Singapore government implemented COVID-19 Circuit Breaker and Extended Circuit Breaker measures during the months of April and May 2020 and continued to implement safe management at workplaces from 2 June 2020 onwards.

The central government of the PRC extended the Lunar New Year public holiday nationwide and instituted lockdowns in early 2020. Our Group's manufacturing facility in the PRC was closed from the end of January 2020 and only resumed production on 11 March 2020, which was longer than the usual Lunar New Year shutdown period. In March and April 2020, our Group encountered difficulties resuming full operations as many of our workers had returned to their hometowns for the Lunar New Year and were unable to return to work due to travel restrictions imposed by the PRC government then. As such, our Group had to make arrangements for additional manpower from provinces in PRC where travel was permitted, further delaying the re-starting and resuming of our Group's operations. As similar issues were faced by our suppliers in the PRC, there was some disruption in the supply chain of materials during the first half of 2020 but the situation has normalised since then.

In respect of the IOT Premises, the original plan to commence the facility's operations was delayed when the Malaysia government implemented the movement control order on 18 March 2020. The IOT Premises has since resumed operations and has gone into production since August 2020. While the COVID-19 situation in Malaysia remains unpredictable as at the Latest Practicable Date and our Group is continuing to monitor the situation, there has been no significant disruption or suspension to our operations at the IOT Premises since August 2020. While a state of emergency was declared in Malaysia on 12 January 2021 and a new movement control order was implemented in Malaysia on or around the same date, IOT Manufacturing, based on the confirmation letter from the relevant authorities in Malaysia on 16 January 2021 and by virtue of it being classified as being in the "Electronics and Electrical Manufacturing" sector, is permitted to continue operations at the IOT Premises. As at the Latest Practicable Date, the new Movement Control Order and the declaration of a state of emergency in Malaysia have not led to any significant disruption to or suspension of our operations at the IOT Premises.

With the resumption of our Group's PRC operations in the second quarter of 2020 and the Malaysia operations in the third quarter of 2020, there had been no material financial impact on our Group's operations and cash flows for FY2020.

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

Notes:

- (1) Source from WHO COVID-19 Information Dashboard, accessible at <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>
- (2) Source from WHO: press release entitled "WHO Director-General's opening remarks at the media briefing on COVID-19 – 11 March 2020" dated 11 March 2020, accessible at <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>.
- (3) Source from the report entitled "World Economic Outlook, October 2020: A Long and Difficult Ascent", accessible at <https://www.imf.org/-/media/Files/Publications/WEO/2020/October/English/ExecSum.ashx>.

RISK FACTORS

In the event that any of our Group's employees is infected with any communicable disease, including COVID-19, or in the event of further outbreaks of COVID-19 in the countries which our Group operates in, our Group may be required to temporarily suspend operations or shut down our factories or quarantine the affected employees to prevent the spread of the disease. This may result in disruptions to our operations, thereby creating a material and adverse impact on our business and financial performance. While our Group has not encountered any disease outbreak, save for COVID-19, that has had a material adverse effect on our financial position and results of operations, there is no assurance that such incidents will not occur in the future.

Our manufacturing operations are exposed to risks in relation to environmental protection and rehabilitation

Our manufacturing operations are subject to environmental risks and hazards, and are regulated under various laws, rules and regulations imposed by the governments in the jurisdictions in which we operate regarding environmental matters, such as prevention of pollution of the air, earth and water, the treatment and discharge of hazardous wastes and materials and environmental rehabilitation.

Environmental hazards may occur in connection with our manufacturing operations as a result of human negligence, force majeure or otherwise. The occurrence of any environmental hazards may delay production, increase production costs, cause personal injuries and/or property damage, result in liabilities incurred by our Group and/or damage our Group's reputation. Such incidents may also result in a breach of the conditions of our Group's environmental approvals and/or other consents, approvals or authorisations, which may result in fines, penalties, or even possible revocation of the permits, licences and rights granted to us. In any of such events, our business, results of operations and financial position will be adversely affected.

In the future, we may also experience increased costs of production arising from compliance with environmental laws and regulations. As a result, it is possible that more stringent environmental laws, regulations and policies may be implemented in the future, or the existing environmental laws, regulations and policies may be more strictly enforced. We may not always be able to comply with existing or future laws, regulations or policies in relation to environmental protection and rehabilitation economically or at all. Should we fail to comply with any such existing or future laws, regulations or policies, we may be subject to penalties and liabilities under the laws and regulations of the jurisdictions where our manufacturing facilities are located, including but not limited to warnings, fines, prosecution, suspension of production and closure of the facility that fails to comply with the relevant environmental standards. In addition, we may also be subject to actions by environmental protection groups or other interested persons who object to the actual or perceived environmental impact of our manufacturing operations or other actual or perceived condition at our manufacturing facilities. These actions may delay or halt production or may create negative publicity related to our manufacturing facilities. Accordingly, our results of operations and financial position will be adversely affected in such circumstances.

We have not encountered any environmental hazards in connection with our manufacturing operations during the Period Under Review.

Our current production capacity limits our ability to increase our revenue and any delay in our plans to increase our production capacity may adversely affect our results of operations

The current production capacity at our manufacturing facilities located in the PRC and Malaysia limits our ability to increase our revenue. As we aim to operate much of our equipment at or near its full capacity, our ability to respond to increasing demand for our products and growth in our revenue is limited by our production capacity. This in turn limits the future growth of our Group. Therefore, in order for us to achieve a significant increase in our revenue, we will have to expand our production capacity. Successful expansion of our capacity will require significant capital expenditure. In addition, we will need to hire, train and manage additional production staff to successfully increase our production capacity. Delays for any reason in our plans to increase our capacity would limit our ability to increase our sales volume thereby affecting our results of operations. We also cannot assure you that we will be able to successfully manage an expansion of our production capacity as there may be additional factors outside of our control which impact our ability to increase our production capacity. Please refer

RISK FACTORS

to the section entitled “General Information on our Group – Properties and Fixed Assets – Production Facilities and Utilisation” of this Prospectus for further details on our production facilities and capacity.

Our service and manufacturing facilities and processes are subject to quality management system certifications and customers’ qualification audits and we are subject to the risk of failing to meet, maintain or renew such certifications or the revoking of such certifications

We have obtained the requisite quality management system certifications which are required for us to carry on our business with our customers. Please refer to the section entitled “General Information on our Group – Quality Control and Assurance” of this Prospectus for further details. As such, we must be able to continually obtain and maintain the relevant certifications. If we are unable to meet, maintain or renew such certifications or if our current certifications are revoked, our business, results of operation, financial position and cash flow will be adversely affected.

In addition, our service and manufacturing facilities and processes may be subject to audit by some of our customers before we are qualified to undertake job orders. In the case of potential customers, they will need to satisfy themselves that our service and manufacturing facilities and processes are in accordance with their needs and requirements. Failure in maintaining these certificates may adversely affect our business and results of operations.

We have not encountered any failure to maintain or renew all required certifications and customers’ qualification audits which resulted in a material adverse impact on our operations, financial position and results of operations during the Period Under Review.

We may face changes to the legal or regulatory landscape relating to our new products or litigation relating to unknown or unforeseen risks with the use of our products

As we develop new products, product categories and services in a rapidly changing industry, not all of the products and services we develop fall under a defined legal or regulatory regime. Our products and services may be subject to unexpected and unforeseen regulatory regimes such as regulations related to, but not limited to, health and safety, hazardous materials usage, product-related energy consumption, packaging, manufacturing methods, sustainability matters, recycling and environmental matters. In addition, some of our untested products may carry with them unknown or unforeseen risks to consumers’ health and safety, which could expose us to future litigation. Should any of these events occur, our business, results of operations and financial performance could be materially and adversely affected.

We have not encountered any changes to the legal or regulatory landscape relating to our new products or any litigation relating to the use of our products during the Period Under Review.

We may incur costs and liabilities as a result of product liability claims

We are subject to laws and regulations relating to product liability arising from the manufacture and/or sale of our products. Product liability can arise from any number of issues with products, including defective components (such as batteries in products which may unexpectedly ignite), marketing or “failure-to-warn” liability (including warning related to radio emission from portable electronic devices), design defects or faulty manufacturing. In addition, we may incur liability under our contracts with our customers for any loss or damage suffered by third-parties arising from defects in products supplied by us, if such loss or damage is the result of a defect attributable to our negligence. In addition, we may incur liability under our contracts with our customers for defective products or non-compliance with their specifications. Further, we may also have to recall our products if there are allegations of our products being unsafe.

Product liability claims can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome. As at the Latest Practicable Date, we maintain a comprehensive general liability insurance policy which covers, amongst others, product liability claims. If such coverage is insufficient or inadequate due to the nature of the claim, we may not be able to obtain further insurance coverage on acceptable terms or insurance that will provide adequate coverage against potential claims. If we cannot successfully

RISK FACTORS

defend ourselves against product liability claims, we may incur substantial liabilities and this could materially and adversely affect our business, financial position and results of operations. Product liability claims could also damage our brand and our reputation for quality premium products, regardless of the ultimate outcome.

Any defects or errors in our products and services or failure to satisfy the requirements of our customers could result in adverse customer reaction towards us. These include negative publicity, additional expenditure to correct problems and claims against us. These claims may include payment for recall of products, or to indemnify our customers for the costs of any such claims or recalls which they face as a result of using our products. We have not experienced any product recalls or significant product liability claims during the Period Under Review. We have not incurred material costs and liabilities as a result of product liability claims during the Period Under Review.

There is no assurance that we will not face such claims in the future. Any significant claim against us in the future will have a material adverse effect on our business, results of operations, financial position and cash flow.

Our business involves the use, transmission and storage of confidential information and the failure to properly safeguard such information could result in significant reputational harm and monetary damages

Our business relies heavily on the value and secrecy of our experience and expertise, knowledge of confidential information and trade secrets, as well as ownership of intellectual property, including our designs and prototypes. Our business also involves the storage and transmission of confidential consumer information, including certain financial, employee and operational information, as well as confidential information obtained from our customers and suppliers. Security breaches could expose us to unauthorised disclosure of this information, litigation and possible liability, as well as damage to our relationships with our customers and suppliers.

If our security measures are breached as a result of third-party action, employee or contractor error, malfeasance or otherwise and, as a result, someone obtains unauthorised access to our data or the data of consumers, our customers, employees or other third parties, our reputation could be damaged, our business may suffer and we could incur significant regulatory liabilities. Techniques used to obtain unauthorised access or to sabotage systems change frequently and generally are not recognised until launched against a target. As a result, we may be unable to anticipate some of these techniques or to implement adequate preventative measures. Even if the measures we take to safeguard the confidential information on our information technology systems are adequate to protect against direct external threats and attacks by third-parties, our employees may be susceptible to phishing, keyloggers and other similar efforts by third-parties through which such parties may be able to gain access to the confidential information and trade secrets on our systems. Our competitors could acquire confidential information about our current and future products through such disclosures and copy such products' functionality and designs, which would harm our competitive position and this could materially and adversely affect our business, financial position and results of operations. In addition, the perpetrators of such activity often are very sophisticated and can hire other parties with significant resources at their disposal. If an actual or perceived security breach occurs, the market perception of our security measures could be harmed and we could lose both customers and revenue. Any significant violations of data protection or other security breaches could result in the loss of business, litigation and regulatory investigations and penalties that could damage our reputation and adversely impact our business, results of operations, cash flows and financial position.

Additionally, third parties may attempt to fraudulently induce employees, our customers, our suppliers or third-party providers into disclosing sensitive information such as customer names, passwords or other information in order to gain access to our data or our customers' data, which could result in significant legal and financial exposure and a loss of confidence in the security of our products and services and, ultimately, harm to our future business prospects. We may be required to expend significant resources to protect against such threats or to alleviate problems caused by breaches in security. Finally, computer viruses, malware, ransomware, worms, or trojans may harm our systems or cause the loss or alteration of data and the transmission of computer viruses or malware via our technology could expose us to litigation and a loss of confidence in the security of our technology.

RISK FACTORS

We have not encountered any failure to properly safeguard confidential information that had resulted in significant reputational harm and monetary damages to our Group during the Period Under Review.

We are exposed to information technology and cyber security risks

Our business and operations, particularly in the segment of IoT Devices and Data-communication products, rely heavily on information technology. As such, our business is exposed to risks of cyber security threats, data privacy breaches as well as other network security and stability risks. The scale and level of sophistication of cyber security threats have increased especially in recent times. Computer viruses, malware, ransomware, worms, or trojans may harm our systems or our products or cause the loss or alteration of data and the transmission of computer viruses or malware via our technology could expose us to litigation and a loss of confidence in the security of our technology, as well as regulatory investigations and penalties. Disruptions to our Group's information technology systems caused by cyber attacks or otherwise could therefore have a material adverse effect on our business, financial position, results of operations and prospects.

While our Group has established appropriate policies and frameworks to ensure information system security and network stability, there can be no assurance that such policies and frameworks are sufficient or that our Group's operations, financial position and financial performance would not be adversely affected by such cyber security threats, data privacy breaches as well as other network security and stability risks.

We may face warranty exposure that exceeds our recorded liability

We generally provide defect warranties for our products to our customers for a period of between 12 and 24 months. If our products are found to contain defects, we may be required to compensate our customers and/or incur additional expenses for any remedial actions to be taken to rectify and make good such defects. We may also have to conduct product recall exercises if our products are found to be defective, dangerous or unsafe. While we have implemented quality assurance procedures, there is no assurance that our products will always be able to satisfy our customers' quality standards and/or products specifications.

Furthermore, warranties provided by suppliers relating to defective components or faulty manufacturing may be for periods shorter than the warranty periods we provide to our customers and warranty claims against suppliers may be subject to certain conditions precedent which may not be satisfied.

Indemnification arrangements which we may have with our suppliers may not cover the types of claims made against us or may be limited in amount, or the suppliers may not be creditworthy or able to pay. If we are subject to product liability claims or we attempt to enforce indemnification arrangements, we may incur increased litigation costs and our management's attention may be diverted. Should any of these events occur, our business, results of operations and financial performance could be materially and adversely affected. In anticipation of warranty expenses, we make provisions for the estimated liability associated with product warranties and costs relating to product failure. However, these warranties and related provisions for product failure may be inadequate due to changes in various estimates for material, labour and other costs we may incur to replace projected product failures, and we may incur additional warranty and related expenses in the future with respect to new or established products. Other costs such as reputational damage may also be incurred should product liability issues arise. Such exposure may materially and adversely affect our business, financial position and results of operations.

As at the Latest Practicable Date, we have not faced warranty exposure that exceeded our provision for after-sales warranties.

We may be required to pay penalties or liquidated damages for failure to meet delivery deadlines

Under the sales contracts entered into with our customers, we are required to adhere to the delivery schedules stipulated in these contracts. Any failure to meet such delivery deadlines could result in us having to pay penalties or liquidated damages to such customers. Some of our sales contracts may in

RISK FACTORS

the future render us liable to part of or the full amount of the contract value in liquidated damages in the event of our late delivery or failure to deliver. There is no assurance that we will not face such claims in future, which may have an adverse impact on our business, financial position and results of operations.

For the Period Under Review, we have not incurred material costs and liabilities as a result of any such penalties or liquidated damages claims.

Our revenue, gross margins and profitability can vary significantly depending on factors in our operating environment which are outside of our control

Our operating results may fluctuate due to factors which are outside of our control and which may be difficult to predict. In particular, our revenue, gross margins and profitability can vary due to, *inter alia*, user demand, competition, product life cycle, new product introductions, unit volumes, product mix, prices of components and raw materials, supply chain costs, geographic sales mix, foreign currency exchange rates and the complexity and functionality of products. In addition, as we continue to innovate and introduce new products and product categories, our operating results could be adversely affected, especially during the ramp-up phase of the product life cycle. When a new product is first introduced, we may experience lower gross margins and lower profits or higher losses until sales volume reaches a certain level and we enjoy economies of scale. The gross margins of electronic products tend to be lower over the later years of the product life cycle, reflecting increased competition as more manufacturers are able to produce similar or alternative products. In addition, revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of estimated product returns, and expected payments for cooperative marketing arrangements and pricing programs (if any). Any materially inaccurate estimation may adversely affect our operating results.

Our operating results may also be affected by:

- shortages or interruptions in the supply of raw materials or components used in our products;
- political, social or economic instability in, including but not limited to, the Malaysia, Hong Kong, the PRC or other jurisdictions which are relevant to our business, such as affecting the shipment of products through international waters;
- our relationships with suppliers, retailers, distributors and users;
- seasonal variations and general economic conditions, both locally in the markets in which we operate and globally;
- our ability to adapt to changing consumer preferences and industry trends;
- fluctuations in foreign currency exchange rates and interest rates;
- the cost of and potential outcomes of existing and future claims or litigation, which could have a material adverse effect on our business, such as class-action lawsuits;
- changes in laws that affect our business and operations;
- cash collection/receivables; and
- future accounting pronouncements and changes in our accounting policies.

Any of the factors above may result in significant fluctuations in our operating results, which could materially and adversely affect our business, financial position and results of operations.

In particular, political instability in other countries may have an adverse impact on our business, financial position and results of operations. For instance, since June 2019, anti-government protests in Hong Kong have resulted in an unstable socio-political climate, with increasingly violent clashes between police and activists. The resultant collateral damage to businesses that operate within the vicinity of such protests have been significant, with many businesses suffering losses due to decreased

RISK FACTORS

footfall or damage caused by looting and vandalism. It is presently unclear whether the political instability in Hong Kong will be resolved in the near future, or if such instability will have spill-over effects in the region. The percentage of our revenue attributable to domestic sales in Hong Kong for the Period Under Review is approximately 3.71%, 1.4%, 0.6% and 1.0% for FY2017, FY2018, FY2019 and 9M2020 respectively. Such clashes, protests or riots may affect our business operations, or our distributorship and retail network in Hong Kong, which could materially adversely affect our business, financial position and results of operations.

We are exposed to the risk of claims by third parties of an infringement of their intellectual property rights which may be costly to resolve

We develop products using components sourced from third party manufacturers in the course of our business. As such, we cannot be sure that the products, services, technologies and advertising we employ in our business do not or will not infringe valid patents, trademarks, copyrights or other intellectual property rights held by third parties. We may therefore be subject, in the ordinary course of our business, to legal proceedings and claims from time to time relating to the intellectual property of others, which could have a material adverse effect on our business, financial position and results of operation.

Such risks may be mitigated by carrying out a comprehensive intellectual property investigation for each and every product ordered by a customer and some of the components used in the products. However, due to the number of products manufactured by our Group, the number of components used and the costs involved, it will be extremely onerous and not practical for our Group to conduct such a comprehensive intellectual property investigation. Based on our knowledge of industry practices, none of our peers conduct such investigations when accepting orders from a customer or when ordering a component. In any event, if there is any such claim of infringement made against our Group, our Group may have recourse against the relevant customer or supplier.

In the event we are subject to such legal proceedings and claims, we could incur substantial financial and time costs in, as well as devote significant management resources to, defending any such infringement claims. While we will seek indemnification from such infringement claims from the manufacturers of the offending component, we cannot assure you that we will be able to recover from such third party suppliers the full amount of damages which we are to pay to successful claimants, if any. Indemnification arrangements which we may have with our suppliers may not cover the types of claims made against us or may be limited in amount, or the suppliers may not be creditworthy or able to pay.

In addition, our collaboration and joint venture partners may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardise or invalidate our intellectual property or proprietary information or expose us to potential litigation. They may also infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability. Any legal action against us claiming damages or seeking to restrain us from engaging in commercial activities relating to the affected products, methods or processes may:

- require us, or our partners, to obtain a licence to continue to use, manufacture or market the affected products, methods or processes, and such a licence may not be available on commercially reasonable terms, if at all;
- prevent us from making, using or selling the subject matter claimed in patents held by others and subject us to potential liability for damages;
- consume a substantial portion of our managerial and financial resources; and/or
- result in litigation or administrative proceedings that may be costly, whether resolved in our favour or not.

As at the Latest Practicable Date, we have not faced material adverse impact on our business, results of operations, financial position and cash flow due to counterfeiting and copyrighting of our products.

RISK FACTORS

We may not be able to adequately protect our intellectual property rights

In the course of our business, we rely on certain intellectual property rights such as patents and trademarks, details of which are set out in the section entitled “General Information on our Group – Intellectual Property Rights” of this Prospectus. Our success depends, in part, on our ability to obtain, maintain and defend our intellectual property rights, which we believe are critical to our business.

The technologies and processes covered by our patents may be found to be obvious or substantially similar to prior work, which could render these patents unenforceable. Furthermore, there can be no assurance that pending patent applications will result in issued patents, that future patent applications will be issued, that patents issued to or licensed by us will not be challenged or circumvented by competitors or that such patents will be found to be valid or sufficiently broad to protect our technologies or to provide us with a competitive advantage. The coverage of patents is subject to interpretation by the courts, and such interpretation is not always uniform or predictable.

Due to the fast-moving nature of the electronics industry, certain product life-cycles are short and new products are pushed to the market on a regular basis. Marketing and creating consumer awareness of our products to generate demand is therefore crucial and time-sensitive as the “first-mover” advantage has a significant impact on purchasing habits of our customers and consumers. As such, some of our products are not protected or registered by patents in order to fully maximise the “first-mover” advantage in new product categories. As such, we may not be able to enforce our inherent intellectual property rights in our products against third party infringement.

Other companies may also be able to copy our hardware or software by reverse engineering or otherwise copying the results of our R&D at a lower cost than what it cost us to design and develop. Such counterfeit copies of our hardware and software may harm our business and reputation in various ways. For instance, counterfeit products and services are often offered at a significant discount to what the original developer and designer offers, which would divert sales away from us. Moreover, counterfeit products are not subject to the same standard of stringent testing which our products are required to undergo and are often of inferior or poor quality. In addition, some purchasers of counterfeit copies of our products may have otherwise purchased our legitimate products. Furthermore, the presence of counterfeits of our products in the market could have a negative impact on, and dilute, the value and image of our brand and result in a loss of consumer confidence in our brand. The occurrence of any of the above events could materially and adversely affect our business, results of operations, financial position and cash flow.

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers in our markets of interest. Furthermore, it can be difficult and costly to defend trade marks from encroachment or misappropriation outside Singapore. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names and stop counterfeits of our products, we may not be able to compete effectively and our business, financial position and results of operations may be materially and adversely affected.

Where a competitor infringes on our patent or other intellectual property rights, we intend to enforce such intellectual property rights when we determine that a successful outcome is probable and may lead to an increase in or protect the value of the intellectual property. If we choose to enforce our intellectual property rights against a party, that individual or company has the right to ask the court to rule that such intellectual property rights are invalid or should not be enforced. These lawsuits and proceedings are expensive and would consume time and resources and divert the attention of our managerial and skilled personnel even if we were successful in stopping the infringement of such intellectual property rights. In addition, there is a risk that the court will decide that such intellectual property rights are not valid and that we do not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of such intellectual property rights is upheld, the court will refuse to stop the other party on the ground that such other party’s activities do not infringe our intellectual property rights.

RISK FACTORS

We rely on confidentiality agreements with our Executive Directors and employees, which provide that all confidential information developed by or made known to the individual during the individual's relationship with us is to be kept confidential and not disclosed to third parties before it becomes public. In addition, our management team and R&D employees have entered into intellectual property, confidentiality and non-compete agreements with us, which provide that all of the technologies conceived by the relevant individuals arising from their performance of duties or use of our materials or technologies are the exclusive property of our Group. We have also entered into agreements with confidentiality provisions with our consultants and other advisors. However, these agreements may not be honoured, may not effectively assign intellectual property rights to us, and may not provide adequate remedies in the event of a breach. Moreover, enforcing a claim that a party illegally obtained intellectual property rights is difficult, expensive and time-consuming and we cannot assure you that the outcome will always be favourable.

Any failure to enforce our intellectual property rights or to defend any legal proceedings regarding our intellectual property rights, may materially and adversely affect our business, financial position and results of operations.

Although we have not experienced any of the above events in the past which had a material impact on our business, financial position and results of operations, we cannot assure you that any future occurrence of such events will not have a material adverse effect on our business, financial position and results of operations.

We may be affected by the cost and impact of future disputes and/or litigation

We are not currently engaged in any disputes or subject to any litigation. However, in the event of disputes of, *inter alia*, any successful product liability claim or series of claims brought against us, we may become involved in disputes and litigation in the future. Managing disputes and/or litigation can be expensive and disruptive to normal business operations, including to management due to the increased time and resources required to respond to and address any dispute and/or litigation. An unfavourable outcome of any particular matter or any future legal proceedings or costs related to the settlement of any such proceedings could have a material adverse effect on our business, financial position and results of operations.

Our insurance coverage may not be adequate to indemnify us against all possible liabilities

We maintain insurance coverage that our management deems prudent and customary for the business in which we operate, and to the extent insurance is available on reasonable terms. Please refer to the section entitled "General Information on our Group – Insurance" of this Prospectus for further details of our insurance coverage. There can be no assurance that such insurance can be obtained on commercially reasonable terms or at all, or that any such coverage will sufficiently cover any losses suffered by us. The occurrence of a significant event or adverse claim in excess of the insurance coverage that we maintain, or that is not covered by our insurance, could result in our Group having to pay compensation or damages and/or incur loss of revenue and could have a material adverse effect on our financial position and results of operations.

We may be affected by inventory obsolescence or shortage of inventory

We purchase components and raw materials according to confirmed orders and forecasts from our customers. To ensure adequate inventory supply, we must forecast inventory needs and place orders with our suppliers before firm orders are placed by our customers. If we fail to accurately forecast demand, we may experience excess inventory levels or a shortage of inventory. For the Period Under Review, our quarterly average inventory turnover days was approximately 23, 48, 23 and 47 days for FY2017, FY2018, FY2019 and 9M2020, respectively.

Factors that could affect our ability to accurately forecast demand for our products include:

- changes in the competitive landscape;
- changes in the regulatory landscape;

RISK FACTORS

- changes in technology; and
- changes in general market conditions, economic conditions or other factors.

For long lead-time components where we purchase according to our customers' forecasts, we will experience inventory obsolescence in the event that such forecasts do not materialise into confirmed orders. Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would have an adverse effect on our profitability. If we underestimate the demand for our products, our suppliers may not be able to produce sufficient number of products to meet such unanticipated demand, and this could result in delays in the shipment of our products and damage to our reputation and distributor and/or retailer relationships. The difficulty in forecasting demand also makes it difficult to estimate our future results of operations and financial position from period to period. Failure to accurately predict the level of demand for our products could materially and adversely affect our business, results of operations, financial position and cash flow. Please refer to the section entitled "General Information on our Group – Inventory Management" in this Prospectus for further details.

Our business and reputation could suffer if any of our key suppliers fail to use acceptable labour practices or are subject to labour disruptions

We do not control our key suppliers or their labour practices. Any violation of labour or other laws, or the divergence of our key supplier's labour practices from those generally accepted as ethical or legal, could disrupt our production and/or shipment of our products or lead to the termination or loss of our contracts with our customers. In addition, our key suppliers may experience disagreements with unions or encounter labour disputes. Such disagreements or labour disputes could lead to production slowdowns or stoppages and make it difficult or impossible for us to meet scheduled delivery times for product shipments to our customers, which could result in loss of business.

We are exposed to various global and local risks that may have a material adverse effect on our business, results of operations and financial position

We mainly operate in Singapore, Malaysia, Hong Kong and the PRC. This makes us sensitive to, *inter alia*, regulatory, social, political, economic and competitive conditions, and changes therein that are beyond our control. Any changes thereto may have a material and adverse effect on our business operations, financial position, results of operations and prospects. Our overseas operations may be materially and adversely affected by a variety of conditions and developments in those countries, including:

- laws and policies affecting trade, investment and taxes, including laws and policies relating to the foreign ownership, repatriation of funds and withholding taxes, and changes in these laws;
- inflation, interest rates and general economic conditions;
- changes in local regulatory requirements, resulting in increased burden of complying with a wider variety of foreign laws and differing legal standards, including laws and regulations related to privacy and data security, limitations on liability, as well as financial accounting and reporting requirements;
- differing degrees of protection for intellectual property;
- instability of foreign economies and governments;
- government policies governing world trade;
- fluctuating foreign exchange rates;
- difficulties in managing and staffing international operations, including differences in labour laws;

RISK FACTORS

- potentially adverse tax consequences, including the complexities of foreign value added tax systems, restrictions on the repatriation of earnings and compliance with transfer pricing rules;
- civil unrest, military conflicts, terrorism, changes in political climate and general security concerns;
- natural disasters, including the spread of communicable diseases in such jurisdictions, which may impact business in such jurisdictions;
- imposition of restrictions on foreign currency conversion or the transfer of funds; and
- appropriation or nationalisation of private enterprise or confiscation of private property or assets.

An adverse development relating to any of the abovementioned factors and other risks associated with international trade may have a material and adverse effect on our business operations, results of operations, financial position and cash flow if we are unable to adapt our business strategies or operations accordingly.

We may incur increased costs associated with compliance with laws of the differing jurisdictions in which we operate in, including any variation thereof

Laws and regulations in other countries vary and change over time. These laws may also be complex or loosely defined, and at times conflicting in nature, intent, or interpretation, in certain countries in which we operate. Many are untested in courts and can have different interpretation and guidance, even from the same regulators, and enforcement of such laws may be inconsistent. An adverse development related to any of the abovementioned factors and other risks associated with international trade may have a material and adverse effect on our business, financial position, results of operations and prospects if our Company is unable to adapt our business strategies or operations accordingly.

As at the Latest Practicable Date, while our Group's products manufactured in the PRC and which have been shipped to the United States are subject to tariffs imposed by the United States, such tariffs did not have a material impact on our financial performance for the Period Under Review as they were borne by our Group's customers. However, should we be subject to any new or additional tariffs, or if our customers are unwilling to continue to bear such tariffs, such tariffs may reduce our price competitiveness and negatively impact our sales, financial performance, cash flows and prospects. Any changes in trade policy by any of the world's major trading powers could trigger retaliatory actions by affected countries, resulting in "trade wars" where states increasingly raise or create tariffs. Since 2018, the United States began imposing tariffs on, amongst others, imports of electronic products, and announced additional tariffs on goods imported from the PRC specifically, as well as certain other countries. This in turn caused fluctuations in the orders and prices thereof. Subsequently, the PRC retaliated by imposing tariffs on certain imports from the United States. In the event that the trade war between the United States and PRC were to continue, it may adversely affect our customers and their orders with us. It may also cause changes in general economic and business conditions, and fluctuations in foreign exchange rates, which may in turn have a material and adverse effect on our business operations, financial position, results of operations and prospects.

We maintain business and contractual relationships with customers and suppliers across different jurisdictions. Our contracts with such customers and suppliers may therefore be subject to the laws of the countries where such customers and suppliers are situated within. There is no assurance that the relevant laws, regulations and guidelines in such jurisdictions will not change. In the event that there are any such changes in the relevant laws, regulations and guidelines applicable to our business, such changes in the relevant laws and regulations may impose additional obligations on top of our existing contractual obligations, or modify or change the nature of our contractual obligations with such customers and suppliers. We may also incur additional costs on compliance and obtaining advice on the interpretation of such changes in the relevant laws, regulations and guidelines, and on the possible effects on our contractual relationships with such customers and suppliers in the affected jurisdictions. If we fail to comply with such amended and/or new laws and regulations, our business, results of operations and financial position may be adversely affected.

RISK FACTORS

We depend on the continued service of our management team and other key employees

Our continued success is dependent to a large extent on our ability to retain our key management personnel and Executive Directors who are responsible for formulating and implementing our growth, corporate development and overall business strategies. In particular, we rely on the expertise, experience, leadership and contributions of our founder, Executive Chairman and CEO, Mr. Michael Mun and Executive Director and COO, Mr. Jeremy Mun, whose combined expertise in the electronics industry is instrumental in driving our Group's business and who would be difficult to replace. We cannot assure you that we will be able to recruit and retain suitable replacements should they leave, as skilled personnel with the appropriate experience in our industry are limited and competition for the employment of such personnel is intense. We also rely on the expertise of our Executive Officers and other skilled employees, including personnel in our finance, accounts and operations functions, R&D function, engineers, and sales and marketing staff, as we continue to focus on the development and expansion of our business. The demand for such experienced personnel is intense and the search for personnel with the relevant expertise and calibre can be time consuming. Consequently, the loss of the services of any of our key personnel without timely replacement, or the inability to attract and retain such qualified personnel, will have a material and adverse effect on business, results of operations, financial position and prospects.

While service agreements have been entered into between our Company and key members of our management team, these service agreements may be terminated by such key members of our management team, as the case may be, or by our Company by notice in writing. If one or more of these employees are unable to or unwilling to continue in their present positions, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel. This could result in serious disruption to our business, and could have a material adverse effect on our financial position, results of operations, cash flows and prospects. In addition, despite our best efforts to retain our key executives and employees, if any of our key executives and employees joins a competitor or forms a competing company in the future, we may be unable to prevent loss of our know-how, trade secrets and our customers. Non-solicitation provisions and confidentiality provisions (in relation to confidential or proprietary information such as trade secrets, business methods or information which they acquire in the course of their employment with our Group) in the service agreements may be restrictively interpreted by the courts of the countries in which we operate, or may not be sufficiently robust to prevent loss of our confidential information. If we need to enforce our rights under the non-solicitation or confidentiality provisions, there is no assurance that a court would enforce such provisions in a manner that protects our interests fully, or at all, or that we will be able to recover our losses from any breach of such non-solicitation or confidentiality provisions.

We are reliant on experienced staff to create and design our products, and are dependent on our ability to attract and retain such personnel and to maintain labour costs

Our ability to design and produce quality products relevant to the needs of our customers as well as plans for expansion depend heavily on the expertise and ability of our existing skilled personnel to create, design and customise our products to suit the demands and needs of our customers, and may depend on our ability to hire more of such specialised personnel in the future. We also rely on skilled and experienced personnel for our business operations and the operation of the production lines at our manufacturing facilities. Demand for such experienced staff and skilled personnel is high.

We recognise that there are competing demands for such personnel amongst manufacturers in our industry. Our future growth and expansion will depend on our ability not only to retain the existing skilled personnel, but to continue employing suitable skilled personnel at a rate consistent with our business growth. In the event that we are unable to retain or hire the services of adequate skilled specialised personnel and we are required to train new staff, the time required and costs to be incurred to train such personnel may affect our cost competitiveness or new product relevance, which may in turn adversely affect our financial performance. There is no assurance that we will be able to continuously recruit suitable skilled personnel in a timely and cost-efficient manner or at all. If there is a shortage of such skilled personnel, our business, financial position, results of operations and prospects may be materially and adversely affected. Additionally, if any of our skilled and experienced personnel were to join a competitor or form a competing company, we may lose technical know-how, trade secrets, customers and staff.

RISK FACTORS

In order to incentivise and retain valuable employees, we have adopted the ESOS and the PSP in addition to salary, cash and other incentives. Please refer to the sections entitled “Directors, Executive Officers, Legal Representatives and Employees – Summary of the Aztech Employee Share Option Scheme” and “Directors, Executive Officers, Legal Representatives and Employees – Summary of the Aztech Performance Share Plan” of this Prospectus for more details. However, the value of Awards and Options that vest over time to employees will be significantly affected by movements in our Share price that are beyond our control, and may at any time be insufficient to counteract offers from other companies, including competitors. We may also need to increase our total compensation costs to attract and retain experienced personnel required to achieve our business objectives and staff our expanding business, and failure to do so could severely disrupt our business and growth. As a result, our profitability may be affected.

Our Group’s business and expansion plans are capital intensive and may require further financing for future growth

During the Period Under Review, our Group relied largely on internal resources as well as debt financing through facilities from banks and financial institutions to finance our working capital and capital expenditure. Although we have been able to rely on such means to fund our business, we cannot assure you that we will be able to continue to obtain or rely on such financing support in the future. In the event that we are unable to obtain the required financing and do not have sufficient cash flow to fund our business and/or working capital requirements, our Group’s business, financial position, results of operations, cash flows, working capital and/or prospects may be materially and adversely affected.

We may come across potential business opportunities that may be favourable to our Group’s future growth and prospects. Under such circumstances, we may require additional capital through equity or debt financing. Our Group’s ability to raise capital is dependent on factors including, among other things, the prevailing economic conditions globally, our Group’s ongoing financial position and results of operations, the state of the capital and credit markets, government regulations and the acceptability of the funding terms offered.

We are unable to assure you that our Group will be able to obtain additional funds, either on a short-term or a longer term basis, when capital is required. If our Group is unable to secure necessary funding or secure such funding on terms which are favourable to us, or at all, whether through external debt financing, equity financing and/or internally generated cash flows, our business, results of operations and financial position may be materially and adversely affected.

We may require additional funding for our future growth

As we grow our business, our working capital requirements will increase. In order to access new markets, increase our market share and/or enhance our technological capabilities, we may also pursue investment opportunities which are in line with our growth strategy. We may also find other opportunities to grow which cannot be predicted at this juncture. To the extent that funds generated from operations are insufficient, we may have to raise additional funds to meet new financial requirements. These additional funds may be raised by way of issuance of new shares through a placement or rights offering (which would be subject to Shareholders’ approval if necessary) or by way of borrowings.

In the event that new Shares are issued, Shareholders who are unable or unwilling to participate in such fund-raising will suffer a dilution in their investments. Further, if we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS will be diluted, and this could lead to a decline in the market price of our Shares. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters. If we are unable to procure the additional funding that may be required, our growth will be adversely affected.

We face risks associated with debt financing

Our ability to raise financing, if necessary, to repay or to refinance our debt obligations in a timely manner is dependent on our financial position and operating performance, which are subject to

RISK FACTORS

prevailing market conditions, economic conditions and various other factors, including the risk factors set out in this section of this Prospectus, some of which may be beyond our control. There is no assurance that we will be able to maintain a level of cash flow from operating activities or financing activities which will be sufficient for us to pay the principal, interest or other required payments on our indebtedness (if any).

As at the Latest Practicable Date, we had total borrowings of approximately S\$35.1 million. Accordingly, we will be required to service these borrowings and/or any additional borrowings drawn down by us and will be subject to risks normally associated with debt financing, including the risk that our cash flows in the future may be insufficient to meet the required payments of principal and interest of such bank loans. There is no assurance that we will be able to roll over or refinance such bank loans when they eventually mature in the future, on similar or more favourable terms, or at all. In addition, the bank loans contain restrictive covenants with respect to financial and operational matters including restrictions on payment of dividends by us. Any future breach of covenants by us in connection with the bank loans may constitute an event of default under the relevant loan agreements, which may in turn, result in us having to repay such bank loans immediately. If any of such events occur, our cash flows and liquidity and consequently, our business operations may be adversely affected. We may be unable to refinance our indebtedness (if any) on favourable terms and in a timely manner, or at all. Further, if the interest costs on our borrowings increase significantly, our results of operations will also be adversely affected.

Material fluctuations in foreign exchange rates may adversely affect our financial performance

Our sales are predominantly denominated in USD and RMB currently. However, our purchases, operating expenses and payments are predominantly denominated in USD and RMB currently and RM (after scaling up our operations in Malaysia) and therefore, we are subject to currency risks and translation risks. The exchange rates of different currencies are subject to fluctuations affected by international political and economic conditions and changes in the relevant government's economic and monetary policies as well as supply and demand across the jurisdictions in which we operate. We are also exposed to fluctuations in foreign exchange arising from the difference in timing between our receipt and payment of funds. As we do not currently have a formal foreign currency hedging policy to manage our foreign exchange risks, fluctuations in the exchange rates with respect to the relevant currencies may result in exchange losses or gains and may have an adverse effect on our results of operations and financial position. Please refer to the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations – Foreign Exchange Exposure" of this Prospectus for more information on the steps taken to minimise this risk of foreign exchange fluctuations.

We are vulnerable to disruptions to our information systems

Our information systems are protected through physical and software safeguards. They are still vulnerable, however, to storms, flood, fire, terrorist acts, power loss, telecommunications failures, physical or software break-ins, computer viruses and similar events. If our critical information systems fail or are otherwise unavailable, we would have to accomplish these functions manually, which could temporarily impact our ability to identify business opportunities quickly, to maintain records reliably and to bill for services efficiently. Should any of these events occur, our business, results of operations and financial position may be materially and adversely affected. In addition, we depend on third-party vendors or software and operating systems supplied by third party vendors for certain functions whose future performance and reliability we cannot warrant.

Our business may be negatively impacted by natural disasters, acts of war, terrorist attacks, political unrest and other events

Our Group's business and operations may be materially and adversely affected by events beyond the control of our Group, including but not limited to natural catastrophes, political unrest, war and terrorist attacks. Natural catastrophes such as the outbreak of fire, flood and earthquake may materially and adversely affect the economy, infrastructure and livelihood of the geographical locations in which our Group may operate. There can be no assurance that any war, terrorist attack, political unrest, or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have

RISK FACTORS

a material and adverse effect on our Group's business, results of operations, financial position and cash flow.

RISKS RELATING TO OUR OPERATIONS IN THE PRC

Changes in the political, social and economic policies of the PRC government may materially and adversely affect our operations

Our financial position and results of operations may be affected by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy in the past four decades, a substantial part of the PRC economy is still being operated under various controls by the government. By implementing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government plays a significant role in China's economic growth. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. Therefore, any adverse changes in the PRC economic, political and social conditions may materially and adversely impact our business, financial position, results of operations and prospects.

Our business may be materially and adversely affected by the introduction of new laws or changes to existing laws by the PRC government

The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines. In the event of a breach of any of the foregoing due to an act or omission by our PRC subsidiaries, it will be subject to the relevant penalties prescribed thereunder. The PRC government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. Therefore, some degree of uncertainty exists in connection with whether existing laws and regulations will apply to certain events or circumstances, as well as the manner of such application. In addition, new personnel at the relevant PRC administrative authorities may require time to process the implementation of our agreements with the local authorities based on the existing interpretation of applicable laws and regulations. As such, the administration of the PRC laws and regulations may be subject to a certain degree of discretion by the authorities, leading to the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems. Therefore, any introduction of new laws or amendments to existing laws by the PRC government which is detrimental to the business environment in which we operate will adversely affect our business, results of operations, and financial position.

The continuously developing PRC legal system has inherent uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations

Our business and operations in the PRC are governed by PRC laws, rules and regulations. The PRC is in the process of developing a fully integrated legal system, thus recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in the PRC or may be subject to a significant degree of interpretation by PRC regulatory agencies and courts. In particular, because these laws, rules and regulations are relatively new, and the fact that the laws, rules and regulations are often subject to the relevant regulator discretion in how to enforce them, there may be uncertainties regarding the interpretation and enforcement of these laws, rules and regulations which can be inconsistent and unpredictable. As a result, it is possible that our existing operations may be found not to be in full compliance with relevant laws and regulations in the future. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. Therefore, we may not be aware of our violation of these policies and rules until after the occurrence of the violation. These uncertainties could materially and adversely affect our business, financial position and results of operations.

RISK FACTORS

The restrictions on the PRC foreign exchange or outbound capital flows may affect our ability to receive dividends and other payments from our PRC subsidiaries

In the PRC, foreign investment enterprises are subject to the PRC rules and regulations on currency conversion, including the Regulation for Foreign Exchange Controls in the PRC. The ability of our PRC subsidiaries to pay dividends or to repatriate profits to us may be affected by changes in the PRC foreign exchange control. For example, each of our PRC subsidiaries is required to set aside 10% of its after tax profits annually to fund statutory reserve until its cumulative reserve reaches 50% of its registered capital. None of our PRC subsidiaries' cumulative reserve has reached 50% of its registered capital as at the Latest Practicable Date. These reserves, together with the registered equity, are not distributable as cash dividends. Please refer to the section "Government Regulations - PRC" of this Prospectus for further details on the statutory reserves.

As a result of these laws, rules and regulations, our PRC subsidiaries are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends. Please refer to the section "Exchange Controls" of this Prospectus for further details.

The PRC regulation relating to loans and direct investment by offshore parent companies to the PRC entities may delay or prevent us from using the proceeds of this Invitation

In utilising the proceeds from this Invitation, as an offshore holding company of our PRC subsidiaries, our Company may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to the PRC regulations and approvals. For example, such loans provided by us to finance our PRC subsidiaries' activities cannot exceed statutory limits, and must be registered with the State Administration of Foreign Exchange of the PRC (中华人民共和国国家外汇管理局) or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be registered or approved by the Ministry of Commerce of the PRC (中华人民共和国商务部) or its local counterpart. While we have not, in the past, encountered difficulties in obtaining these government registrations or approvals, we cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of this Invitation may be negatively affected. Our Group also has measures in place to ensure that no such loans or capital contributions will be made until the requisite government registrations and/or approvals have been obtained.

Our PRC-incorporated subsidiaries may incur liability pursuant to unauthorised actions by their legal representatives

Our PRC-incorporated subsidiaries are required by law to each appoint a legal representative to be the responsible person to perform the duties and powers on their behalf. The legal representative is authorised to perform all acts regarding the general administration of the PRC subsidiaries and can also execute powers of attorney and execute any legal transaction that is within the nature and the scope of business of the company. In the event that the legal representative of our PRC-incorporated subsidiaries performs any unauthorised actions in contravention of the law and/or their contractual obligations purportedly on behalf of the respective subsidiary, there is a risk that our Group and/or our PRC-incorporated subsidiaries may be held liable for such acts. While measures and controls have been implemented in order to mitigate such a risk, there is no assurance that the legal representatives will adhere to such measures and control procedures. Further details on the measures that have been taken in relation to the current legal representatives of Aztech Dongguan and AZ E-Lite JJS are set out in the section entitled "Corporate Governance – Legal Representative" of this Prospectus. In the event that the legal representatives incurs liability without authorisation on behalf of our Group and/or our PRC-incorporated subsidiaries, our business operations, financial position, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

RISKS RELATING TO OUR OPERATIONS IN MALAYSIA

We may be adversely affected by unfavourable political, social, economic, legal and regulatory developments in Malaysia

We may be affected by changes in the political leadership, government policies and/or relevant laws and regulations in Malaysia. Any political or regulatory changes include, without limitation, the introduction of new laws and regulations or any modification to the existing laws and regulations which impose and/or increase restrictions on exports or the conduct of business, the repatriation of profits, the imposition of capital controls, changes in interest rates, the taxation of goods and services or changes to regulations relating to mandatory Bumiputera shareholding entitlements. An adverse development relating to any of the abovementioned factors may have a material and adverse effect on our business operations, financial position, results of operations and prospects.

Other political uncertainties include the risks of wars, terrorism, nationalisation and expropriation. We have no control over such conditions and developments and there is no assurance that such conditions and developments will not have a material and/or adverse effect on our business and financial performance.

Also, the economic conditions in Malaysia may have an effect on our business and operations, as well as our future prospects. Any future deterioration of the Malaysian economy could affect costs of our operations and in turn adversely affect our business and financial performance.

We may be affected by changes to foreign exchange controls, fiscal and other regulatory policies in Malaysia

Since 21 July 2005, the RM peg to the US\$ has been removed and the RM has been allowed to operate on a managed float basis to ensure that the exchange rate remains close to its fair value. There are also no current restrictions to non-residents on the repatriation of proceeds from divestment of RM assets, profits, dividends or any income arising from investments in Malaysia, subject to withholding taxes (if any) and provided that repatriation is made in a foreign currency other than the currency of the State of Israel and in accordance with the Malaysian Financial Services Act 2013 and Bank Negara Malaysia's guidelines in the form of notices.

In the event that the Malaysian government implements any change to the relevant regulations on exchange controls, such changes may affect repatriation from our Malaysian subsidiary and, accordingly, the financial performance of our Group.

Please refer to the section entitled "Exchange Controls" of this Prospectus for more details.

We are subject to laws, regulations and guidelines in connection with our business operations in Malaysia

The operations of our Malaysian subsidiary and the business premises in Malaysia are subject to the valid and existing licences and/or permits issued by the relevant authorities. However, there is no assurance that the licences and/or permits will not be revoked by the relevant authorities. Revocation of our licences and/or permits or any changes to the relevant laws and regulations in the future could affect our business, outcome of operations and financial position.

Further, there is also no assurance that the relevant laws, regulations and guidelines in Malaysia will not change. In the event that there are any changes in the relevant laws, regulations and guidelines applicable to our business, we would need to ensure compliance with the amended and/or new laws and regulations. If we fail to comply with such amended and/or new laws and regulations, our business, results of operations in Malaysia and financial position may be adversely affected.

We may be subject to tax audit and investigation in Malaysia

The Malaysian tax regime is based on a self-assessment system. Persons chargeable, including companies, in Malaysia have legal obligations to make self-assessments on the tax payable and file necessary tax returns annually with their remittance of tax. The Malaysian Inland Revenue Board

RISK FACTORS

(“MIRB”) is empowered by the Malaysian Income Tax Act 1967 to carry out audit and investigation on persons chargeable to determine, *inter alia*, whether their tax returns are accurate and complete. The Malaysian Income Tax Act 1967 also empowers MIRB to impose additional tax and/or penalties on persons chargeable if MIRB determines that the persons chargeable are in fact subject to more tax payables than are reported in the self-assessed tax returns.

Our Malaysian subsidiary will calculate the amount of taxes and make payment thereof in accordance with the applicable tax laws. We may be subject to additional taxes or penalty if MIRB has a different view from us with respect to our self-assessed tax payables in the tax returns filed by our Malaysian subsidiary. As we may be subject to tax audit and investigation by MIRB from time to time, in the event that MIRB imposes additional tax or penalty on our Group, our profit margin may decrease and consequently our financial results may be adversely affected.

We were not the subject of any tax audit or investigation in Malaysia during the Period Under Review.

RISKS RELATING TO OUR OPERATIONS IN HONG KONG

General macroeconomic conditions, particularly in Hong Kong, may materially and adversely affect our business, prospects, results of operations and financial position

The Hong Kong financial and securities market is directly affected by, among other things, the global and local political and economic environments including macroeconomic and monetary policies, currency and interest rate fluctuations and other socio-political factors.

Any sudden downturn or sudden change in the global, regional or local economic, political, social, legal environment or government policies (for instance, Brexit, the trade war between the PRC and United States, and any other local political turmoil or civil disobedience movements) which are beyond our control, may adversely affect investor sentiments in the financial market in general. Severe fluctuations in market and economic sentiments may also lead to a prolonged period of sluggish market activities which would in turn have adverse impact on the securities market and consequently our business and operating performance may be materially and adversely affected.

The state of political environment in Hong Kong may adversely affect our performance and financial position

Hong Kong is a special administrative region of the PRC. The basic policies of the PRC regarding Hong Kong are embodied in the Basic Law of Hong Kong, which provides that Hong Kong shall exercise a high degree of autonomy and enjoy executive, legislative and independent judicial power, including that of final adjudication under the principle of “one country, two systems” which is guaranteed not to be changed for 50 years. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place. Since a part of our operations is based in Hong Kong, any changes of such political arrangements may pose an immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our results of operations and financial positions.

RISKS RELATING TO OWNERSHIP OF OUR SHARES

There has been no prior market for our Shares and the Invitation may not result in an active or liquid market for our Shares

Prior to the Invitation, there has been no public market for our Shares. Although we have applied to the SGX-ST for the dealing and quotation of our Shares on Official List of the SGX-ST, there is no assurance that an active trading market for our Shares will develop or, if developed, will be sustained. There is also no assurance that the market price for our Shares will not decline below the Invitation Price. The market price of our Shares could be subject to significant fluctuations due to various external factors and events including the liquidity of our Shares in the market, difference between our actual results of operations and financial position and those expected by investors and analysts, general market conditions and broad market fluctuations.

RISK FACTORS

Our Share price may be volatile, which could result in substantial losses for investors purchasing our Shares pursuant to the Invitation

The Invitation Price was determined by us in consultation with the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters and may not be indicative of prices which will prevail in the trading market. The market price of our Shares may fluctuate significantly and rapidly as a result of, *inter alia*, the following factors, some of which are beyond our control:

- political, economic, financial and social developments in the jurisdictions in which we operate and in the global economy;
- perceived prospects, the general outlook of our industry, and success or failure of management in implementing our business plans;
- changes in general economic and stock market conditions;
- changes in our operating results;
- changes in securities analysts' estimates of our financial performance and recommendations;
- announcements of gain or loss of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in market valuations and share prices of companies with similar businesses to our Group that may be listed in Singapore or elsewhere;
- fluctuations of exchange rates;
- ability to obtain or maintain regulatory approval for our operations;
- addition or loss of key personnel; and
- our involvement in material litigation.

For these reasons, *inter alia*, our Shares may trade at prices that are higher or lower than the NAV per Share.

There is no guarantee that the holders of our Shares can realise a higher amount or even the principal amount of their investments. In case of liquidation of our Company, it is possible that investors may lose all or part of their investment in our Shares.

Future dilution may result due to capital requirements

Our working capital and capital expenditure needs may vary materially from those presently planned, depending on numerous factors, including successful execution of our strategies, strategic alliances and other factors which cannot be foreseen. If we do not meet our goals with respect to revenues, or costs are higher than anticipated, substantial additional funds may be required. Even if we exceed our goals, our success may introduce new opportunities that may have to be fulfilled quickly and this could also result in the need for substantial new capital. We may have to raise additional funds to meet the new capital requirements. These additional funds may be raised through the issuance of new Shares. In such events, if any Shareholder is unable or unwilling to participate in such fund raising, such Shareholder may experience dilution in his or her investment.

We do not have a fixed dividend policy and may not be able to pay any dividends in the future

Whether our Group will be able to declare dividends to our Shareholders in the future will be dependent on factors such as:

- our future financial performance;
- our distributable reserves and cash flows;

RISK FACTORS

- our forecast and budgets;
- funding needs of our Group for expansion and business acquisition;
- general economic conditions and market sentiment; and
- our future plans and business strategies.

Accordingly, we cannot assure you that we will pay dividends in the future or, if we pay dividends in the future, when we will pay them. Furthermore, we cannot assure you that dividends, if paid, will be sustained. The declaration and payment of future dividends will depend upon our operating results and cash flow, financial position, other cash requirements, including capital expenditures, the terms of borrowing arrangements (if any), general economic conditions and other factors specific to the industry that we operate in, many of which are beyond our control. Moreover, as we operate under a holding company structure, the level of our income and our ability to pay dividends may depend upon the receipt of dividends and distributions from our subsidiaries. The payment of dividends by our subsidiaries is contingent upon many factors, including earnings and cash flows, and may be subject to legal, contractual and/ or tax and accounting requirements in the relevant jurisdiction and other restrictions on the payment of dividends under the terms of certain agreement(s). Please refer to the section entitled “Dividend Policy” of this Prospectus for further details.

Investors will incur immediate dilution and may experience further dilution in the NAV of their Shares

The Invitation Price is substantially higher than our Group’s NAV per Share. Investors who subscribe for and/or purchase our Shares at the Invitation will therefore experience immediate and significant dilution in the NAV of your Shares. Please refer to the section entitled “Dilution” of this Prospectus for further details.

In addition, we may issue Options under the ESOS and Awards under the PSP. To the extent that Option Shares are issued pursuant to the exercise of our Options, or Award Shares are issued pursuant to the terms of the PSP, there may be further dilution to investors participating in the Invitation. Further details of the ESOS and the PSP are described in the sections entitled “Directors, Executive Officers, Legal Representatives and Employees – Summary of the Aztech Employee Share Option Scheme” and “Directors, Executive Officers, Legal Representatives and Employees – Summary of the Aztech Performance Share Plan” of this Prospectus, and also in Appendix E and Appendix F to this Prospectus, where the rules of the ESOS and the PSP are, respectively, set out.

Control by our Controlling Shareholder may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

Upon the completion of the Invitation and the issuance and sale of the Cornerstone Shares, our Controlling Shareholder and its Associates will collectively and directly own approximately 70.0% of our post-Invitation issued and paid-up share capital (assuming the Over-allotment Option is not exercised). Therefore, they will be able to exercise significant influence over all matters requiring Shareholders’ approval, including share issuances, the election of directors and the approval of significant corporate transactions. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group even if such change may be beneficial to our minority Shareholders.

Investors may not be able to participate in future rights offering or certain other issues of our Shares

If we offer to our Shareholders rights to subscribe for additional Shares or any rights of any other nature, we will have discretion as to the procedure to be followed in making the rights available to our Shareholders or in disposing of the rights and making available the net proceeds of such disposal to our Shareholders. The decision made may not be to the benefit of Shareholders. We may choose not to offer the rights to our Shareholders having a registered address outside Singapore. Accordingly, Shareholders who have a registered address outside Singapore may be unable to participate in future offerings of our Shares and may experience a dilution in their shareholdings as a result.

RISK FACTORS

The actual performance of our Company may differ materially from the forward-looking statements in this Prospectus

This Prospectus contains forward-looking statements, which are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside of our control. Furthermore, our revenue and financial performance are dependent on a number of external factors, including demand for our products which may decrease for various reasons, such as increased competition within the industry or changes in applicable laws and regulations. We cannot assure you that these assumptions will be realised and our actual performance will be as expected. Investors should not place undue reliance on any such forward-looking statements. The inclusion of these forward-looking statements in this Prospectus shall not be regarded as a representation or warranty by our Company or any of its professional advisers that the plans and objectives of our Company can or will be achieved.

Negative publicity which includes those relating to our Company and any of our Directors, Executive Officers or Substantial Shareholders may adversely affect our Share price

Negative publicity or announcements relating to any of our Company, Directors, Executive Officers or Substantial Shareholders may adversely affect the market perception of our Company or the market price of our Shares, whether or not it is justified. Examples of these include unsuccessful attempts in joint ventures, acquisitions or takeovers, or involvement in insolvency proceedings or litigation.

Our Share price may be adversely affected by the future sale of our Shares

Except as otherwise described under the section entitled “Plan of Distribution – Moratorium” of this Prospectus, there will be no restriction on the ability of our existing Shareholders to sell their Shares either on SGX-ST or otherwise. Any future sale or availability of our Shares in the public market could have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after the Invitation, or the perception that such sales may occur, could materially and adversely affect the market price of our Shares. These factors also affect our ability to issue additional equity securities in future.

Singapore take-over laws contain provisions which may vary from those in other jurisdictions and which could adversely affect the market price of our Shares

The Singapore Take-over Code contains certain provisions that may possibly delay, deter or prevent a future take-over or change in control. Under the Singapore Take-over Code, except with the consent of the Securities Industry Council of Singapore, any person acquiring an interest, whether by a series of transactions over a period of time or not, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting shares, is required to extend a take-over offer for the remaining voting share. Except with the consent of the Securities Industry Council of Singapore, such a take-over offer is also required to be made if a person who holds, not less than 30.0% but not more than 50.0% of the voting shares, either on his own or together with parties acting in concert with him, acquires additional voting shares carrying more than 1.0% of the voting shares in any period of six (6) months. As our Controlling Shareholder and its Associates will collectively and directly own approximately 70.0% of our post-Invitation issued and paid-up share capital following the completion of the Invitation and the issuance and sale of the Cornerstone Shares (assuming the Over-allotment Option is not exercised), our Controlling Shareholder will be free to acquire additional Shares without incurring any obligation to make a mandatory general offer under the Singapore Take-over Code.

While the Singapore Take-over Code seeks to ensure an equality of treatment among Shareholders, its provisions could substantially impede the ability of Shareholders to benefit from a change of control and, as a result, may adversely affect the market price of our Shares and the ability to realise any benefits from a potential change of control.

INVITATION STATISTICS

Invitation Price S\$1.28

NTA

NTA per Share based on the unaudited pro forma consolidated statement of financial position of our Group as at 30 September 2020:

- | | |
|--|-------------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Cornerstone Shares and based on our Company's share capital immediately before the issue of the New Cornerstone Shares of 618,720,000 Shares | 2.01 cents |
| (b) after adjusting for the estimated net proceeds from the issue of the New Cornerstone Shares and based on our Company's post-Invitation share capital of 773,720,000 Shares | 25.98 cents |

Premium of Invitation Price over the NTA per Share based on the pro forma consolidated statement of financial position of our Group as at 30 September 2020:

- | | |
|--|----------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Cornerstone Shares and based on our Company's share capital immediately before the issue of the New Cornerstone Shares of 618,720,000 Shares | 6,268.2% |
| (b) after adjusting for the estimated net proceeds from the issue of the New Cornerstone Shares and based on our Company's post-Invitation share capital of 773,720,000 Shares | 392.7% |

EPS

EPS based on the audited consolidated statement of comprehensive income for FY2019 and our Company's share capital immediately before the issue of the New Cornerstone Shares of 618,720,000 Shares	7.62 cents
---	------------

EPS based on the audited consolidated statement of comprehensive income for FY2019 and our Company's share capital immediately before the issue of the New Cornerstone Shares of 618,720,000 Shares, assuming that the Service Agreements had been in effect since 1 January 2019	7.47 cents
---	------------

PER

PER based on the Invitation Price and the EPS for FY2019 based on our Company's share capital immediately before the issue of the New Cornerstone Shares of 618,720,000 Shares	16.8 times
--	------------

PER based on the Invitation Price and the EPS for FY2019 based on our Company's share capital immediately before the issue of the New Cornerstone Shares of 618,720,000 Shares, assuming that the Service Agreements had been in effect since 1 January 2019	17.1 times
--	------------

Market Capitalisation

Our market capitalisation based on the Invitation Price and our Company's post-Invitation share capital of 773,720,000 Shares	S\$990.4 million
---	------------------

USE OF PROCEEDS AND EXPENSES OF THE INVITATION

USE OF PROCEEDS

The total gross proceeds to be raised from the Invitation and the issuance and sale of the Cornerstone Shares will be approximately S\$297.0 million, of which approximately S\$87.2 million will be from the Invitation and approximately S\$209.8 million will be from the issuance and sale of the Cornerstone Shares.

The estimated net proceeds to be raised from the Invitation and the issuance and sale of the Cornerstone Shares (after deducting underwriting and placement commissions and the estimated expenses payable by our Company but excluding any discretionary incentive fees), will be approximately S\$283.7 million, of which approximately S\$188.6 million will be due to our Company and approximately S\$95.1 million will be due to the Vendor (assuming the Over-allotment Option is not exercised).

We will not receive proceeds from the Invitation and the sale of the Vendor Cornerstone Shares nor will we receive any proceeds from the exercise of the Over-allotment Option granted by the Vendor.

The allocation of each principal intended use of the gross proceeds from the issuance of the New Cornerstone Shares is set out below:

	Estimated Amount (S\$'000)	Estimated amount for each dollar of the gross proceeds from the issuance of the New Cornerstone Shares (cents)
Use of gross proceeds from the issuance of the New Cornerstone Shares		
Expansion and enhancement of our manufacturing facilities	50,000	25.20
Expansion of our business through, <i>inter alia</i> , investments, mergers and acquisitions, joint ventures and/or strategic collaboration	50,000	25.20
Enhancement of our R&D capabilities	15,000	7.56
Increase sales and marketing channels for overseas markets expansion	10,000	5.04
Expansion of our ODM/JDM business to capitalise on opportunities in the growing IoT market	5,000	2.52
Working capital	58,600	29.54
Listing expenses	9,800	4.94
Total	198,400	100.00

Further details on our future plans may be found in the section entitled “General Information on our Group – Business Strategies and Future Plans” of this Prospectus. Any remaining financing requirement in respect of our future plans as set out in this Prospectus will be funded through internally generated funds and/or external borrowings at our discretion.

Pending the deployment of the net proceeds from the issuance of the New Cornerstone Shares, the funds may be placed in short term deposits with banks and financial institutions, used to invest in short term money market instruments and/or used for our Group’s working capital requirements, as our Directors may deem fit at their absolute discretion.

USE OF PROCEEDS AND EXPENSES OF THE INVITATION

As part of its terms of reference, our Audit Committee will monitor our use of the net proceeds from the issuance of the New Cornerstone Shares. We will make periodic announcements on the use of the net proceeds from the issuance of the New Cornerstone Shares as and when the proceeds are materially disbursed, and provide a status report on the use of the proceeds in our annual report(s).

The foregoing discussion represents our Company's reasonable estimate of our allocation of the net proceeds from the issuance of the New Cornerstone Shares based on our current plans and estimates regarding our anticipated expenditures. Actual expenditures may vary from these estimates and we may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that any part of our proposed uses of the net proceeds from the issuance of the New Cornerstone Shares does not materialise or proceed as planned, our Directors will carefully evaluate the situation and may reallocate the intended funding to other purposes and/or hold such funds on short term deposits for so long as our Directors deem it to be in the interest of our Company and our Shareholders, taken as a whole. Any change in the use of the net proceeds will be subject to the Listing Manual and appropriate announcements will be made by our Company *via* SGXNET.

Save as disclosed in this Prospectus, none of the net proceeds from the issuance of the New Cornerstone Shares will be used, directly or indirectly, to acquire or refinance the acquisition of another business or assets outside the ordinary course of business, or to discharge, reduce or retire any indebtedness of our Group.

In the reasonable opinion of our Directors, no minimum amount must be raised from the issuance of the New Cornerstone Shares.

INVITATION EXPENSES

We estimate that the costs and expenses payable by us in connection with the Invitation and the issuance of the New Cornerstone Shares, including the professional fees, underwriting commission, placement commission and brokerage and miscellaneous expenses (but excluding any discretionary incentive fees which we may pay), will amount to approximately S\$9.8 million. A breakdown of these expenses (inclusive of GST) is set out below:

<u>Invitation expenses⁽¹⁾</u>	<u>Estimated amount (S\$'000)</u>	<u>As a percentage of the gross proceeds from the issuance of the New Cornerstone Shares</u>
Listing and application fees	128	0.06%
Professional fees	2,206	1.11%
Underwriting and placement commission ⁽²⁾	6,899	3.48%
Miscellaneous expenses ⁽³⁾	567	0.29%
Total	9,800	4.94%

Notes:

- (1) Approximately S\$6.8 million of the expenses incurred by us in connection with the Invitation and the issuance of the New Cornerstone Shares will be capitalised against the share capital of our Company.
- (2) The underwriting and placement commission (excluding any GST) payable by us in connection with the issuance of the Cornerstone Shares is 3.25% of the gross proceeds from the issuance of the New Cornerstone Shares (excluding any discretionary incentive fee which we may pay).
- (3) Includes the estimated cost of production of this Prospectus, road shows and other marketing expenses and certain other expenses incurred or to be incurred by us in connection with the Invitation and the issuance of the New Cornerstone Shares (but does not include expenses attributable to and payable by the Vendor).

The Vendor will pay the Joint Global Coordinators, Bookrunners and Underwriters, as compensation for its services in connection with the Invitation, an underwriting and placement commission equal to

USE OF PROCEEDS AND EXPENSES OF THE INVITATION

3.25% of the amount equal to (a) the aggregate value of the Offer Shares (excluding the Shares provided under the Share Lending Agreement) and the Vendor Cornerstone Shares and (b) if the Over-allotment Option is exercised, the aggregate value of the Over-allotment Shares which are the subject of such exercise, at the Invitation Price. The Vendor will bear its own professional fees and expenses and all other incidental expenses relating to the Invitation and the sale of the Vendor Cornerstone Shares.

Our Company and the Vendor may, at our sole discretion, pay the Joint Global Coordinators, Bookrunners and Underwriters an incentive fee of up to 0.20% of the amount equal to the aggregate value of the Offer Shares, the Cornerstone Shares and the Over-allotment Shares (if any). The discretionary incentive fee, if it is to be paid to the Joint Global Coordinators, Bookrunners and Underwriters, will amount to up to approximately 0.256 cents for each Offer Share, Cornerstone Share and Over-allotment Share (if any), excluding GST. Purchasers and/or subscribers of the Placement Shares will be required to pay to the Joint Global Coordinators, Bookrunners and Underwriters a brokerage fee of up to 1.00% of the Invitation Price, as well as stamp duty and other similar charges to the relevant authorities in accordance with the laws and practices of the country of purchase, at the time of settlement.

Please refer to the section entitled “Plan of Distribution” of this Prospectus for more details on our management, underwriting and placement arrangements.

DIVIDEND POLICY

Our Company was incorporated on 27 May 2009.

Our Company has declared and paid dividends of approximately S\$26.3 million and interim dividends of approximately S\$41.0 million in respect of FY2019 and FY2020, respectively, to AGRP.

Save as disclosed above and save for dividends declared and paid by our subsidiaries to our Company, none of our Company or our subsidiaries has declared or paid dividends during the Period Under Review and for the period from 1 October 2020 to the Latest Practicable Date.

We currently do not have a fixed dividend policy. The declaration and payment of future dividends may be recommended by our Directors at their discretion, after considering a number of factors deemed relevant by our Directors. These include:

- (i) the level of our cash and reserves;
- (ii) our actual and projected financial performance;
- (iii) our projected levels of capital expenditure, working capital requirements and investment plans;
- (iv) the successful conceptualisation and implementation of our strategies;
- (v) restrictions on payment of dividends imposed on us, if any, by future financing arrangements or any other future contractual arrangements; and
- (vi) financial, regulatory or general economic conditions and other risk factors that may be applicable to us and/or our industry.

As at the Latest Practicable Date, we have not entered into any financing or contractual arrangement which restricts our ability to pay dividends.

We may declare dividends by way of an ordinary resolution of our Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by our Directors. The declaration and payment of dividends will be determined at the absolute discretion of our Directors, subject to the approval of our Shareholders. Our Directors may also declare an interim dividend without the approval of our Shareholders. All dividends will be paid in accordance with the Companies Act.

Currently, our Directors intend to recommend dividends of at least 30.0% of our net profit after tax (excluding exceptional items) generated in FY2021 and FY2022, as we wish to reward our Shareholders for participating in our Group's growth.

It should be noted that all the foregoing statements, particularly the statement of our proposed intention to recommend dividends, are merely statements of our present intention and shall not constitute legally binding obligations in respect of any future dividends (including those proposed for FY2021 and FY2022 which may be subject to modification (including the reduction or non-declaration thereof)) at our Directors' absolute discretion. No inference can be nor shall any inference be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends.

SHARE CAPITAL

For information relating to taxes payable on dividends, please refer to the section entitled “Taxation” of this Prospectus.

Our Company (registration no. 200909384G) was incorporated in Singapore on 27 May 2009 under the Companies Act as a private limited company limited by shares, under the name of “Aztech Electronics Pte. Ltd.”. The name of our Company was changed to “Aztech Global Pte. Ltd.” on 13 February 2020. Our Company was converted into a public limited company and the name of our Company was changed to “Aztech Global Ltd.” in connection therewith on 19 February 2021.

As at the date of incorporation, our issued and paid-up share capital was S\$2 comprising two (2) ordinary shares of S\$1 each held by AGRP. As at the Latest Practicable Date, our issued and paid-up ordinary share capital is S\$15,468,000 comprising 15,468,000 Shares held by AGRP.

Pursuant to written resolutions passed on 18 February 2021, our Shareholders approved, *inter alia*, the following:

- (a) the conversion of our Company into a public company limited by shares and the change of our name to “Aztech Global Ltd.”;
- (b) the Share Split;
- (c) the adoption of a new Constitution;
- (d) the allotment and issue of the New Cornerstone Shares, which when allotted, issued and fully paid, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;
- (e) the adoption of the ESOS (details of which are set in the section entitled “Directors, Executive Officers, Legal Representatives and Employees – Summary of the Aztech Employee Share Option Scheme” of this Prospectus, and also in “Appendix E — Rules of the Aztech Employee Share Option Scheme” to this Prospectus), the PSP (details of which are set out in the section entitled “Directors, Executive Officers, Legal Representatives and Employees – Summary of the Aztech Performance Share Plan” of this Prospectus, and also in “Appendix F – Rules of the Aztech Performance Share Plan” to this Prospectus) and the authorisation of our Directors, pursuant to Section 161 of the Companies Act, to allot and issue Shares upon the exercise of Options granted under the ESOS and to allot and issue Shares upon the vesting of the Awards granted under the PSP;
- (f) the approval of the listing and quotation of all the issued Shares (including the Offer Shares, the Cornerstone Shares, the Award Shares and the Option Shares) on the Official List of the SGX-ST; and
- (g) the authorisation to our Directors, pursuant to Section 161 of the Companies Act and by way of ordinary resolution in a general meeting, to:
 - (A) (i) issue Shares whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, the “**Instruments**”) that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into Shares; and/or
 - (iii) notwithstanding that such authority may have ceased to be in force at the time that Instruments are to be issued, issue additional Instruments arising from any adjustment made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues,

at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit; and

SHARE CAPITAL

- (B) issue Shares in pursuance of any Instrument made or granted by our Directors pursuant to (A) above, while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution), provided that:
- (i) the aggregate number of Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to this authority but excluding Shares which may be issued pursuant to any adjustments (the “**Adjustments**”) effected under any relevant Instrument, which Adjustment shall be made in compliance with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of our Company, does not exceed 50.0% of the post-Invitation issued share capital excluding treasury shares, and provided further that the aggregate number of Shares to be issued other than on a *pro rata* basis to Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority but excluding Shares which may be issued pursuant to any Adjustments effected under any relevant Instrument) shall not exceed 20.0% of the post-Invitation issued share capital excluding treasury shares;
 - (ii) in exercising such authority, our Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of our Company; and
 - (iii) unless revoked or varied by our Company in general meeting by ordinary resolution, the authority so conferred shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is the earlier.

For the purpose of this resolution, the “post-Invitation issued share capital” shall mean the total number of issued Shares (excluding treasury shares) immediately after the Invitation and the issuance and sale of Cornerstone Shares, after adjusting for (i) new Shares arising from the conversion or exercise of any convertible securities; (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time such authority is given, provided the options or share awards were granted in compliance with the Listing Manual; and (iii) any subsequent bonus issue, consolidation or sub-division of Shares.

As at the Latest Practicable Date, there is only one (1) class of shares in the capital of our Company, being the Shares. A summary of our Constitution relating to, *inter alia*, the voting rights of our Shareholders is set out in “Appendix D — Summary of Selected Regulations of the Constitution of our Company” to this Prospectus.

SHARE CAPITAL

Details of the issued and paid-up share capital of our Company as at the date of incorporation, as at the Latest Practicable Date and the resultant issued and paid-up share capital immediately after the Invitation and the issuance and sale of the Cornerstone Shares are as follows:

<u>Purpose</u>	<u>Number of Shares</u>	<u>Issued and Paid-up Share Capital (S\$)</u>
Issued and paid-up capital as at date of incorporation	2	2
Issued and paid-up capital as at the Latest Practicable Date	15,468,000	15,468,000
After the Share Split	618,720,000	15,468,000
Issue of the New Cornerstone Shares	155,000,000	191,567,613 ⁽¹⁾
Post-Invitation issued and paid-up share capital	773,720,000	207,035,613

Note:

- (1) Approximately S\$6.8 million of the expenses incurred by us in connection with the Invitation and the issuance of the New Cornerstone Shares will be capitalised against the share capital of our Company.

Save as disclosed below, there were no changes in the issued and paid-up capital of our Company and in our subsidiaries within the three (3) years preceding the Latest Practicable Date:

<u>Date of issue/change</u>	<u>Number of shares issued/change in the number of shares</u>	<u>Issue price per share</u>	<u>Purpose of issue/change</u>	<u>Resultant share capital</u>
<i>Our Company</i>				
14 October 2019	53,000,000	Not applicable	Capital reduction ⁽¹⁾	S\$15,468,000
<i>IOT Manufacturing</i>				
7 December 2018	100	RM1	Cash injection	RM100
27 March 2019	2,499,999	RM1	Cash injection	RM2,500,000

Note:

- (1) Please refer to the section entitled "Capital Reduction" of this Prospectus for further details on the Capital Reduction Exercise.

Save as disclosed above, no shares in, or debentures of, our Company or any of our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash during the three (3) years preceding the date of this Prospectus.

Save as disclosed above, there were no other changes in the issued and paid-up share capital of our Company and our subsidiaries within the three (3) years preceding the Latest Practicable Date.

SHAREHOLDERS

OWNERSHIP STRUCTURE

Our Directors and Substantial Shareholders and their respective shareholdings immediately before the Invitation and the issuance and sale of the Cornerstone Shares (as at the date of this Prospectus) and immediately after the Invitation and the issuance and sale of the Cornerstone Shares are set out as follows:

	Immediately before the Invitation				After the Invitation and the issuance and sale of the Cornerstone Shares (Assuming the Over-allotment Option is not exercised)				After the Invitation and the issuance and sale of the Cornerstone Shares (Assuming the Over-allotment Option is fully exercised)			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors												
Mr. Michael Mun ⁽¹⁾	-	-	618,720,000	100.0	-	-	541,720,000	70.0	-	-	528,120,000	68.3
Mr. Jeremy Mun	-	-	-	-	-	-	-	-	-	-	-	-
Mr. TS Tan	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Larry Tan	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Christopher Huang	-	-	-	-	-	-	-	-	-	-	-	-
Substantial Shareholders (other than the Directors)												
AGRP ⁽¹⁾	618,720,000	100.0	-	-	541,720,000	70.0	-	-	528,120,000	68.2	-	-
AVS Investments ⁽¹⁾	-	-	618,720,000	100.0	-	-	541,720,000	70.0	-	-	528,120,000	68.3
Other Shareholders												
Cornerstone Investors	-	-	-	-	163,880,000	21.2	-	-	163,880,000	21.2	-	-
Public Shareholders (arising from the Invitation)	-	-	-	-	68,120,000	8.8	-	-	81,720,000	10.6	-	-
Total	618,720,000	100.0	-	-	773,720,000	100.0	-	-	773,720,000	100.0	-	-

Note:

- (1) Mr. Michael Mun holds the entire issued and paid-up share capital of AVS Investments, which in turn holds approximately 84.09% of the issued and paid-up share capital of AGRP. Accordingly, AVS Investments and Mr. Michael Mun are deemed to be interested in all the Shares held by AGRP.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the Offer Shares.

Save as disclosed above, to the best of the knowledge of our Directors, we are not directly or indirectly owned or controlled, whether severally or jointly, by any other corporation, any government or other natural or legal person.

Our Directors are not aware of any arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

As at the Latest Practicable Date, our Company has only one (1) class of shares. There is no restriction on the transfer of fully paid Shares in scripless form except where required by law or the Listing Manual.

SHAREHOLDERS

There has been no public takeover offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation or units of business trust which has occurred between the date of the incorporation of our Company to the Latest Practicable Date.

There are no Shares in our Company that are held by or on behalf of our Company or by the subsidiaries of our Company.

SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

The following table sets forth the significant changes in the shareholding interests in our Company of our Directors and Substantial Shareholders as at 31 December 2018, 31 December 2019, 31 December 2020 and the Latest Practicable Date. Save as disclosed below, there were no significant changes in the percentage of ownership of our Company in the last three (3) years prior to the Latest Practicable Date.

Name	As at 31 December 2018 ⁽¹⁾			As at 31 December 2019 ⁽¹⁾			As at 31 December 2020 ⁽¹⁾			As at Latest Practicable Date ⁽¹⁾		
	Direct Interest	%	No. of Shares	Deemed Interest	%	No. of Shares	Direct Interest	%	No. of Shares	Deemed Interest	%	No. of Shares
Directors												
Mr. Michael Mun ⁽²⁾	-	-	68,468,000	100.0	-	15,468,000	-	-	15,468,000	100.0	-	15,468,000 ⁽⁶⁾
Mr. Jeremy Mun	-	-	-	-	-	-	-	-	-	-	-	-
Mr. TS Tan	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Larry Tan	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Christopher Huang	-	-	-	-	-	-	-	-	-	-	-	-
Substantial Shareholders (other than the Directors)												
AGRP ⁽³⁾	68,468,000	100.0	-	15,468,000 ⁽⁵⁾	100.0	-	15,468,000 ⁽⁵⁾	100.0	-	15,468,000 ⁽⁵⁾	100.0	-
AVS Investments ⁽⁴⁾	-	-	68,468,000	100.0	-	15,468,000	-	-	15,468,000	100.0	-	15,468,000 ⁽⁶⁾

Notes:

- (1) Calculated based on the total number of Shares as at the relevant dates.
- (2) Mr. Michael Mun is the sole shareholder of AVS Investments, which in turn holds more than 20% of the shares of AGRP (as at 31 December 2018, 31 December 2019, 31 December 2020 and the Latest Practicable Date). Accordingly, AVS Investments and Mr. Michael Mun are deemed to be interested in all the Shares held by AGRP at the relevant dates.
- (3) AGRP is the sole shareholder of our Company.
- (4) AVS Investments' shareholding in AGRP as at the relevant dates was as follows:
 - (a) As at 31 December 2018, AVS Investments held 39,903,442 shares out of a total of 51,009,343 shares in AGRP (representing approximately 78.23% of all the shares in AGRP).
 - (b) As at 31 December 2019, AVS Investments held 39,903,442 shares out of a total of 50,689,343 shares in AGRP (representing approximately 78.72% of all the shares in AGRP).
 - (c) As at 31 December 2020 and the Latest Practicable Date, AVS Investments held 79,806,884 shares out of a total of 94,907,019 shares in AGRP (representing approximately 84.09% of all the shares in AGRP).
- (5) The number of issued Shares was reduced from 68,468,000 to 15,468,000 pursuant to the Capital Reduction Exercise. Please refer to the section entitled "Capital Reduction" of this Prospectus for further details.
- (6) As at the date of this Prospectus, each of Mr. Michael Mun and AVS Investments are deemed interested in 618,720,000 Shares following the Share Split.

SHAREHOLDERS

Save as disclosed in this section and the section entitled “Share Capital” of this Prospectus, there were no significant changes in the percentage ownership of our Shares within the last three (3) years prior to the Latest Practicable Date.

VENDOR

The Vendor will be offering 68,120,000 Shares for subscription/purchase at the Invitation, such number of Shares representing approximately 11.0% of the number of Shares immediately prior to and approximately 8.8% of the number of Shares immediately after the completion of the Invitation and the issuance and sale of the Cornerstone Shares.

This excludes up to 13,600,000 Shares provided by the Vendor under the Share Lending Agreement, which constitutes approximately 2.2% of the number of Shares immediately prior to the completion of the Invitation and the issuance and sale of the Cornerstone Shares, and approximately 20.0% of the Offer Shares and approximately 1.8% of the number of Shares immediately after completion of the Invitation and the issuance and sale of the Cornerstone Shares. Please refer to the section entitled “Plan of Distribution—Over-allotment Option” of this Prospectus. The Vendor has provided the Joint Global Coordinators, Bookrunners and Underwriters the Over-Allotment Option exercisable by the Stabilising Manager.

INFORMATION ON THE CORNERSTONE INVESTORS

At the same time as but separate from the Invitation, each of the Cornerstone Investors has entered into separate Cornerstone Agreements with our Company and/or the Vendor to subscribe for and/or purchase an aggregate of 163,880,000 Cornerstone Shares at the Invitation Price, conditional upon, among others, the Management and Underwriting Agreement having been entered into and not having been terminated pursuant to its terms on or prior to the Listing Date.

The Cornerstone Investors are:

AFFIN HWANG ASSET MANAGEMENT BERHAD

Affin Hwang Asset Management Berhad (“**AHAM**”) was incorporated in Malaysia on 2 May 1997 under the Companies Act 2016 and began its operations in 2001. In early 2014, AHAM was acquired by the Affin Hwang Investment Bank (“**AHIB**”) and is now supported by an established Malaysian financial services conglomerate. AHIB is part of the Affin Banking Group which has over 38 years of experience in financial industry which focuses on commercial, Islamic and investment banking services, money broking, fund management and underwriting of life and general insurance business. Additionally, AHAM is also 27% owned by Nikko Asset Management International Limited, a leading independent Asian investment management franchise. AHAM has approximately RM73 billion assets under management as at 31 December 2020.

AIA INVESTMENT MANAGEMENT PRIVATE LIMITED AND AIA BHD.

AIA Group Limited and its subsidiaries (collectively “**AIA**”) comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets in Asia-Pacific— wholly-owned branches and subsidiaries in Mainland China, Hong Kong, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, the Philippines, South Korea, Taiwan (China), Vietnam, Brunei, Macau Special Administrative Region, New Zealand, a 99 per cent. subsidiary in Sri Lanka, and a 49 per cent. joint venture in India. AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code “1299”.

DBS BANK LTD.

DBS Bank Ltd. is a leading financial services group in Asia with a presence in 18 markets. Headquartered and listed in Singapore, DBS is in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. The bank’s “AA-” and “Aa1” credit ratings are among the highest in the world.

Recognised for its global leadership, DBS has been named “World’s Best Bank” by Euromoney, “Global Bank of the Year” by The Banker and “Best Bank in the World” by Global Finance. The bank is

SHAREHOLDERS

at the forefront of leveraging digital technology to shape the future of banking, having been named “World’s Best Digital Bank” by Euromoney. In addition, DBS has been accorded the “Safest Bank in Asia” award by Global Finance for 12 consecutive years from 2009 to 2020.

In 2020, DBS Private Bank was also awarded “Best Private Bank in Asia Pacific” and “Best Private Bank for Use of Technology” by Global Finance and “Best Asian Private Bank” by Asiamoney, cementing its position as a leading wealth manager in Asia. DBS has SGD 264 billion in wealth assets under management as of FY2020.

DBS has entered into the Cornerstone Agreement, on behalf of certain of its wealth management clients, to subscribe for certain New Cornerstone Shares. The New Cornerstone Shares will be held in custody by DBS Nominees (Pte) Ltd, on behalf of such clients. DBS Nominees (Pte) Ltd acts as a custodian for these New Cornerstone Shares and neither DBS Nominees (Pte) Ltd nor DBS Bank Ltd. has any beneficial interest in the New Cornerstone Shares allotted under the Cornerstone Agreement.

EASTSPRING INVESTMENTS (SINGAPORE) LIMITED

Eastspring Investments (Singapore) Limited (“**Eastspring Investments**”) established its Asian regional headquarters in 1994 in Hong Kong. With over 25 years of investment experience in Asia, the regional business now has USD220 billion of assets under management, as of 30 June 2020. Eastspring Investments’ Singapore-based investment hub currently manages assets across a broad range of investment strategies for both Asian and non-Asian institutions and works in conjunction with its local offices to provide solutions for institutional clients.

EMPLOYEES PROVIDENT FUND BOARD

The Employees Provident Fund Board is a social security institution in Malaysia formed under the Employees Provident Fund Act 1991 (Act 452). The Employees Provident Fund Board primarily provides retirement benefits for private sector and pensionable employees in Malaysia.

FIL INVESTMENT MANAGEMENT (HONG KONG) LIMITED

FIL Investment Management (Hong Kong) Limited is a company incorporated under the laws of Hong Kong. FIL Investment Management (Hong Kong) Limited acts as professional fiduciary on behalf of certain investment funds and/or managed accounts.

HONG LEONG ASSURANCE BERHAD

Hong Leong Assurance Berhad is Malaysia’s largest local life insurance company. It is a well-established and respected brand offering financial planning and protected solutions.

HSBC GLOBAL ASSET MANAGEMENT (HONG KONG) LTD

HSBC Global Asset Management (Hong Kong) Limited (“**HSBC AM HK**”) is a wholly-owned subsidiary of HSBC Holdings plc (Stock Exchange stock code: 0005.HK) and one of the group of legal entities that form HSBC Global Asset Management. For the purpose of this cornerstone investment, HSBC AM HK will act as the investment manager or investment adviser for and on behalf of the collective investment schemes to subscribe for and hold such Offer Shares. HSBC AM HK has full discretion in making investment decisions and does not have to seek permission from HSBC Holdings plc for its investment decisions, and vice versa.

ICH CAPITAL PTE LTD

ICH Capital Pte Ltd is an investment holdings cum consultancy company wholly owned by ICH Singapore Holdings Pte Ltd., of which its ultimate beneficial owners are Mr Toe Teow Heng (Vincent) and Mr Toe Teow Teck (Danny), respectively.

JPMORGAN ASSET MANAGEMENT (SINGAPORE) LIMITED

JPMorgan Asset Management (Singapore) Limited is a public company limited by shares organised under the laws of Singapore. It is principally engaged as an investment manager for and on behalf of

SHAREHOLDERS

investment management clients and/or the funds for whom it or its Affiliate has been appointed as investment manager.

LION GLOBAL INVESTORS LIMITED

Lion Global Investors Limited, one of the largest asset management companies in Southeast Asia, is 70.0% owned by Great Eastern Holdings Limited and 30.0% owned by Orient Holdings Private Limited, a wholly-owned subsidiary of Oversea-Chinese Banking Corporation Limited. As of 31 December 2020, Lion Global Investors Limited has a team of more than 40 fund managers and analysts averaging over 16 years of financial industry experience. Lion Global Investors Limited's core competency is in managing Asian fixed income, Asian equity and Asian multi-asset strategies (absolute and relative basis) for institutional and retail investors. With S\$67.9 billion (US\$51.4 billion) of assets under management (as of 31 December 2020), Lion Global Investors Limited's clients include government, government-linked corporations, companies, charitable organisations and individual investors.

FIERA CAPITAL

Magna New Frontiers Fund

The Magna New Frontiers Fund is a top-tier long-only fund that seeks to achieve capital growth by investing in a diversified portfolio of smaller emerging market securities. The fund is managed by industry leading fund managers, Stefan Bottcher and Dominic Bokor-Ingram, who pioneered the global frontier and small emerging market space. Both share 30 years of experience and a stellar track-record in this asset class.

OAKS Emerging and Frontier Opportunities Fund

The OAKS Emerging and Frontier Opportunities Fund is a well-established fundamental, bottom-up, equity-focused strategy that seeks to maximize total return by investing in global emerging market securities. The fund is managed by industry leading fund managers, Stefan Bottcher and Dominic Bokor-Ingram, who both share 30 years of experience and a stellar track-record in this asset class.

OAKS Smaller Emerging Market Opportunities Fund

The OAKS Smaller Emerging Market Opportunities Fund is a newly-established fundamental, bottom-up, equity-focused strategy that seeks to maximize total return by investing in smaller global emerging market securities. The fund is managed by industry leading fund managers, Stefan Bottcher and Dominic Bokor-Ingram, who both share 30 years of experience and a stellar track-record in this asset class.

MATTHEWS INTERNATIONAL CAPITAL MANAGEMENT, LLC

Matthews Asia Funds – Asia ex Japan Dividend Fund, Matthews Asia Funds – Asia Small Companies Fund and Matthews Asia Funds – Pacific Tiger Fund are sub-funds of Matthews Asia Funds, a public limited company (société anonyme) qualifying as an investment company organised with variable share capital within the meaning of the Luxembourg law of 17 December 2010 on collective investment undertakings incorporated as an umbrella fund comprised of separate sub-funds (“**Matthews Asia Funds (Lux)**”).

Matthews International Capital Management, LLC (“**Matthews Asia**”) is the authorised agent and the investment manager of the Matthews Funds. Matthews Asia manages portfolios of securities primarily in the Asia Pacific region on a discretionary basis for institutional clients, including U.S. registered investment companies and similar non-U.S. investment funds (some of which are registered under the laws of the country where they are formed) and other clients worldwide. As of 31 January 2021, Matthews Asia had approximately US\$30.2 billion in assets under management according to its website.

SHAREHOLDERS

NEW SILK ROAD INVESTMENT PTE. LTD.

New Silk Road Investment Pte. Ltd. is an investment management company incorporated under the laws of Singapore and holds a Capital Markets Services license issued by the Authority. New Silk Road Investment Pte. Ltd. has represented that it is acquiring the New Cornerstone Shares on behalf of certain funds and/or managed accounts for which it is an investment manager.

TOKIO MARINE LIFE INSURANCE SINGAPORE LTD

Established in the year 1879 as the first insurance company in Japan, Tokio Marine has grown over the decades with a strong presence in 45 countries and regions. Offering an extensive selection of General and Life insurance products and innovative solutions, Tokio Marine consistently ranks as one of the world's most globally diversified and financially secure insurance groups. Today, Tokio Marine stands firm as Japan's largest insurance group, with over JPY25,253 billion in assets and JPY3,474 billion of market capitalisation (as at end of March 2020).

Tokio Marine Life Insurance Singapore Ltd. initially began as The Asia Life Assurance Society Limited in 1948 and was rebranded to TM Asia Life Singapore Ltd. in 2007 when Tokio Marine took the helm. On 31 August 2010, it was renamed to its current name to promote a better synergy with the Tokio Marine Group and to reflect its position as part of a globally renowned organisation.

UOB KAY HIAN PRIVATE LIMITED (ON BEHALF OF CERTAIN CORPORATE CLIENTS)

UOB Kay Hian Private Limited (on behalf of certain corporate clients) is a regional financial services group headquartered in Singapore. In addition to its broking agency services in equities, bonds, CFDs, DLCs, Robo, LFX and commodities, it provides high value added services in corporate advisory and fund raising, leveraging its wide network of corporate contacts and deep distribution capabilities to execute IPOs, secondary placements and other corporate finance and investment banking activities. Its regional distribution footprint now spans regional financial centres in Singapore, Hong Kong, Thailand, Malaysia, Indonesia, London, New York and Toronto. In addition, it maintains a research office in Shanghai and an execution presence in the Philippines.

UOB Kay Hian Private Limited (on behalf of certain corporate clients) has entered into a Cornerstone Agreement, on behalf of certain of its clients, to subscribe for certain New Cornerstone Shares. UOB Kay Hian Private Limited does not have a beneficial interest in such New Cornerstone Shares allotted under the relevant Cornerstone Agreement.

VALUE PARTNERS HONG KONG LIMITED

Value Partners Hong Kong Limited (together with other subsidiaries under Value Partners Group Limited ("**Value Partners**")), was established in 1999. It acts as investment manager or investment advisor to certain investment funds. It is a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Stock Exchange of Hong Kong Limited (stock code: 806). Value Partners is one of Asia's largest independent asset management firms. It is headquartered in Hong Kong and operates in Shanghai, Shenzhen, Singapore, Kuala Lumpur and London. Value Partners' investment strategies cover equities, fixed income, alternatives, multi-asset and quantitative investment solutions for institutional and individual clients globally.

DILUTION

Dilution is the amount by which the Invitation Price paid by subscribers for the Offer Shares in the Invitation ("**New Investors**") exceeds our NAV per Share immediately after the Invitation and the issuance and sale of the Cornerstone Shares. Our pro forma NAV per Share as at 30 September 2020 before adjusting for the estimated net proceeds from the issuance of the New Cornerstone Shares and based on our Company's pre-Invitation share capital of 618,720,000 Shares, was approximately S\$0.022 per Share.

The Invitation Price of S\$1.28 exceeds the pro forma NAV per Share of approximately S\$0.262 as at 30 September 2020 (after adjusting for the estimated net proceeds from the issuance of the New Cornerstone Shares) by approximately 388.5%. This represents an immediate and substantial dilution to the New Investors.

The following table illustrates the dilution on a per Share basis:

	<u>S\$</u>
Invitation Price per Offer Share	1.280
Pro forma NAV per Share as at 30 September 2020 ⁽¹⁾⁽²⁾	0.022
Pro forma NAV per Share as at 30 September 2020 ⁽¹⁾⁽²⁾ , as adjusted for the issue of the New Cornerstone Shares	0.262
Dilution in NAV per Share (as adjusted) to the New Investors	1.018
Dilution in NAV per Share to the New Investors as a percentage of Invitation Price	79.5%

Notes:

- (1) Adjusted for the Share Split and based on our unaudited pro forma consolidated statements of financial position as at 30 September 2020, set out in "Appendix C – Independent Auditors' Assurance Report and the Compilation of Unaudited Pro Forma Consolidated Financial Information for the Financial Year Ended 31 December 2019 and the Financial Period from 1 January 2020 to 30 September 2020" to this Prospectus.
- (2) Does not take into account our actual financial performance after 30 September 2020. Depending on our actual financial results, our NAV per Share may be higher or lower than the NAV per Share set out above.

None of our Directors, Substantial Shareholders or their Associates has acquired any Shares or entered into any transaction which grants them the right to acquire any of our Shares during the period of three (3) years prior to the date of lodgement of this Prospectus. Please refer to the sections entitled "Share Capital" and "Capital Reduction" of this Prospectus for changes in the share capital of our Company during the aforesaid three (3) years' period.

The following table summarises the total number of Shares (as adjusted for the Capital Reduction Exercise and the Share Split) acquired by our Directors, Substantial Shareholders and/or their Associates (where applicable) since the date of incorporation of our Company, being 27 May 2009, to the date of lodgement of this Prospectus, the total consideration paid by them and the average effective cash cost to them and to our new Shareholders who subscribe for the New Cornerstone Shares and/or purchase the Offer Shares and the Vendor Cornerstone Shares pursuant to the Invitation and the issuance and sale of the Cornerstone Shares:

	<u>Number of Shares Acquired</u>	<u>Total Consideration (S\$)</u>	<u>Average Effective Cost per Share (S\$)</u>
AGRP ⁽¹⁾	618,720,000 ⁽²⁾	15,468,000	0.025
New investors pursuant to the Invitation and the issuance and sale of the Cornerstone Shares	232,000,000	296,960,000	1.280

Notes:

- (1) This includes the Offer Shares to be sold by the Vendor in connection with the Invitation.
- (2) Adjusted to reflect the Share Split.

CAPITAL REDUCTION

CAPITAL REDUCTION EXERCISE

Prior to the Capital Reduction Exercise, to facilitate effective funds management, AGRP, as the holding company of our Group, had performed the treasury function for our Group. Under such an arrangement, all our excess funds, if practical, were transferred by our Group to AGRP in the form of unsecured, non-guaranteed and interest-free advances for its custody and management. This arrangement had continued until it ceased in FY2019 when our Company took over such treasury function for our Group and undertook the Capital Reduction Exercise in preparation for the Listing to reduce the outstanding debts owed by AGRP to our Group and to internalise any outstanding debts within our Group. The Capital Reduction Exercise took place in two (2) phases, details of which are as follows:

Phase 1

As at July 2019, our Controlling Shareholder, AGRP, had an outstanding amount owed to our Company of approximately S\$42.0 million. To set off such outstanding amounts owed to our Company by AGRP, our Company undertook a capital reduction exercise pursuant to Section 78A read with Section 78B of the Companies Act in August 2019 at a ratio of approximately 0.2261 to 1, to reduce its then issued share capital of S\$68,468,000, comprising 68,468,000 Shares (before the Share Split), to S\$15,468,000, comprising 15,468,000 Shares (before the Share Split), by:

- (i) cancelling the amount of S\$53,000,000 constituting part of the total paid-up share capital of our Company held by AGRP;
- (ii) cancelling 53,000,000 of the said Shares (before the Share Split) constituting part of the total issued share capital of our Company held by AGRP; and
- (iii) returning the aggregate sum of S\$53,000,000 arising from such reduction of our Company's share capital to AGRP.

Pursuant to Article 51 of the Constitution and subject to the provisions of Section 78A read with Section 78B of the Companies Act, the then directors of our Company provided a solvency statement dated 12 August 2019 declaring that (i) as regards to our Company's situation as at the date of the statement, there is no ground on which our Company could be found to be unable to pay its debts; (ii) our Company will be able to pay its debts as they fall due during the period of 12 months immediately following the date of the statement; and (iii) the value of our Company's assets is not less than the value of its liabilities (including contingent liabilities) and the value of our Company's assets will not, after the capital reduction, become less than the value of its liabilities. Phase 1 of the Capital Reduction Exercise was subsequently approved by way of special resolution passed on 28 August 2019 by the sole shareholder of our Company, AGRP. A capital reduction carried out pursuant to Section 78A read with Section 78B of the Companies Act does not require court's approval.

Following the setting off of the outstanding debt of approximately S\$42.0 million against the S\$53.0 million to be returned to AGRP, the excess amount of approximately S\$11.0 million was recorded as an amount owed by our Company to AGRP (the "**Excess Sum**"). No cash sums were returned to AGRP during Phase 1 of the Capital Reduction Exercise.

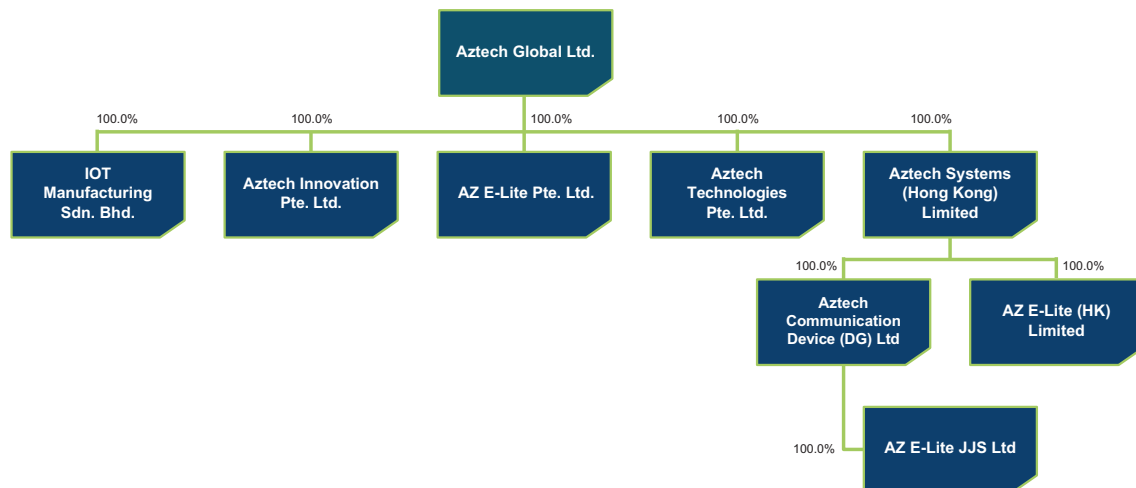
Phase 2

As at November 2019, AGRP had an outstanding debt owed to one (1) of our subsidiaries, Aztech Technologies, of approximately S\$11.0 million (the "**Accumulated Debt**"). Subsequent to the completion of Phase 1 of the Capital Reduction Exercise as described above, Aztech Technologies assigned the right to claim the Accumulated Debt from AGRP to our Company for a consideration of S\$11.0 million, and this was recorded as an amount owing from our Company to Aztech Technologies. Our Company then set-off the Excess Sum against the Accumulated Debt.

Upon completion of Phase 2 of the Capital Reduction Exercise on 11 December 2019, no further amount was owed to our Company by AGRP.

GROUP STRUCTURE

The structure of our Group as at the date of this Prospectus is as follows:



Details of our subsidiaries as at the date of this Prospectus are as follows:

Name of company	Date and place of incorporation	Principal place of business	Principal activities	Issued/ registered/ authorised and paid up share capital	Effective equity interest held by our Company (%)
Aztech Dongguan	30 December 2001 / PRC	PRC	Manufacture of Data-communication products; electronic and electrical products / LED lights and plastic injection parts	HKD235,650,000	100
Aztech Innovation	27 December 2019 / Singapore	Singapore	International sale / supply / design / manufacture of Data-communication, electronic and electrical products	S\$1	100
Aztech Systems	5 July 1994 / Hong Kong	Hong Kong	International sale / supply / design / manufacture of Data-communication, electronic and electrical products	HKD200,000,000	100
Aztech Technologies	10 February 1998 / Singapore	Singapore	International sale / supply / design / manufacture of Data-communication, electronic and electrical products	S\$7,907,628	100

GROUP STRUCTURE

Name of company	Date and place of incorporation	Principal place of business	Principal activities	Issued/ registered/ authorised and paid up share capital	Effective equity interest held by our Company (%)
AZ E-Lite HK	28 November 1991 / Hong Kong	Hong Kong	International sale and supply of electronic and electrical products and LED lights	HKD2	100
AZ E-Lite JJS	17 March 2020 / PRC	PRC	Manufacture of Data-communication products; electronic and electrical products / LED lights and plastic injection parts	RMB30,000	100
AZ E-Lite SG	7 December 2009 / Singapore	Singapore	International wholesale supply of LED lighting	S\$1,000,000	100
IOT Manufacturing	7 December 2018 / Malaysia	Malaysia	Manufacture of Data-communication products; electronic and electrical products / LED lights	RM2,500,000	100

Save as disclosed above, our Group does not have any other subsidiaries, sole proprietorships, joint venture companies or associated companies. None of our subsidiaries are listed on any stock exchange.

SELECTED FINANCIAL INFORMATION

The following selected consolidated financial information should be read in conjunction with the full text of this Prospectus, including the section entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations” of this Prospectus and our audited consolidated financial statements for FY2017, FY2018, FY2019 and 9M2020, the accompanying notes and the related audited reports as set out in “Appendix A – Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2017, 2018 and 2019” and “Appendix B – Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Period from 1 January 2020 to 30 September 2020” to this Prospectus.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Audited			Unaudited	Audited
	FY2017	FY2018	FY2019	9M2019	9M2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	377,154	346,822	428,825	326,200	262,221
Other income	1,386	719	759	503	487
Changes in inventories of finished goods and work in progress, and raw materials used	(292,811)	(262,688)	(306,957)	(235,299)	(183,431)
Employee benefits expense	(45,136)	(40,876)	(42,739)	(32,576)	(24,446)
Amortisation and depreciation expense	(6,212)	(6,873)	(8,602)	(6,310)	(6,416)
Other operating expenses	(20,808)	(16,076)	(15,565)	(12,360)	(10,526)
Loss allowance of trade receivables	(1)	(726)	(500)	(520)	(55)
Investment revenue	68	70	43	36	635
Other gains and losses	(157)	3,105	436	1,835	(928)
Finance costs	(1,291)	(1,403)	(914)	(726)	(918)
Profit before income tax	12,192	22,074	54,786	40,783	36,623
Income tax expense	(1,134)	(2,064)	(7,614)	(5,495)	(6,102)
Profit for the financial year / period⁽¹⁾⁽²⁾	11,058	20,010	47,172	35,288	30,521
Other comprehensive income:					
<i>Items that may be reclassified subsequently into profit or loss</i>					
Exchange differences on translation of foreign operations	483	(855)	(1,285)	(1,317)	1,576
Other comprehensive income for the financial year / period, net of tax	483	(855)	(1,285)	(1,317)	1,576
Total comprehensive income for the financial year / period⁽²⁾	11,541	19,155	45,887	33,971	32,097
Profit attributable to owners of the parent⁽²⁾	11,058	20,010	47,172	35,288	30,521
Total comprehensive income attributable to owners of the parent	11,541	19,155	45,887	33,971	32,097
EPS (cents) ⁽³⁾	1.79	3.23	7.62	5.70	4.93
Adjusted EPS (cents) ⁽⁴⁾	1.43	2.59	6.10	4.56	3.94
Profit before income tax margin (%)	3.2	6.4	12.8	12.5	14.0

Notes:

- (1) The remuneration in respect of the Executive Directors and certain key Executive Officers, which amounted to approximately S\$1.9 million, S\$2.0 million and S\$1.0 million in FY2017, FY2018 and FY2019, respectively, have not been recorded in the financial statements of our Group for the respective financial year as these personnel were then under the direct payroll of AGRP.
- (2) Had the Service Agreements been in place on 1 January 2019, the profit attributable to equity holders of our Company for FY2019 would have been approximately S\$46.2 million and the EPS would have been approximately 7.47 cents.
- (3) For comparative purposes, EPS for the Period Under Review has been computed based on the profit attributable to equity holders of our Company for the relevant financial year/period and the pre-Invitation share capital of 618,720,000 Shares.
- (4) For comparative purposes, adjusted EPS for the Period Under Review has been computed based on the profit attributable to equity holders of our Company for the relevant financial year/period and the post-Invitation share capital of 773,720,000 Shares.

SELECTED FINANCIAL INFORMATION

RECONCILIATION OF PROFIT FOR THE YEAR / PERIOD TO EBIT AND EBITDA

The following table reconciles our audited consolidated statements of comprehensive income for FY2017, FY2018, FY2019, 9M2019 and 9M2020 under SFRS(I) to our definition of earnings before interest and taxes (“**EBIT**”) and earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) for the respective financial year / period.

	Audited			Unaudited	Audited
	FY2017	FY2018	FY2019	9M2019	9M2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Profit for the financial year / period	11,058	20,010	47,172	35,288	30,521
Add: Finance costs ⁽¹⁾	1,291	1,403	914	726	918
Add: Income tax expense	1,134	2,064	7,614	5,495	6,102
EBIT	13,483	23,477	55,700	41,509	37,541
Add: Amortisation and depreciation expenses ⁽²⁾	6,212	6,873	8,602	6,310	6,416
EBITDA	19,695	30,350	64,302	47,819	43,957

Notes:

- (1) Finance costs for FY2019, 9M2019 and 9M2020 included interest expense on lease liabilities due to recognition of right-of-use assets and lease liabilities (which were previously recognised as operating lease expense in FY2017 and FY2018) as a result of adoption of SFRS(I) 16 which was effective on 1 January 2019. Should it not recognise the right-of-use assets and lease liabilities, the finance costs will be approximately S\$0.8 million, S\$0.6 million and S\$0.8 million and EBIT will be approximately S\$55.6 million, S\$41.4 million and S\$37.4 million in FY2019, 9M2019 and 9M2020, respectively.
- (2) Amortisation and depreciation expenses for FY2019, 9M2019 and 9M2020 included amortisation expenses on right-of-use assets due to recognition of right-of-use assets and lease liabilities (which were previously recognised as operating lease expense in FY2017 and FY2018) as a result of adoption of SFRS(I) 16 which was effective on 1 January 2019. Should it not recognise the right-of-use assets and lease liabilities, the amortisation and depreciation expenses will be approximately S\$7.2 million, S\$5.5 million and S\$5.1 million and EBITDA will be approximately S\$62.9 million, S\$47.0 million and S\$42.6 million in FY2019, 9M2019 and 9M2020, respectively.

EBIT and EBITDA are supplemental financial measures of our performance and are not required by, or presented in accordance with, SFRS(I) or generally accepted accounting principles in other countries. Furthermore, EBIT and EBITDA are not measures of financial performance under SFRS(I) or any other generally accepted accounting principles and should not be considered as alternatives to profit after income tax, operating profit or any other performance measures derived in accordance with SFRS(I) or any other generally accepted accounting principles.

SELECTED FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited			
	As at 31 December			As at
	2017	2018	2019	30 September
	S\$'000	S\$'000	S\$'000	2020
ASSETS				
Current assets				
Cash and cash equivalents	15,320	11,256	14,281	21,936
Trade receivables	99,761	72,966	96,728	109,216
Other receivables	13,869	45,926	5,429	4,343
Prepayments	379	844	442	2,785
Current income tax receivable	122	-	-	-
Other investments	3	-	-	-
Inventories	50,694	44,884	19,053	64,110
Total current assets	180,148	175,876	135,933	202,390
Non-current assets				
Other receivables	1,105	1,012	-	-
Property, plant and equipment	20,686	16,913	22,161	22,474
Intangible assets	3,686	4,123	2,617	1,391
Total non-current assets	25,477	22,048	24,778	23,865
Total assets	205,625	197,924	160,711	226,255
LIABILITIES AND EQUITY				
Current liabilities				
Borrowings	50,532	12,276	10,401	19,197
Lease liabilities	1,778	1,986	2,963	2,075
Trade payables	102,514	96,403	87,199	123,850
Other payables	10,289	27,457	25,739	39,599
Provision for retirement benefit	-	-	594	594
Current income tax payable	338	2,093	8,374	11,468
Total current liabilities	165,451	140,215	135,270	196,783
Non-current liabilities				
Borrowings	-	-	-	4,000
Lease liabilities	2,953	1,333	2,220	1,031
Provision for retirement benefit	-	-	254	254
Deferred tax liabilities	268	268	268	327
Total non-current liabilities	3,221	1,601	2,742	5,612
Capital and reserves				
Share capital	68,468	68,468	15,468	15,468
Capital reserves	(4,670)	(4,670)	(4,670)	(4,670)
Foreign currency translation reserve	(4,823)	(5,678)	(6,963)	(5,387)
Statutory reserves	1,254	1,254	1,254	1,254
(Accumulated losses) / Retained profits	(23,276)	(3,266)	17,610	17,195
Total equity	36,953	56,108	22,699	23,860
Total liabilities and equity	205,625	197,924	160,711	226,255
NAV per Share (cents) ⁽¹⁾	5.97	9.07	3.67	3.86
NTA per Share (cents) ⁽²⁾	5.38	8.40	3.25	3.63

Notes:

- (1) NAV per Share is computed based on the equity attributable to our Company's equity holders and the pre-Invitation issued share capital of 618,720,000 Shares.
- (2) NTA per Share is computed based on the equity attributable to our Company's equity holders net of intangible assets (including right-of-use assets) and the pre-Invitation issued share capital of 618,720,000 Shares.

SELECTED FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited			Unaudited	Audited
	FY2017	FY2018	FY2019	9M2019	9M2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities					
Profit before income tax	12,192	22,074	54,786	40,783	36,623
Adjustments for:					
Amortisation of intangible assets	1,810	2,028	2,930	2,051	1,486
Intangible assets written off	239	-	-	-	-
Depreciation of property, plant and equipment	4,402	4,845	5,672	4,259	4,930
Gain on disposal of plant and equipment	-	(4)	(78)	(274)	-
Interest expense	1,291	1,403	914	726	918
Interest income	(68)	(70)	(43)	(36)	(583)
Loss allowance for trade receivables	1	726	500	520	55
Gain on disposal of derivative financial instruments	(814)	-	-	-	-
Loss on disposal of subsidiary	326	-	-	-	-
Net unrealised foreign exchange loss/(gain)	644	(269)	2,567	946	1,205
Plant and equipment written off	25	-	255	-	183
Provision for retirement benefit	-	-	848	-	-
Write-down for inventories obsolescence	913	1,795	2,130	2,322	-
Operating cash flows before movements in working capital	20,961	32,528	70,481	51,297	44,817
Trade receivables	(43,634)	26,069	(26,264)	(65,606)	(12,580)
Other receivables	(6,042)	(31,964)	(11,491)	14,922	1,086
Prepayments	766	(465)	402	(1,630)	(2,343)
Inventories	(18,833)	3,937	23,701	14,979	(45,057)
Trade payables	38,417	(6,111)	(11,205)	779	36,613
Other payables	(2,464)	17,168	(1,718)	13,362	13,860
Cash (used in) / from operations	(10,829)	41,162	43,906	28,103	36,396
Income tax paid	(684)	(187)	(1,333)	(786)	(2,949)
Interest paid	(1,291)	(1,403)	(914)	(726)	(918)
Net cash (used in) / from operating activities	(12,804)	39,572	41,659	26,591	32,529
Investing activities					
Proceeds on disposal of plant and equipment	8	4	168	333	-
Purchase of plant and equipment	(7,073)	(1,393)	(6,532)	(1,887)	(4,732)
Addition of intangible assets	(2,262)	(2,422)	(1,435)	(1,221)	(248)
Cash inflow from disposal of a subsidiary, net of cash disposed	77	-	-	-	-
Interest received	68	70	43	36	583
Settlement of derivative financial instruments	(1,307)	-	-	-	-
Acquisition of other investments	(3)	-	-	-	-
Proceeds from disposal of other investments	-	3	-	-	-
Net cash used in investing activities	(10,492)	(3,738)	(7,756)	(2,739)	(4,397)
Financing activities					
Repayment of obligations under lease liabilities	(967)	(1,288)	(3,133)	(2,314)	(2,265)
Proceeds from bank borrowings	176,982	158,030	69,835	59,793	66,034
Repayment of bank borrowings	(143,019)	(196,830)	(71,527)	(52,192)	(53,502)
Dividends	-	-	(26,296)	(26,296)	(30,936)
Net cash from / (used in) financing activities	32,996	(40,088)	(31,121)	(21,009)	(20,669)
Net change in cash and cash equivalents	9,700	(4,254)	2,782	2,843	7,463
Effects of exchange rate changes on the balance of cash held in foreign currencies	468	190	243	223	192
Cash and cash equivalents at beginning of the financial year / period	5,152	15,320	11,256	11,256	14,281
Cash and cash equivalents at end of the financial year / period	15,320	11,256	14,281	14,322	21,936

SELECTED FINANCIAL INFORMATION

*The following selected pro forma financial information should be read in conjunction with the full text of this Prospectus, including the section entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations”, our audited consolidated financial statements for FY2017, FY2018, FY2019 and 9M2020, the accompanying notes and the related audited reports as set out in “Appendix A – Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2017, 2018 and 2019”, “Appendix B – Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Period from 1 January 2020 to 30 September 2020” and “Appendix C – Independent Auditors’ Assurance Report and the Compilation of Unaudited Pro Forma Consolidated Financial Information for the Financial Year Ended 31 December 2019 and the Financial Period from 1 January 2020 to 30 September 2020” (“**Pro Forma Report**”) to this Prospectus. In particular, please refer to Note 2 on page C-18 of “Appendix C – Independent Auditors’ Assurance Report and the Compilation of Unaudited Pro Forma Consolidated Financial Information for the Financial Year Ended 31 December 2019 and the Financial Period from 1 January 2020 to 30 September 2020” to this Prospectus on the significant event relating to our Company’s declaration of interim dividends of approximately S\$41.0 million subsequent to 31 December 2019.*

Save for the following significant events (the “**Significant Events**”) relating to the declaration of interim dividends, the Directors, as at the Latest Practicable Date, are not aware of any significant acquisitions or disposals of assets which have occurred since 1 January 2020 and any significant changes made to the capital structure of our Company subsequent to 31 December 2019:

- (a) on 15 July 2020, our Company declared an interim dividend of S\$2.00 per Share (before the Share Split) totalling S\$30,936,000 in respect of FY2020 that was fully paid on 30 September 2020; and
- (b) on 18 November 2020, our Company declared an interim dividend of S\$0.65 per Share (before the Share Split), totalling S\$10,054,200 in respect of FY2020 that was fully paid on 23 November 2020 (“**Second Interim FY2020 Dividend**”).

The Pro Forma Report has been prepared for illustrative purposes only, and is based on the assumption that the Significant Events set out above have taken place, where applicable, (i) on 31 December 2019 and 30 September 2020 for the unaudited pro forma consolidated statements of financial position as at 31 December 2019 and 30 September 2020, respectively, and (ii) on 1 January 2019 and 1 January 2020 for the unaudited pro forma consolidated statements of cash flows for FY2019 and 9M2020, respectively.

The Pro Forma Report is not necessarily indicative of the financial position, financial performance and cash flows of our Group that would have been attained had the Significant Events actually occurred on those dates. The Pro Forma Report has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of our Group’s actual financial position, financial performance or cash flows.

The Significant Events do not have any material effect on our Group’s consolidated statements of comprehensive income for FY2019 and 9M2020. Accordingly, the unaudited pro forma consolidated statements of comprehensive income for FY2019 and 9M2020 have not been presented.

SELECTED FINANCIAL INFORMATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Pro Forma	
	As at 31 December 2019	As at 30 September 2020
	S\$'000	S\$'000
ASSETS		
Current assets		
Cash and cash equivalents	-	11,822
Trade receivables	96,728	109,216
Other receivables	5,429	4,343
Prepayments	442	2,785
Inventories	19,053	64,110
Total current assets	121,652	192,336
Non-current assets		
Property, plant and equipment	22,161	22,474
Intangible assets	2,617	1,391
Total non-current assets	24,778	23,865
Total assets	146,430	216,201
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	10,401	19,197
Lease liabilities	2,963	2,075
Trade payables	87,199	123,850
Other payables	25,739	39,599
Dividend payable	26,709	-
Provision for retirement benefit	594	594
Current income tax payable	8,374	11,468
Total current liabilities	161,979	196,783
Non-current liabilities		
Borrowings	-	4,000
Lease liabilities	2,220	1,031
Provision for retirement benefit	254	254
Deferred tax liabilities	268	327
Total non-current liabilities	2,742	5,612
Capital and reserves		
Share capital	15,468	15,468
Capital reserves	(4,670)	(4,670)
Foreign currency translation reserve	(6,963)	(5,387)
Statutory reserves	1,254	1,254
(Accumulated losses) / Retained profits	(23,380)	7,141
(Net capital deficiency) / Total equity	(18,291)	13,806
Total liabilities and equity	146,430	216,201
NAV per Share (cents) ⁽¹⁾	(2.96)	2.23
NTA per Share (cents) ⁽²⁾	(3.38)	2.01

Notes:

- (1) NAV per Share is computed based on the equity attributable to our Company's equity holders and the pre-Invitation issued share capital of 618,720,000 Shares.
- (2) NTA per Share is computed based on the equity attributable to our Company's equity holders net of intangible assets (including right-of-use assets) and the pre-Invitation issued share capital of 618,720,000 Shares.

SELECTED FINANCIAL INFORMATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOW

	Pro Forma	
	FY2019	9M2020
	S\$'000	S\$'000
Operating activities		
Profit before income tax	54,786	36,623
Adjustments for:		
Amortisation of intangible assets	2,930	1,486
Depreciation of property, plant and equipment	5,672	4,930
Gain on disposal of plant and equipment	(78)	-
Interest expense	914	918
Interest income	(43)	(583)
Loss allowance for trade receivables	500	55
Net unrealised foreign exchange loss	2,567	1,205
Plant and equipment written off	255	183
Provision for retirement benefit	848	-
Write-down for inventories obsolescence	2,130	-
Operating cash flows before movements in working capital	70,481	44,817
Trade receivables	(26,264)	(12,580)
Other receivables	(11,491)	1,086
Prepayments	402	(2,343)
Inventories	23,701	(45,057)
Trade payables	(11,205)	36,613
Other payables	(1,718)	13,860
Cash from operations	43,906	36,396
Income tax paid	(1,333)	(2,949)
Interest paid	(914)	(918)
Net cash from operating activities	41,659	32,529
Investing activities		
Proceeds on disposal of plant and equipment	168	-
Purchase of plant and equipment	(6,532)	(4,732)
Addition of intangible assets	(1,435)	(248)
Interest received	43	583
Net cash used in investing activities	(7,756)	(4,397)
Financing activities		
Dividends	(40,577)	(40,990)
Repayment of obligations under lease liabilities	(3,133)	(2,265)
Proceeds from bank borrowings	69,835	66,034
Repayment of bank borrowings	(71,527)	(53,502)
Net cash used in financing activities	(45,402)	(30,723)
Net change in cash and cash equivalents	(11,499)	(2,591)
Effects of exchange rate changes on the balance of cash held in foreign currencies	243	192
Cash and cash equivalents at beginning of the financial year / period	11,256	14,281
Cash and cash equivalents at end of the financial year / period	-	11,882

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion of our Group's results of operations and financial position for the Period Under Review has been prepared by our management and should be read in conjunction with our audited consolidated financial statements for FY2017, FY2018, FY2019 and 9M2020, the accompanying notes and the related audited reports as set out in "Appendix A – Independent Auditors' Report and Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2017, 2018 and 2019" and "Appendix B – Independent Auditors' Report and Audited Consolidated Financial Statements for the Financial Period from 1 January 2020 to 30 September 2020" to this Prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our Group's actual results may differ significantly from those projected in the forward looking-statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in the section entitled "Risk Factors" of this Prospectus. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Joint Issue Managers or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Prospectus.

OVERVIEW

We are a key technology enabler for the connected world of tomorrow, with a focus in providing one-stop design and manufacturing services. Supported by our core strength in R&D, design, engineering and manufacturing, our key products are IoT Devices, Data-communication products and LED lighting products. Leveraging on our expertise, we also provide JDM and CMS services to blue chip customers, technology start-ups and other companies with innovative products.

We have a globally diversified customer base, which consists of blue-chip companies, technology start-ups and networking product companies for our IoT Devices and Data-communication products and major lighting companies for our LED lighting products. We also supply LED lighting products to government institutions and customers in the commercial and public sectors. As at the Latest Practicable Date, we have over 290 customers worldwide, with our products sold in over 40 countries.

Our strong core competencies and differentiating capabilities in R&D, design, engineering and manufacturing enable us to optimise our production and ensure that it is efficient and effective. This is achieved through careful production planning, plant layout as well as production process design. Our manufacturing facilities are located in Dongguan, Guangdong Province, the PRC, and Johor, Malaysia. Please refer to the section entitled "General Information on our Group - Properties and Fixed Assets" of this Prospectus for further details on our manufacturing facilities.

Our key products can be broadly categorised into the following segments:

- i. IoT Devices and Data-communication products;
- ii. LED lighting products; and
- iii. Other electrical products.

Please refer to the section entitled "General Information on our Group - Business Overview" of this Prospectus for further details of our business.

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

For the Period Under Review, our revenue is mainly derived from:

- (i) the IoT Devices and Data-communication products segment, which accounted for approximately 31.5%, 51.3%, 68.2%, 66.0% and 82.6% of our total revenue in FY2017, FY2018, FY2019, 9M2019 and 9M2020, respectively; and

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION
AND RESULTS OF OPERATIONS**

- (ii) the LED lighting products segment, which accounted for approximately 68.2%, 48.5%, 31.7%, 33.9% and 17.2% of our total revenue in FY2017, FY2018, FY2019, 9M2019 and 9M2020, respectively.

The breakdown of our revenue by business segments for the Period Under Review is as follows:

Revenue	Audited						Unaudited		Audited	
	FY2017		FY2018		FY2019		9M2019		9M2020	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
IoT Devices and Data-communication products	118,918	31.5	177,845	51.3	292,526	68.2	215,298	66.0	216,496	82.6
LED lighting products	257,117	68.2	168,103	48.5	135,979	31.7	110,631	33.9	45,004	17.2
Others ⁽¹⁾	1,119	0.3	874	0.2	320	0.1	271	0.1	721	0.2
Total	377,154	100.0	346,822	100.0	428,825	100.0	326,200	100.0	262,221	100.0

Note:

- (1) Others refer mainly to electrical products.

The increase in revenue from the IoT Devices and Data-communication products segment and decrease in revenue from the LED lighting products segment during the Period Under Review were mainly due to increased demand from customers for IoT Devices and Data-communication products, and our Group's strategy to focus on production of smart lighting products and IoT Devices and Data-communication products which commanded higher profit margins whilst discontinuing the production and sale of certain products identified which commanded comparatively lower profit margins.

The breakdown of our revenue by geographical segments for the Period Under Review is as follows. In presenting the geographical location, revenue is based on geographical locations of the customers which the revenue is derived from:

Revenue	Audited						Unaudited		Audited	
	FY2017		FY2018		FY2019		9M2019		9M2020	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Singapore	9,204	2.4	5,858	1.7	5,924	1.4	4,313	1.3	3,393	1.3
PRC	33,397	8.9	22,361	6.5	15,251	3.6	12,175	3.7	6,967	2.6
Europe ⁽¹⁾	149,396	39.6	125,575	36.2	125,348	29.2	97,907	30.0	86,220	32.9
North America ⁽²⁾	144,579	38.3	172,415	49.7	255,601	59.6	189,140	58.0	156,478	59.7
Others ⁽³⁾	40,578	10.8	20,613	5.9	26,701	6.2	22,665	7.0	9,163	3.5
Total	377,154	100.0	346,822	100.0	428,825	100.0	326,200	100.0	262,221	100.0

Notes:

- (1) Europe comprises mainly France, Germany, Netherlands, United Kingdom and Poland.
(2) North America comprises mainly United States, Canada, Brazil and Mexico.
(3) Others comprise mainly Taiwan, Japan and South Korea.

Our revenue may be affected by, *inter alia*, the following factors:

- (a) our ability to retain existing customers and/or secure new customers;
- (b) changes to the business conditions of the electronics industry;
- (c) our ability to meet customers' production requirements and adapt to changes in engineering and production technologies;
- (d) our ability to remain competitive in terms of pricing, quality and delivery schedules;
- (e) fluctuations in foreign currency exchange rates; and

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

- (f) our available production capacity and ability to increase our production capacity to meet the increase in demand for our products and services.

Please refer to the section entitled "Risk Factors" of this Prospectus for other factors that may affect our revenue and financial performance.

Other income

Our other income comprises mainly sales of scrap and government grants. The breakdown of our other income for the Period Under Review is as follows:

Other Income	Audited						Unaudited		Audited	
	FY2017		FY2018		FY2019		9M2019		9M2020	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Scrap sales	112	8.1	89	12.4	77	10.1	75	14.9	18	3.7
Government grants	1,020	73.6	443	61.6	524	69.1	390	77.5	382	78.4
Others	254	18.3	187	26.0	158	20.8	38	7.6	87	17.9
Total	1,386	100.0	719	100.0	759	100.0	503	100.0	487	100.0

Changes in inventories of finished goods and work in progress, and raw materials used

Our changes in inventories of finished goods and work in progress, and raw materials used accounted for approximately 77.6%, 75.7%, 71.6%, 72.1% and 70.0% of our total revenue in FY2017, FY2018, FY2019, 9M2019 and 9M2020, respectively.

The breakdown of our changes in inventories of finished goods and work in progress, and raw materials used by business segments for the Period Under Review is as follows:

Changes in inventories of finished goods and work in progress, and raw materials used

	Audited						Unaudited		Audited	
	FY2017		FY2018		FY2019		9M2019		9M2020	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
IoT Devices and Data-communication products	88,347	30.2	128,097	48.8	204,805	66.7	152,226	64.7	151,292	82.5
LED lighting products	203,894	69.6	134,308	51.1	101,966	33.2	82,923	35.2	31,846	17.3
Others ⁽¹⁾	570	0.2	283	0.1	186	0.1	150	0.1	293	0.2
Total	292,811	100.0	262,688	100.0	306,957	100.0	235,299	100.0	183,431	100.0

Note:

- (1) Others comprise mainly electronic products.

The changes in inventories of finished goods and work in progress, and raw materials used for the IoT Devices and Data-communication products and LED lighting products segments during the Period Under Review were in line with the changes in revenue from these two segments.

The changes in inventories of finished goods and work in progress, and raw materials used for the LED lighting products segment had decreased during the Period Under Review as our Group changed its strategy to focus on products such as smart lighting products and IoT Devices and Data-communication products which commanded higher profit margins whilst discontinuing the production and sale of certain products identified which commanded comparatively lower profit margins.

Our changes in inventories of finished goods and work in progress, and raw materials used may be affected by, *inter alia*, the following factors:

- (a) fluctuations in prices of raw materials;

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

(b) products mix and demand on the respective products type; and

(c) fluctuations in foreign currency exchange rates.

Please refer to the section entitled "Risk Factors" of this Prospectus for other factors that may affect our changes in inventories of finished goods and work in progress, and raw materials used.

Employee benefits expense

Our employee benefits expense comprises mainly (i) salaries, bonuses and other staff benefits; (ii) contributions to defined contribution plans; and (iii) other employee benefits comprising employee allowance, insurance and retirement plan.

Our employee benefits expense breakdown for the Period Under Review is as follows:

Employee benefits expense	Audited						Unaudited		Audited	
	FY2017		FY2018		FY2019		9M2019		9M2020	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Salaries, bonuses and other staff benefits	39,520	87.6	36,722	89.8	39,168	91.7	30,703	94.2	22,714	92.9
Contribution to defined contribution plans	194	0.4	330	0.8	656	1.5	450	1.4	493	2.0
Other employee benefits	5,422	12.0	3,824	9.4	2,915	6.8	1,423	4.4	1,239	5.1
Total	45,136	100.0	40,876	100.0	42,739	100.0	32,576	100.0	24,446	100.0

Our employee benefits expense as a percentage of our total revenue was approximately 12.0% 11.8%, 10.0%, 10.0% and 9.3% in FY2017, FY2018 FY2019, 9M2019 and 9M2020 respectively. The decrease from approximately 12.0% in FY2017 to approximately 10.0% in FY2019 was mainly due to (i) the change in our product mix to produce more IoT Devices and Data-communication products as compared to LED lighting products, which generally requires less manpower in its production process and (ii) increased efficiency through the adoption of more automation in our production process. The decrease in our employee benefits expense in 9M2020 was mainly due to the mandatory temporary shutdown of our manufacturing facilities in the first quarter of FY2020 resulting from the COVID-19 pandemic and the receipt of government grants from various government support programmes.

Amortisation and depreciation expense

Our amortisation and depreciation expense comprises amortisation of intangible assets and depreciation of property, plant and equipment and right-of-use assets. Intangible assets relate to expenditure incurred for research and development that was capitalised and amortised from commencement of the commercial production of a project on a straight-line basis over the period of their expected benefits.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

Other operating expenses

The breakdown of our other operating expenses for the Period Under Review is as follows:

Other operating expenses	Audited						Unaudited		Audited	
	FY2017		FY2018		FY2019		9M2019		9M2020	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Distribution costs	2,126	10.2	883	5.5	378	2.4	269	2.2	393	3.7
Intangible asset write off	239	1.1	-	-	-	-	-	-	-	-
Operating leases										
- Equipment	1	-	3	-	-	-	-	-	-	-
- Office	753	3.6	621	3.9	-	-	-	-	-	-
- Factory & warehouse	698	3.4	836	5.2	-	-	-	-	-	-
Lease expenses on										
- Short term lease	-	-	-	-	18	0.1	-	-	-	-
- Low value assets	-	-	-	-	9	0.1	6	n.m. ⁽³⁾	7	0.1
Other factory costs ⁽¹⁾	11,197	53.8	7,142	44.4	7,936	51.0	5,703	46.1	6,851	65.1
Plant and equipment written off	25	0.1	-	-	255	1.6	-	-	183	1.7
Utilities costs	2,469	11.9	2,362	14.7	2,255	14.5	1,775	14.4	1,454	13.8
Write-down for inventories obsolescence	913	4.4	1,795	11.2	2,130	13.7	2,322	18.8	-	-
General and administrative expenses ⁽²⁾	2,387	11.5	2,434	15.1	2,584	16.6	2,285	18.5	1,638	15.6
Total	20,808	100.0	16,076	100.0	15,565	100.0	12,360	100.0	10,526	100.0

Notes:

- (1) Other factory costs comprise mainly factory spare parts, indirect materials, maintenance expenses, sub-contract expenses and VAT expenses on raw materials used in our production.
- (2) General and administrative expenses comprise mainly office equipment and tools, maintenance expenses and professional fees (including expenses incurred in connection with the Listing).
- (3) "n.m." denotes not meaningful.

Loss allowance of trade receivables

Our loss allowance of trade receivables was made in accordance to expected credit losses model. Our Group applies a provision matrix by assessing the historical defaults and considering future economic conditions according to customers' profiles.

Investment revenue

Our investment revenue comprises interest income on our bank deposits.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Other gains and losses

Our other gains and losses comprise mainly gain or loss on derivative financial instrument, disposal of plant and equipment and realised/unrealised foreign exchange. Our other gains of approximately S\$3.1 million and S\$0.4 million in FY2018 and FY2019, respectively, were mainly due to realised and unrealised foreign exchange gains. Our other losses of approximately S\$0.9 million in 9M2020 were mainly due to net unrealised foreign exchange losses.

Finance costs

Our finance costs comprise mainly interest expenses on our (i) trade financing; (ii) lease liabilities; and (iii) revolving loans and term loans.

The breakdown of our finance costs for the Period Under Review is as follows:

	Audited						Unaudited		Audited	
	FY2017		FY2018		FY2019		9M2019		9M2020	
Finance costs	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Trade financing	921	71.3	1,093	77.9	619	67.7	525	72.3	330	35.9
Lease liabilities	158	12.2	135	9.6	198	21.7	144	19.8	131	14.3
Revolving loans and term loans	212	16.5	175	12.5	97	10.6	57	7.9	457	49.8
Total	1,291	100.0	1,403	100.0	914	100.0	726	100.0	918	100.0

Income tax expense

Our Group is subject to income tax at the applicable tax rates in Singapore, Hong Kong and the PRC. The statutory tax rate in Singapore, Hong Kong and the PRC was 17.0%, 16.5% and 25.0% respectively during the Period Under Review. Our effective tax rates were approximately 9.3%, 9.4%, 13.9%, 13.5% and 16.7% in FY2017, FY2018, FY2019, 9M2019 and 9M2020, respectively. Our effective tax rates were lower than the statutory tax rates during the Period Under Review due mainly to exemption of certain income from taxation, receipt of various tax concessions and utilisation of deferred tax benefits not recognised previously, partially offset by certain non-tax allowable items.

The reconciliation of our income tax expense to accounting profit for the Period Under Review is as follows:

	Audited			Unaudited	Audited
	FY2017	FY2018	FY2019	9M2019	9M2020
Income tax expense	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Income tax calculated at statutory tax rate	2,073	3,753	9,314	6,933	6,226
Effects of difference tax rates of overseas subsidiaries	803	278	21	205	(463)
Effects of tax concession	(854)	(1,055)	(1,299)	(1,180)	-
Non-taxable items	(206)	(159)	(366)	(4)	(128)
Non-allowable items	-	377	1,252	552	485
Tax rebate	(349)	(32)	(50)	(29)	(47)
Deferred tax benefit arising in current year not recognised	-	-	362	33	1,022
Utilisation of deferred tax benefits previously not recognised	(151)	(529)	(529)	(529)	-
Over provision in prior reporting periods	-	(7)	(942)	(710)	(779)
Effect of group relief	(187)	(530)	(164)	-	-
Others	5	(32)	15	224	(214)
Total	1,134	2,064	7,614	5,495	6,102

INFLATION

During the Period Under Review, inflation did not have a material impact on our financial performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

REVIEW OF RESULTS OF OPERATIONS

FY2018 and FY2017

Revenue

Our revenue decreased by approximately S\$30.4 million or 8.0% from approximately S\$377.2 million in FY2017 to approximately S\$346.8 million in FY2018.

The decrease in our revenue was mainly due to a decrease in revenue from the LED lighting products segment by approximately S\$89.0 million, partially offset by an increase in revenue from the IoT Devices and Data-communication products segment by approximately S\$58.9 million. The changes in our revenue for the LED lighting products and IoT Devices and Data-communication products segments in FY2018 were due to our decision and strategy to discontinue the production and sale of certain products from the LED lighting products segment which generated higher revenue but commanded comparatively lower profit margins and shifted our focus to produce products such as smart lighting products and IoT Devices and Data-communication products which commanded higher profit margins. There was no significant change in the average selling price of our products in FY2018 as compared to FY2017.

Other income

Our other income decreased by approximately S\$0.7 million or 48.1% from approximately S\$1.4 million in FY2017 to approximately S\$0.7 million in FY2018, mainly due to a decrease in government grants and subsidies received in FY2018. In FY2017, our Group received additional grants and subsidies on R&D expenses incurred by our Group.

Changes in inventories of finished goods and work in progress, and raw materials used

Our changes in inventories of finished goods and work in progress, and raw materials used decreased by approximately S\$30.1 million or 10.3% from approximately S\$292.8 million in FY2017 to approximately S\$262.7 million in FY2018.

The decrease in changes in inventories of finished goods and work in progress, and raw materials used was in line with the decrease in overall revenue following the change in strategy of our Group to focus on the smart lighting products and the IoT Devices and Data-communication products segments, which commanded higher profit margins.

Employee benefits expense

Our employee benefits expense decreased by approximately S\$4.2 million or 9.4% from approximately S\$45.1 million in FY2017 to approximately S\$40.9 million in FY2018. The decrease in employee benefits expense was in line with the decrease in our revenue. The percentage of our employee benefits expense to our total revenue had remained relatively constant at approximately 12.0% and 11.8% in FY2017 and FY2018, respectively.

Amortisation and depreciation expense

Our amortisation and depreciation expense increased by approximately S\$0.7 million or 10.6% from approximately S\$6.2 million in FY2017 to approximately S\$6.9 million in FY2018, mainly due to the new factory equipment acquired by our Group towards the end of FY2017 for our manufacturing facility in the PRC.

Other operating expenses

Our other operating expenses decreased by approximately S\$4.7 million or 22.7% from approximately S\$20.8 million in FY2017 to approximately S\$16.1 million in FY2018. The decrease in other operating expenses was mainly due to a (i) decrease in distribution costs of approximately S\$1.2 million as

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

distribution costs for some of our products were borne by our customers; and (ii) decrease in other factory costs of approximately S\$4.1 million, partially offset by an increase in write-down for inventories obsolescence of approximately S\$0.9 million mainly due to the write down of outdated raw materials and finished goods relating to lighting products and home appliances.

The decrease in other factory costs of approximately S\$4.1 million in FY2018 was mainly due to a (i) decrease in VAT expenses on raw materials used in our production as the VAT rate was lowered from 17% to 16% and higher VAT claims on certain raw materials used for LED lighting products was permitted with effect from 1 September 2018; and (ii) decrease in non-refundable VAT charges on raw materials due to lower raw material costs in FY2018.

Loss allowance of trade receivables

Our loss allowance of trade receivables increased by approximately S\$0.7 million from approximately S\$1,000 in FY2017 to approximately S\$0.7 million in FY2018, mainly due to the change in accounting policy on impairment of trade receivables arising from the adoption of new accounting standard SFRS(I) 9 – Financial Instruments effective from annual periods beginning on 1 January 2018. In FY2017, our impairment of trade receivables was assessed based on the incurred loss impairment model and from FY2018 onwards, our impairment of trade receivables was assessed based on the expected credit loss model whereby our Group will assess the recoverability of trade receivables based on the change in the credit quality of trade receivables from the date credit was initially granted up to the end of the reporting period. Our Group does not have any intention to change the policy on impairment of trade receivables post-Listing unless it is required by the relevant accounting standards.

Investment revenue

Our investment revenue had remained relatively unchanged at approximately S\$70,000 in both FY2017 and FY2018.

Other gains and losses

Our other gains and losses increased by approximately S\$3.3 million, from other losses of approximately S\$0.2 million in FY2017 to other gains of approximately S\$3.1 million in FY2018. The increase in other gains and losses was mainly due to realised and unrealised foreign exchange gains in FY2018 as a result of the appreciation of USD against SGD.

Finance costs

Our finance costs increased by approximately S\$0.1 million or 8.7% from approximately S\$1.3 million in FY2017 to approximately S\$1.4 million in FY2018 mainly due to the increase in trade financing interest.

Profit before income tax

As a result of the above, our profit before income tax increased by approximately S\$9.9 million or 81.1% from approximately S\$12.2 million in FY2017 to approximately S\$22.1 million in FY2018.

Our profit before income tax margin doubled from approximately 3.2% in FY2017 to approximately 6.4% in FY2018. The improvement in our profit before income tax margin in FY2018 was mainly due to (i) our Group's strategy to discontinue the production and sales of certain LED lighting products with comparatively lower profit margins and focus more on production of smart lighting products and IoT Devices and Data-communication products which generate higher profit margins. Revenue from the IoT Devices and Data-communication products segment accounted for approximately 51.3% of our total revenue in FY2018, an increase from approximately 31.5% in FY2017, whilst revenue from the LED lighting products segment accounted for approximately 48.5% of our total revenue in FY2018, a decrease from approximately 68.2% in FY2017; and (ii) a decrease in other operating expenses mainly due to decrease in distribution costs and factory costs as discussed above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Income tax expense

Our income tax expense increased by approximately S\$1.0 million or 82.0% from approximately S\$1.1 million in FY2017 to approximately S\$2.1 million in FY2018, which was in line with the increase in our profit before income tax from approximately S\$12.2 million in FY2017 to approximately S\$22.1 million in FY2018.

Profit attributable to owners of the parent

As a result of the above, despite of the decrease in our overall revenue in FY2018, our net profit attributable to owners of the parent increased by approximately S\$8.9 million or 81.0% from approximately S\$11.0 million in FY2017 to approximately S\$20.0 million in FY2018.

FY2019 and FY2018

Revenue

Our revenue increased by approximately S\$82.0 million or 23.6% from approximately S\$346.8 million in FY2018 to approximately S\$428.8 million in FY2019.

The increase in our revenue was mainly due to a higher production volume of IoT Devices and Data-communication products as a result of increased demand from customers for IoT Devices and Data-communication products as our Group had shifted its focus to this segment since FY2018. The increase of approximately S\$114.7 million in revenue from the IoT Devices and Data-communication segment was partially offset by a decrease in revenue from the LED lighting products segment by approximately S\$32.1 million. There was no significant change in the average selling price of our products in FY2019 as compared to FY2018.

Other income

Our other income remained relatively stable at approximately S\$0.8 million in both FY2018 and FY2019.

Changes in inventories of finished goods and work in progress, and raw materials used

Our changes in inventories of finished goods and work in progress, and raw materials used increased by approximately S\$44.3 million or 16.9% from approximately S\$262.7 million in FY2018 to approximately S\$307.0 million in FY2019.

The percentage increase in changes in inventories of finished goods and work in progress, and raw materials used in FY2019 was approximately 16.9% and was lower than the percentage increase in revenue in FY2019 of approximately 23.6% as our Group continued with its strategy to focus on smart lighting products and IoT Devices and Data-communication products which commanded higher profit margins, and hence resulted in a comparatively lower increase compared to the increase in revenue.

Employee benefits expense

Our employee benefits expense increased by approximately S\$1.8 million or 4.6% from approximately S\$40.9 million in FY2018 to approximately S\$42.7 million in FY2019. The increase in our employee benefits expense was mainly due to the expansion in our production workforce, to support the increase in our revenue in FY2019.

The percentage of our employee benefits expense to our total revenue decreased from approximately 11.8% in FY2018 to approximately 10.0% in FY2019. The lower percentage in FY2019 was mainly due to (i) the change in our product mix to produce more IoT and Data communication products as compared to LED lighting products, which generally requires less manpower in its production process and (ii) increased efficiency through adoption of more automation in our production process.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Amortisation and depreciation expense

Our amortisation and depreciation expense increased by approximately S\$1.7 million or 25.2% from approximately S\$6.9 million in FY2018 to approximately S\$8.6 million in FY2019, mainly due to the adoption of SFRS(I) 16 – Leases with effect from 1 January 2019, whereby all leases are capitalised by recognising lease liabilities and right-of-use assets on the consolidated statement of financial position.

Other operating expenses

Our other operating expenses decreased by approximately S\$0.5 million or 3.2% from approximately S\$16.1 million in FY2018 to approximately S\$15.6 million in FY2019. The decrease in other operating expenses was mainly due to (i) a decrease in distribution costs of approximately S\$0.5 million as distribution costs for some of our products were borne by our customers, and (ii) absence of operating leases of approximately S\$1.5 million in FY2019 as compared to FY2018 as operating leases were capitalised as right-of-use assets and lease liabilities and the costs were now charged to the statements of comprehensive income as depreciation and finance costs. These decreases were partially offset by an (i) increase of approximately S\$0.3 million in write down for inventories obsolescence; (ii) increase of approximately S\$0.2 million in general and administrative expenses and (iii) increase of approximately S\$0.8 million in other factory costs due to higher sub-contract expenses in line with the increase in our revenue in FY2019.

Loss allowance of trade receivables

Our loss allowance of trade receivables decreased by approximately S\$0.2 million from approximately S\$0.7 million in FY2018 to approximately S\$0.5 million in FY2019, mainly due to improved expected collectability of our trade receivables as assessed based on the expected credit loss model.

Investment revenue

Our investment revenue had decreased slightly from approximately S\$70,000 in FY2018 to approximately S\$43,000 in FY2019.

Other gains and losses

Our other gains and losses decreased by approximately S\$2.7 million or 86.0%, from other gains of approximately S\$3.1 million in FY2018 to other gains of approximately S\$0.4 million in FY2019. The decrease in other gains and losses was mainly due to decrease in realised and unrealised foreign exchange gains.

Finance costs

Our finance costs decreased by approximately S\$0.5 million or 34.9% from approximately S\$1.4 million in FY2018 to approximately S\$0.9 million in FY2019. The decrease in finance costs in FY2019 was mainly due to the decrease in utilisation of bills payable and trade financing facilities in line with the cost controls strategy implemented by our Group.

Profit before income tax

As a result of the above, our profit before income tax increased by approximately S\$32.7 million or 148.2% from approximately S\$22.1 million in FY2018 to approximately S\$54.8 million in FY2019.

Our profit before income tax margin doubled from approximately 6.4% in FY2018 to approximately 12.8% in FY2019. The improvement in profit before income tax margin in FY2019 was mainly due to (i) our Group's continuous strategy to reduce the production and sales of certain LED lighting products with comparatively lower profit margin and focus more on production of smart lighting products and IoT Devices and Data-communication products which generate higher profit margin. Revenue from the IoT Devices and Data-communication products segment accounted for approximately 68.2% of our total revenue in FY2019, an increase from approximately 51.3% in FY2018, whilst revenue from the LED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

lighting products segment accounted for approximately 31.7% of our total revenue in FY2019, a decrease from approximately 48.5% in FY2018; and (ii) lower proportionate increase in employee benefits expenses due to increased efficiency through adoption of more automation in our production process.

Income tax expense

Our income tax expense increased by approximately S\$5.6 million or 268.9% from approximately S\$2.1 million in FY2018 to approximately S\$7.6 million in FY2019, which was in line with the increase in our profit before tax from approximately S\$22.1 million in FY2018 to approximately S\$54.8 million in FY2019.

Profit attributable to owners of the parent

As a result of the above, our net profit attributable to owners of parent increased by approximately S\$27.2 million or 135.7% from approximately S\$20.0 million in FY2018 to approximately S\$47.2 million in FY2019.

9M2020 and 9M2019

Revenue

Our revenue decreased by approximately S\$64.0 million or 19.6% from approximately S\$326.2 million in 9M2019 to approximately S\$262.2 million in 9M2020. The decrease in revenue was mainly due to the decrease in revenue for our LED lighting products segment as a result of (i) the mandatory temporary shutdown of our manufacturing facilities in the first quarter of FY2020 due to the COVID-19 pandemic and (ii) the strategy of our Group to focus on the production of smart lighting products and IoT Devices and Data-communications products.

Due to the travel restrictions imposed by the PRC government as a result of the COVID-19 pandemic, our Group's manufacturing facility in the PRC was closed from the end of January 2020 and only resumed production on 11 March 2020. In March and April 2020, our Group also encountered difficulties in getting our workers back to work as many were unable to return from their home town to work in Dongguan due to travel restrictions imposed by the PRC government then. As such, our Group had to make arrangements for additional manpower from provinces in PRC where travel was permitted, hence further delaying the re-starting of our Group's operations. In addition, due to the Movement Control Order imposed by the Malaysian government, the renovation of our manufacturing facility in Malaysia and the shipment of equipment were delayed, consequently delaying the start of production, which commenced only in the third quarter of FY2020.

Other income

Our other income remained relatively consistent at approximately S\$0.5 million in both 9M2019 and 9M2020.

Changes in inventories of finished goods and work in progress, and raw materials used

Our changes in inventories of finished goods and work in progress, and raw materials used decreased by approximately S\$51.9 million or 22.0% from approximately S\$235.3 million in 9M2019 to approximately S\$183.4 million in 9M2020.

The decrease in changes in inventories of finished goods and work in progress, and raw materials used was mainly due to the decrease in revenue from the LED lighting products segment.

Employee benefits expense

Our employee benefits expense decreased by approximately S\$8.2 million or 25.0% from approximately S\$32.6 million in 9M2019 to approximately S\$24.4 million in 9M2020. The decrease in employee benefits expense was mainly due to the mandatory temporary shutdown of our manufacturing facilities in the first quarter of FY2020 due to the COVID-19 pandemic and the receipt of

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

government grants from various government support programs which amounted to approximately S\$0.6 million. The percentage of our employee benefits expense to our total revenue had remained relatively consistent at approximately 10.0% and 9.3% in 9M2019 and 9M2020, respectively. Our Group does not anticipate any material impact on our financials if the various government support programs were to cease moving forward.

Amortisation and depreciation expense

Our amortisation and depreciation expense increased by approximately S\$0.1 million or 1.7% from approximately S\$6.3 million in 9M2019 to approximately S\$6.4 million in 9M2020, mainly due to the additional factory equipment acquired to meet the increase in production for both our manufacturing facilities in the PRC and Malaysia.

Other operating expenses

Our other operating expenses decreased by approximately S\$1.9 million or 14.8% from approximately S\$12.4 million in 9M2019 to approximately S\$10.5 million in 9M2020. The decrease in other operating expenses was mainly due to a decrease in (i) write-down for inventory obsolescence of approximately S\$2.3 million; (ii) utilities cost of approximately S\$0.3 million; and (iii) general and administrative expense of approximately S\$0.6 million as a result of reversal of provision for warranty and marketing expenses, partially offset by an increase in (i) other factory costs of approximately S\$1.1 million as a result of increased tooling and indirect material expenses; (ii) plant and equipment write off of approximately S\$0.2 million and (iii) distribution costs of approximately S\$0.1 million.

Loss allowance of trade receivables

Our loss allowance of trade receivables decreased by approximately S\$0.4 million or 89.4% from approximately S\$0.5 million in 9M2019 to approximately S\$0.1 million in 9M2020 as the carried forward provisions for bad debts was sufficient to cover the estimated loss from trade receivables as at 30 September 2020.

Investment revenue

Our investment revenue had increased from approximately S\$36,000 in 9M2019 to approximately S\$0.6 million in 9M2020 mainly due to an increase in interest income as a result of a larger amount of cash placed as fixed deposits during 9M2020.

Other gains and losses

Our other gains and losses decreased by approximately S\$2.7 million from other gains of approximately S\$1.8 million in 9M2019 to other losses of approximately S\$0.9 million in 9M2020, mainly due to net unrealised foreign exchange losses in 9M2020 as a result of the appreciation of RMB against SGD in 9M2020.

Finance costs

Our finance costs increased by approximately S\$0.2 million or 26.4% from approximately S\$0.7 million in 9M2019 to approximately S\$0.9 million in 9M2020, mainly due to the increase in utilisation of trade financing facilities and draw down of bank loans during 9M2020 in view of the COVID-19 pandemic.

Profit before income tax

As a result of the above, our profit before income tax decreased by approximately S\$4.1 million or 10.2% from approximately S\$40.8 million in 9M2019 to approximately S\$36.6 million in 9M2020.

Nevertheless, our profit before income tax margin increased by approximately 1.5% from approximately 12.5% in 9M2019 to approximately 14.0% in 9M2020. The improvement in profit before income tax margin in 9M2020 was mainly due to (i) our Group's continuous strategy to reduce the production and sales of certain LED lighting products with comparatively lower profit margin and focus

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

more on production of smart lighting products and IoT Devices and Data-communication products which generate higher profit margin. Revenue from the IoT Devices and Data-communication products segment accounted for approximately 82.6% of our total revenue in 9M2020, increasing from approximately 66.0% in 9M2019, whilst revenue from the LED lighting products decreased to approximately 17.2% of our total revenue in 9M2020, decreasing from approximately 33.9% in 9M2019; and (ii) decrease in employee benefits expense due to the mandatory temporary shutdown of our manufacturing facilities in the first quarter of FY2020 due to the COVID-19 pandemic.

Income tax expense

Notwithstanding the lower profit before income tax, our income tax expense increased by approximately S\$0.6 million or 11.0% from approximately S\$5.5 million in 9M2019 to approximately S\$6.1 million in 9M2020, mainly due to (i) absence of tax concessions of approximately S\$1.2 million; and (ii) absence of utilisation of deferred tax benefits previously not recognised of approximately S\$0.5 million; offset by an increase in deferred tax benefit arising in current year not recognised of approximately S\$1.0 million.

Profit attributable to owners of the parent

As a result of the above, our net profit attributable to owners of the parent decreased by approximately S\$4.8 million or 13.5% from approximately S\$35.3 million in 9M2019 to approximately S\$30.5 million in 9M2020.

REVIEW OF FINANCIAL POSITION

A review of the financial position of our Group as at 31 December 2019 is set out below:

Current assets

Our current assets comprised mainly (i) cash and cash equivalents; (ii) trade receivables; (iii) other receivables; (iv) prepayments and (v) inventories. Our current assets amounted to approximately S\$135.9 million, representing approximately 84.6% of our total assets as at 31 December 2019.

Cash and cash equivalents accounted for approximately S\$14.3 million or 10.5% of our total current assets as at 31 December 2019.

Trade receivables accounted for approximately S\$96.7 million or 71.2% of our total current assets as at 31 December 2019.

Other receivables accounted for approximately S\$5.4 million or 4.0% of our total current assets as at 31 December 2019. The material changes in other receivables during the Period Under Review was mainly due to the excess funds transferred to AGRP in the form of advances as it performed the treasury function for our Group. Such amount was completely repaid following the completion of the Capital Reduction Exercise in December 2019. Please refer to the section entitled "Capital Reduction" of this Prospectus for further details.

Prepayments accounted for approximately S\$0.4 million or 0.3% of our total current assets as at 31 December 2019.

Inventories comprised raw materials, work-in-progress and finished goods, and accounted for approximately S\$19.1 million or 14.0% of our total current assets as at 31 December 2019. Our inventories had decreased from approximately S\$44.9 million as at 31 December 2018 due to the strategy of our Group to manage our inventories more efficiently.

Non-current assets

Our non-current assets comprised (i) property, plant and equipment and (ii) intangible assets. Our non-current assets amounted to approximately S\$24.8 million, representing approximately 15.4% of our total assets as at 31 December 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Property, plant and equipment, which comprised factory buildings, factory equipment, computer and office equipment, office and factory furniture and fittings, motor vehicles, software applications, research and development equipment and tools and right-of-use assets, amounted to approximately S\$22.2 million or 89.4% of our total non-current assets as at 31 December 2019.

Intangible assets, which comprised capitalised research and development cost, amounted to approximately S\$2.6 million or 10.6% of our total non-current assets as at 31 December 2019. Save for the annual amortisation charges on the capitalised research and development expenses according to our accounting policy, we do not have any material write-off or impairment for intangible assets in FY2020.

Current liabilities

Our current liabilities comprised (i) borrowings; (ii) lease liabilities; (iii) trade payables, (iv) other payables; (v) provision for retirement benefit and (vi) current income tax payable. Our current liabilities amounted to approximately S\$135.3 million, representing approximately 98.0% of our total liabilities as at 31 December 2019.

Borrowings, which comprised trade finance facilities and term loans, amounted to approximately S\$10.4 million or 7.7% of our total current liabilities as at 31 December 2019.

Lease liabilities relating to leasehold properties, factory equipment and motor vehicles, amounted to approximately S\$3.0 million or 2.2% of our total current liabilities as at 31 December 2019.

Trade payables amounted to approximately S\$87.2 million or 64.5% of our total current liabilities as at 31 December 2019.

Other payables, which comprised GST payables, accrued expenses and other payables to third parties, amounted to approximately S\$25.7 million or 19.0% of our total current liabilities as at 31 December 2019.

Provision for retirement benefit amounted to approximately S\$0.6 million or 0.4% of our total current liabilities as at 31 December 2019.

Current income tax payable amounted to approximately S\$8.4 million or 6.2% of our total current liabilities as at 31 December 2019.

Non-current liabilities

Our non-current liabilities comprised (i) lease liabilities; (ii) provision for retirement benefit and (iii) deferred tax liabilities. Our non-current liabilities amounted to approximately S\$2.8 million, representing approximately 2.0% of our total liabilities as at 31 December 2019.

Lease liabilities relating to leasehold properties, factory equipment and motor vehicles, amounted to approximately S\$2.2 million or 80.9% of our total non-current liabilities as at 31 December 2019.

Provision for retirement benefit amounted to approximately S\$0.3 million or 9.3% of our total non-current liabilities as at 31 December 2019.

Deferred tax liabilities amounted to approximately S\$0.3 million or 9.8% of our total non-current liabilities as at 31 December 2019.

Total Equity

Our total equity, comprising share capital, capital reserve, statutory reserve, foreign currency translation reserve and retained profits, amounted to approximately S\$22.7 million as at 31 December 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As at 30 September 2020

Current assets

Our current assets comprised (i) cash and cash equivalents; (ii) trade receivables; (iii) other receivables; (iv) prepayments and (v) inventories. Our current assets amounted to approximately S\$202.4 million, representing approximately 89.5% of our total assets as at 30 September 2020.

Cash and cash equivalents accounted for approximately S\$21.9 million or 10.8% of our total current asset as at 30 September 2020.

Trade receivables accounted for approximately S\$109.2 million or 54.0% of our total current assets as at 30 September 2020.

Other receivables accounted for approximately S\$4.4 million or 2.1% of our total current assets as at 30 September 2020.

Prepayments accounted for approximately S\$2.8 million or 1.4% of our total current assets as at 30 September 2020.

Inventories comprised raw materials, working in progress material and finished goods and accounted for approximately S\$64.1 million or 31.7% of our total current assets as at 30 September 2020. Our inventories had increased by approximately S\$45.0 million from approximately S\$19.1 million as at 31 December 2019 due mainly to an increase in purchase of raw materials and components in 9M2020 in anticipation of higher production volume in the fourth quarter of FY2020 and shortages of raw materials in the market due to the COVID-19 pandemic.

Non-current assets

Our non-current assets comprised (i) plant and equipment and (ii) intangible assets. Our non-current assets amounted to approximately S\$23.9 million, representing approximately 10.5% of our total assets as at 30 September 2020.

Property, plant and equipment, which comprised factory buildings, factory equipment, computer and office equipment, office and factory furniture and fittings, motor vehicles, software applications and research and development equipment and tools, accounted for approximately S\$22.5 million or 94.2% of our total non-current assets as at 30 September 2020.

Intangible assets, which comprised capitalised research and development cost, accounted for approximately S\$1.4 million or 5.8% of our total non-current assets as at 30 September 2020.

Current liabilities

Our current liabilities comprised (i) borrowings; (ii) lease liabilities; (iii) trade payables; (iv) other payables; (v) provision for retirement benefit and (vi) current income tax payable. Our current liabilities amounted to approximately S\$196.8 million, representing approximately 97.2% of our total liabilities as at 30 September 2020.

Borrowings, which comprised trade finance facilities and term loans, accounted for approximately S\$19.2 million or 9.8% of our total current liabilities as at 30 September 2020.

Lease liabilities relating to leasehold properties, factory equipment and motor vehicles, amounted to approximately S\$2.1 million or 1.1% of our total current liabilities as at 30 September 2020. Lease liabilities decreased by approximately S\$0.9 million mainly due to repayment and rent concessions from lessors in the form of rent forgiveness. The rent concessions are one-time concessions and will not be given for FY2021, save that we will continue to enjoy rent concessions for the first quarter of FY2021 in respect of our leased properties in Hong Kong. Our Group does not anticipate any material impact on our financials notwithstanding that the rent concessions are no longer available moving forward.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Trade payables amounted to approximately S\$123.8 million or 62.9% of our total current liabilities as at 30 September 2020.

Other payables, which comprised GST payables, accrued expenses and other payables to third parties, amounted to approximately S\$39.6 million or 20.1% of our total current liabilities as at 30 September 2020.

Provision for retirement benefit amounted to approximately S\$0.6 million or 0.3% of our total current liabilities as at 30 September 2020.

Current income tax payable amounted to approximately S\$11.5 million or 5.8% of our total current liabilities as at 30 September 2020.

Non-current liabilities

Our non-current liabilities comprised (i) borrowings; (ii) lease liabilities; (iii) provision for retirement benefits and (iv) deferred tax liabilities. Our non-current liabilities amounted to approximately S\$5.6 million, representing approximately 2.8% of our total liabilities as at 30 September 2020.

Borrowings, which comprised term loans, accounted for approximately S\$4.0 million or 71.3% of our total non-current liabilities as at 30 September 2020.

Lease liabilities relating to leasehold properties, factory equipment and motor vehicles, accounted for approximately S\$1.0 million or 18.4% of our total non-current liabilities as at 30 September 2020.

Provision for retirement benefit accounted for approximately S\$0.3 million or 4.5% of our total non-current liabilities as at 30 September 2020.

Deferred tax liabilities accounted for approximately S\$0.3 million or 5.8% of our total non-current liabilities as at 30 September 2020.

Total Equity

Our total equity, comprising share capital, capital reserve, statutory reserve, foreign currency translation reserve and retained profits, amounted to approximately S\$23.9 million as at 30 September 2020.

LIQUIDITY AND CAPITAL RESOURCES

During the Period Under Review, our Group had financed its working capital, capital expenditures and other capital requirements through a combination of funds generated from our operating activities, shareholders' equity and bank borrowings.

With regard to our liquidity and capital resources, we would like to highlight the following:

- (i) during FY2019 and 9M2020, our Group generated net cash from operating activities of approximately S\$41.7 million and S\$32.5 million respectively;
- (ii) as at 30 September 2020, our Group had cash and cash equivalents of approximately S\$21.9 million and indebtedness of approximately S\$26.3 million, comprising borrowings of approximately S\$23.2 million and lease liabilities of approximately S\$3.1 million and as at the Latest Practicable Date, our Group had cash and cash equivalents of approximately S\$28.2 million and indebtedness of approximately S\$35.1 million, comprising bank borrowings of approximately S\$30.8 million and lease liabilities of approximately S\$4.3 million;
- (iii) as at the Latest Practicable Date, our Group had unutilised banking facilities amounting to approximately S\$73.9 million; and
- (iv) as at the date of lodgement of this Prospectus, our Group did not have any material contingent liabilities, including any pursuant to the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please refer to the sections entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations – Capital Expenditure, Divestments, Commitments and Contingent Liabilities” and “Capitalisation and Indebtedness” of this Prospectus for further details.

Our Directors are of the reasonable opinion that, after taking into consideration the above, the payment of the Second Interim FY2020 Dividend, and having made due and careful enquiries and after taking into account the expected cash flows generated from our Group’s operations, our Group’s banking facilities and our Group’s existing cash in banks and on hand, the working capital available to our Group as at the date of lodgement of this Prospectus is sufficient to meet our present requirements and for at least 12 months after the Listing of our Group on the Main Board of the SGX-ST.

A summary of our cash flows for FY2017, FY2018, FY2019, 9M2019 and 9M2020 is set out as follows.

	Audited			Unaudited	Audited
	FY2017	FY2018	FY2019	9M2019	9M2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Net cash (used in) / from operating activities	(12,804)	39,572	41,659	26,591	32,529
Net cash used in investing activities	(10,492)	(3,738)	(7,756)	(2,739)	(4,397)
Net cash from / (used in) financing activities	32,996	(40,088)	(31,121)	(21,009)	(20,669)
Net change in cash and cash equivalents	9,700	(4,254)	2,782	2,843	7,463
Effect of exchange rate changes on the balance of cash held in foreign currencies	468	190	243	223	192
Cash and cash equivalents at the beginning of the financial year / period	5,152	15,320	11,256	11,256	14,281
Cash and cash equivalents at the end of the financial year / period	15,320	11,256	14,281	14,322	21,936

Net cash (used in) / from operating activities

FY2017

In FY2017, we recorded net cash used in operating activities of approximately S\$12.8 million. This was a result of operating cash flow before movements in working capital of approximately S\$21.0 million, adjusted for working capital outflows of approximately S\$31.8 million, income tax paid of approximately S\$0.7 million and interest paid of approximately S\$1.3 million.

The net working capital outflows were due to (i) an increase in trade receivables of approximately S\$43.6 million; (ii) an increase in other receivables and prepayments of approximately S\$5.3 million mainly due to advances to our immediate holding company, AGRP, during the financial year. All such amounts due from AGRP had been fully settled by way of the Capital Reduction Exercise which was effected on 28 August 2019. Please refer to the sections entitled “Capital Reduction” and “Interested Person Transaction – Past Interested Person Transactions” of this Prospectus for further details; (iii) an increase in inventories of approximately S\$18.8 million and (iv) a decrease in other payables of approximately S\$2.5 million, offset by an increase in trade payables of approximately S\$38.4 million. The increase in trade receivables, increase in inventories and increase in trade payables were mainly due to the higher revenue in FY2017 as compared to FY2016.

FY2018

In FY2018, we generated net cash from operating activities of approximately S\$39.6 million. This was a result of operating cash flow before movements in working capital of approximately S\$32.5 million and working capital inflows of approximately S\$8.7 million, partially offset by income tax paid of approximately S\$0.2 million and interest paid of approximately S\$1.4 million.

The net working capital inflows were due to (i) a decrease in trade receivables of approximately S\$26.1 million due to lower revenue in FY2018; (ii) a decrease in inventories of approximately S\$3.9 million as a result of more efficient inventories’ controls which decreased our inventory level in FY2018 as compared to FY2017 and (iii) an increase in other payables of approximately S\$17.2 million

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

mainly due to higher accrued expenses relating to inventories received from vendors for which suppliers' invoices have not been received due to timing differences, offset by (i) an increase in other receivables and prepayments of approximately S\$32.4 million mainly due to advances to our immediate holding company, AGRP, during the financial year. All such amounts due from AGRP had been fully settled by way of the Capital Reduction Exercise which was effected on 28 August 2019. Please refer to the sections entitled "Capital Reduction" and "Interested Person Transaction – Past Interested Person Transactions" of this Prospectus for further details, and (ii) a decrease in trade payables of approximately S\$6.1 million.

FY2019

In FY2019, we generated net cash from operating activities of approximately S\$41.7 million. This was a result of operating cash flow before movements in working capital of approximately S\$70.5 million and working capital outflows of approximately S\$26.6 million, income tax paid of approximately S\$1.3 million and interest paid of approximately S\$0.9 million.

The net working capital outflows were due to (i) an increase in trade receivables of approximately S\$26.3 million due to higher revenue in FY2019 as compared to FY2018; (ii) an increase in other receivables and prepayments of approximately S\$11.1 million mainly due to advances to our immediate holding company, AGRP, during the financial year. All such amounts due from AGRP had been fully settled by way of the Capital Reduction Exercise which was effected on 28 August 2019. Please refer to the sections entitled "Capital Reduction" and "Interested Person Transaction – Past Interested Person Transactions" of this Prospectus for further details; (iii) a decrease in trade payables of approximately S\$11.2 million, and (iv) a decrease in other payables of approximately S\$1.7 million; offset by a decrease in inventories of approximately S\$23.7 million mainly due to the strategy of our Group to manage its inventories more efficiently.

9M2020

In 9M2020, we recorded net cash used in operating activities of approximately S\$32.5 million. This was a result of operating cash flow before movements in working capital of approximately S\$44.8 million, adjusted for working capital outflows of approximately S\$8.4 million, interest paid of approximately S\$0.9 million and income tax paid of approximately S\$2.9 million.

The net working capital outflows were due to (i) an increase in trade receivable of approximately S\$12.6 million in line with the increase in revenue; (ii) an increase in prepayments of approximately S\$2.3 million in relation to deposits paid for purchase of equipment and (iii) an increase in inventories of approximately S\$45.1 million mainly to cater for higher production demand in the last quarter of FY2020, and in anticipation of shortages of raw materials in the market due to the COVID-19 pandemic, offset by (i) an increase in trade payables of approximately S\$36.6 million in line with the increase in purchase of inventories; (ii) an increase in other payables of approximately S\$13.9 million in relation to accrued expenses for purchases of raw materials, tooling and equipment which are pending receipt of invoices from suppliers, and (iii) a decrease in other receivables of approximately S\$1.1 million due to a decrease in value-added tax receivables.

Net cash used in investing activities

FY2017

In FY2017, our net cash used in investing activities amounted to approximately S\$10.5 million due mainly to (i) purchase of plant and equipment of approximately S\$7.1 million as part of the strategy of our Group to increase automation and productivity at our manufacturing facility in the PRC; (ii) addition of intangible assets of approximately S\$2.3 million related to research and development cost on new products and (iii) settlement of derivative financial instruments of approximately S\$1.3 million.

FY2018

In FY2018, our net cash used in investing activities amounted to approximately S\$3.7 million mainly due to (i) purchase of new plant and equipment of approximately S\$1.4 million to replace the older

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION
AND RESULTS OF OPERATIONS**

equipment at our manufacturing facility in the PRC and (ii) addition of intangible assets of approximately S\$2.4 million related to research and development cost on new products.

FY2019

In FY2019, our net cash used in investing activities amounted to approximately S\$7.8 million due mainly to (i) addition in plant and equipment of approximately S\$6.5 million to set up the new production lines at our IoT Premises and (ii) addition of intangible assets of approximately S\$1.4 million in relation to the R&D costs on a new project.

9M2020

In 9M2020, our net cash used in investing activities amounted to approximately S\$4.4 million mainly due to (i) acquisition of property, plant and equipment of approximately S\$4.7 million to set up the new production lines at our IoT Premises and (ii) addition of intangible assets of approximately S\$0.3 million, partially offset by interest received of approximately S\$0.6 million.

Net cash from / (used in) financing activities

FY2017

In FY2017, our net cash from financing activities amounted to approximately S\$33.0 million, due mainly net proceed from bank borrowings of approximately S\$34.0 million, partially offset by repayment of obligations under leases of approximately S\$1.0 million.

FY2018

In FY2018, our net cash used in financing activities amounted to approximately S\$40.1 million, due mainly to (i) net repayment of bank borrowings amounted to approximately S\$38.8 million and (ii) repayment of obligations under leases of approximately S\$1.3 million.

FY2019

In FY2019, our net cash used in financing activities amounted to approximately S\$31.1 million, due mainly to (i) net repayment of bank borrowings amounted to approximately S\$1.7 million; (ii) repayment of obligations under leases of approximately S\$3.1 million, and (iii) dividends paid of approximately S\$26.3 million.

9M2020

In 9M2020, our net cash used in financing activities amounted to approximately S\$20.7 million, mainly due to (i) repayment of obligations under leases of approximately S\$2.3 million and (ii) dividends paid of approximately S\$30.9 million, partially offset by a net increase in bank borrowings of approximately S\$12.5 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION
AND RESULTS OF OPERATIONS**

CAPITAL EXPENDITURE, DIVESTMENTS, COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditure and Divestments

Our major capital expenditure and divestments in FY2017, FY2018, FY2019, 9M2020 and for the period from 1 October 2020 up to the Latest Practicable Date are set out below:

Expenditures	FY2017	FY2018	FY2019	9M2020	From 1 October 2020 to the Latest Practicable Date
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Computer and office equipment	41	4	28	44	2
Factory equipment	11,385	860	5,300	1,436	5,544
Factory furniture and fittings	709	455	277	646	2,547
Office furniture and fittings	2	-	26	27	12
Software applications	-	28	61	199	187
Right-of- use assets	-	-	2,627	455	494
Motor vehicles	-	46	406	34	-
Construction in progress	-	-	-	2,346	-
Total	12,137	1,393	8,725	5,187	8,786

Divestments	FY2017	FY2018	FY2019	9M2020	From 1 October 2020 to the Latest Practicable Date
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Computer and office equipment	5	-	10	-	-
Leasehold properties	-	-	-	-	-
Factory equipment	-	-	14	-	-
Office furniture and fittings	2	-	-	-	-
Software applications	1	-	6	-	-
Right-of- use assets	-	-	13	-	148
Motor vehicles	-	-	47	-	-
Total	8	-	90	-	148

The above capital expenditures were made mainly for (i) the production of IoT Devices and Data-communications products (in respect of factory equipment and factory furniture and fittings in FY2017); (ii) the establishment of our subsidiary and manufacturing facility in Malaysia (in respect of factory equipment, factory furniture and fittings and construction in progress in FY2019, 9M2020 and from 1 October 2020 to the latest practicable date) and (iii) addition and replacement of factory equipment to increase production capacity.

Lease commitments

Our lease commitments at 31 December 2017, 31 December 2018, 31 December 2019, 30 September 2020 and as at the Latest Practicable Date are as follows:

	As at 31 December			As at 30 September 2020	As at the Latest Practicable Date
	2017	2018	2019		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Within one (1) year	1,778	1,986	2,963	2,075	2,083
In the second (2 nd) to fifth (5 th) years inclusive	2,953	1,333	2,220	1,031	2,231
Total	4,731	3,319	5,183	3,106	4,314

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our lease commitments represent rentals payable for certain of our office, factory properties and acquisition of certain property, plant and equipment under lease. Leases for office and factory properties are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years. With effect from 1 January 2019, our Group adopted SFRS(I) 16 – *Leases* and all rentals were capitalised as right-of-use assets and corresponding lease liabilities. Please refer to the section entitled “General Information on our Group – Properties and Fixed Assets” of this Prospectus for further details.

Capital commitments

As at the Latest Practicable Date, we have capital commitments of approximately S\$1.5 million in relation to renovation and factory equipment. We intend to finance such commitments through internal resources. As at the Latest Practicable Date, the COVID-19 pandemic did not have a material adverse impact on our Group's material commitments for capital expenditure and on our Group's anticipated sources of funds for such capital commitments.

Contingent Liabilities

As at the Latest Practicable Date, we do not have any material contingent liabilities, including any pursuant to the COVID-19 pandemic.

FOREIGN EXCHANGE EXPOSURE

The accounting records of our Group are maintained in S\$ and our operations are carried out in Singapore. The proportions of our revenue and purchases denominated in S\$ and foreign currencies for each of FY2017, FY2018, FY2019, 9M2019 and 9M2020 are as follows:

<u>Percentage of revenue denominated in</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2019</u>	<u>9M2020</u>
	(%)	(%)	(%)	(%)	(%)
S\$	1.6	1.0	1.0	0.9	0.9
RMB	54.1	38.1	19.4	22.2	8.2
HK\$	0.5	0.4	0.2	0.2	0.3
US\$	43.8	60.5	79.4	76.7	90.6
Total	100.0	100.0	100.0	100.0	100.0

<u>Percentage of purchases denominated in</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2019</u>	<u>9M2020</u>
	(%)	(%)	(%)	(%)	(%)
S\$	0.7	0.6	0.6	0.6	0.6
RMB	51.6	44.0	38.4	38.6	38.5
HK\$	9.2	5.1	4.0	4.0	2.5
US\$	38.5	50.3	57.0	56.8	58.4
Total	100.0	100.0	100.0	100.0	100.0

<u>Percentage of expenses denominated in</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2019</u>	<u>9M2020</u>
	(%)	(%)	(%)	(%)	(%)
S\$	7.6	10.7	14.3	13.6	14.6
RMB	79.1	77.4	76.2	78.6	76.9
HK\$	13.3	11.9	8.6	7.5	6.3
RM	-	-	0.9	0.3	2.2
Total	100.0	100.0	100.0	100.0	100.0

To the extent that our revenue, purchases and expense are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, we will be exposed to adverse fluctuations of the various currencies against the S\$, which could adversely affect our earnings.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION
AND RESULTS OF OPERATIONS**

Our net foreign exchange (losses) / gains for each of FY2017, FY2018, FY2019, 9M2019 and 9M2020 are as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2019</u>	<u>9M2020</u>
Net foreign exchange (losses) / gains (S\$'000)	(645)	3,101	358	1,561	(928)
As a percentage of profit before income tax (%)	(5.3)	14.0	0.7	3.8	(2.5)

At present, we do not have a formal policy for hedging against foreign exchange exposure. We will continue to monitor our foreign exchange exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise.

Should we enter into any hedging transaction in the future, such transaction shall be subject to the review of our Board. In addition, should we establish any formal hedging policy in the future, such policy shall be subject to the review and approval by our Board prior to implementation. Our Audit Committee will review periodically the hedging policies, all types of instruments used for hedging as well as the foreign exchange policies and practices of our Group.

TRANSITION FROM FINANCIAL REPORTING STANDARDS IN SINGAPORE ("FRSs") TO SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) ("SFRS(I)")

These financial statements are our Group's first financial statements prepared in accordance with SFRS(I). Our Group has previously prepared its financial statements in accordance with FRSs. As required by SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, our Group has consistently applied the same accounting policies in its opening statement of financial position as at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

During the financial years ended 31 December 2017, 2018 and 2019, our Group adopted the new and revised SFRS(I)s that are relevant to its operations and effective for each financial year respectively. Changes to our Group's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective SFRS(I). The adoption of the new or revised SFRS(I) including related SFRS(I) Interpretations ("**SFRS(I) INT**") did not result in any substantial changes to our Group's accounting policies and has no material effect on the amounts reported for the respective financial years, except as detailed below.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 is effective from annual periods beginning on or after 1 January 2018. Our Group has applied SFRS(I) 9 retrospectively, with the initial application date of 1 January 2018 and elected not to restate the comparative information for the financial year beginning 1 January 2017. There is no material impact arising from the adoption of SFRS(I) 9 on the consolidated financial statements.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In addition, it also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

Our Group adopted SFRS(I) 15 using the full retrospective method. There is no impact arising from the adoption of SFRS(I) 15 on the consolidated financial statements.

SFRS(I) 16 Leases

SFRS(I) 16 is effective from annual periods beginning on or after 1 January 2019. SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Lease. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

Our Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings, if any, as at 1 January 2019 (the "date of initial application"). Our Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, our Group has taken advantage of the following practical expedients:

- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;
- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

As a lessee, our Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, our Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 months or less, our Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, our Group recognised right-of-use assets and lease liabilities in relation to leasehold properties, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019.

As at 1 January 2019, our Group recognised right-of-use assets and lease liabilities amounting to S\$2,886,000. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued payments. Our Group chooses not to present the right-of-use assets separately on the face of consolidated statements of financial position and included these right-of-use assets within property, plant and equipment.

For leases that were classified as finance leases, applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 December 2018.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

SFRS(I) INT 23 provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- Our Group to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution;

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

- Our Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, to measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

Our Group applied this interpretation retrospectively with the cumulative effect of initially applying this interpretation as an adjustment to the opening retained earnings as at 1 January 2019. There is no material impact to the previously recognised income taxes and deferred taxes.

SFRS(I) and SFRS(I) INT issued but not yet effective

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning on 1 January 2020 and thereafter, and have not been early adopted:

- SFRS(I) 17 *Insurance Contracts*
- Amendments to SFRS(I) 16: *Covid-19-Related Rent Concessions*
- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current – Deferral of Effective Date*
- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Various (Amendments) Annual Improvements to SFRS(I) Standards

Mandatory effective date deferred

- Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Our Group anticipates that the adoption of the above new SFRS(I), amendments to and interpretations of SFRS(I) will not have a material impact on the financial statements of our Group in the period of their initial adoption.

CAPITALISATION AND INDEBTEDNESS

CAPITALISATION AND INDEBTEDNESS

The following information should be read in connection with the audited consolidated financial statements for FY2017, FY2018, FY2019 and 9M2020, the accompanying notes and the related audited reports as set out in “Appendix A – Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2017, 2018 and 2019” and “Appendix B – Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Period from 1 January 2020 to 30 September 2020”, our unaudited pro forma financial information for FY2019 and 9M2020, the accompanying notes and the related auditors’ report as set out in “Appendix C – Independent Auditors’ Assurance Report and on the Compilation of Unaudited Pro Forma Consolidated Financial Information for Financial Year Ended 31 December 2019 and Financial Period from 1 January 2020 to 30 September 2020” to this Prospectus and the sections entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations” and “Use of Proceeds and Expenses of the Invitation” of this Prospectus.

The following table shows our cash and cash equivalents as well as our capitalisation and indebtedness as at 31 January 2021:

- (i) on an actual basis based on the unaudited management accounts of our Group as at 31 January 2021; and
- (ii) as adjusted for the net proceeds from the issuance of the New Cornerstone Shares.

	As at 31 January 2021	
	Actual basis based on unaudited management accounts	As adjusted for the net proceeds from the issuance of the New Cornerstone Shares
	(S\$'000)	(S\$'000)
Cash and cash equivalents	21,542	211,765
Current Indebtedness		
- Unsecured and guaranteed bank borrowings	32,169	32,169
- Unsecured and non-guaranteed lease liabilities	1,875	1,875
- Secured and non-guaranteed lease liabilities	208	208
Non-Current Indebtedness		
- Unsecured and guaranteed bank borrowings	3,738	3,738
- Unsecured and non-guaranteed lease liabilities	1,978	1,978
- Secured and non-guaranteed lease liabilities	309	309
Total indebtedness	40,277	40,277
Shareholders’ equity		
- Share capital	15,468	207,036
- Capital reserves	(4,670)	(4,670)
- Statutory reserves	1,254	1,254
- Foreign currency translation reserve	(2,028)	(2,028)
- Retained profits	37,721	36,376
Total shareholders’ equity	47,745	237,968
Total capitalisation and indebtedness	88,022	278,245

Cash and cash equivalents

Our cash and cash equivalents are denominated in SGD. As at 31 January 2021, our cash and cash equivalents amounted to approximately S\$21.5 million, comprising cash at banks available on demand and short term deposits.

CAPITALISATION AND INDEBTEDNESS

Indebtedness

As at 31 January 2021, we have total indebtedness of approximately S\$40.3 million, comprising bank borrowings of S\$35.9 million and lease liabilities of S\$4.4 million.

As at 31 January 2021, our total bank borrowings comprised short-term and long term trade finance facilities and bank borrowings of approximately S\$32.2 million and S\$3.7 million respectively, details of which are as follows:

Financial institution / lender	Type and purpose of facilities	Amount of facilities granted (S\$'000)	Amount utilised (S\$'000)	Amount unutilised (S\$'000)	Interest rates ⁽¹⁾	Maturity profile
United Overseas Bank Limited	Bills of exchange purchased facility (working capital)	38,451	3,315	18,660	1.98%	8 March 2021
			1,326		1.97%	10 March 2021
			1,326		1.99%	23 March 2021
			7,292		1.99%	29 March 2021
			1,000		1.67%	27 April 2021
			5,532		3.96%	28 April 2021
United Overseas Bank Limited	Letter of credit facility	3,000	42	2,958	-	25 May 2021
United Overseas Bank Limited	Uncommitted trade finance, issuance of standby letter of credit, overdraft and uncommitted revolving term loan (working capital)	45,080	1,193	40,482	1.90%	9 February 2021
			779		2.02%	11 February 2021
			488		2.03%	22 February 2021
			1,137		1.98%	24 February 2021
			1,001		1.96%	26 March 2021
CTBC Bank Co., Ltd	Export/Import open account, Letter of credit, trade receipt, export financing (working capital)	6,629	1,206	3,898	1.71%	22 February 2021
			1,027		1.73%	2 March 2021
			498		1.73%	4 March 2021
CTBC Bank Co., Ltd	Treasury facilities	663	-	663	-	-
DBS Bank Ltd.	Bridging loan (working capital)	4,689	4,689	-	3.00%	21 September 2025
Industrial and Commercial Bank of China Limited	Revolving loan (working capital)	3,074	1,024	2,050	5.46%	21 April 2021
China Construction Bank Corporation	Revolving loan (working capital)	3,074	2,049	-	3.80%	1 July 2021
			1,025		3.85%	29 October 2021
Total		104,660	35,949	68,711		

Note:

(1) The interest rates are fixed rates.

As at 31 January 2021, our leases comprise lease of equipment, office and warehouse.

Since 31 January 2021 to the Latest Practicable Date, there were no material changes in our capitalisation and indebtedness as disclosed above, save for changes in our retained earnings arising from our day-to-day operations in the ordinary course of business.

CAPITALISATION AND INDEBTEDNESS

The facilities granted to our Group contain various covenants whereby the lender may declare the indebtedness immediately due and payable upon certain specified events, including, amongst others, where there is a change of legal or beneficial ownership of the borrower or any Group company without the prior written consent of the lender or if the management of the borrower or any Group company is wholly or substantially displaced.

To the best of our Directors' knowledge and belief, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our Shareholders.

Pursuant to Rule 728 of the Listing Manual, AGRP, AVS Investments and Mr. Michael Mun, being our Controlling Shareholders, have provided undertakings to our Company that they will notify our Company as soon as they become aware of any share pledging arrangements relating to AGRP's Shares and of any event which will be an event of default, an enforcement event or an event that would cause acceleration of the repayment of the principal amount of the loan or debt securities. Upon notification by any Controlling Shareholder, our Company will make the necessary announcement(s) in compliance with Rule 728 of the Listing Manual.

In the event that our Group enters into a loan agreement or issues debt securities that contain a specified condition, and the breach of this specified condition will be an event of default, an enforcement event or an event that would cause acceleration of the repayment of the principal amount of the loan or debt securities, significantly affecting the operations of our Group or results in our Group facing a cash flow problem, we will immediately announce the details of the specified condition(s) in accordance with Rule 704(31) of the Listing Manual, and the level of these facilities that may be affected by a breach of such specified condition. Pursuant to Rule 704(31) of the Listing Manual, a "specified condition" is a condition that makes reference to the shareholding interests of any Controlling Shareholder, or a restriction on any change of control of our Company.

Save as disclosed above, we have no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading credits) or acceptances credits, mortgages, charges, lease commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date.

GENERAL INFORMATION ON OUR GROUP

HISTORY

Our origins can be traced back to 1986 when our Executive Chairman and CEO, Mr. Michael Mun, co-founded the business to undertake the design, manufacture and distribution of personal computers (“PCs”). Our Group’s product range has expanded over the years to include other electronics products ranging from sound cards and DECT phones to our current focus areas of IoT Devices, Data-communication products and LED lighting products.

Pursuant to a restructuring exercise to streamline the corporate structure of AGRP, our Company was incorporated in Singapore on 27 May 2009 under the Companies Act as a private company limited by shares and under the name of “Aztech Electronics Pte. Ltd.”, which is the holding company for AGRP’s electronics and LED lighting manufacturing businesses. On 13 February 2020, the name of our Company was changed to “Aztech Global Pte. Ltd.”. On 19 February 2021, our Company was converted into a public company and the name of our Company was changed to “Aztech Global Ltd.” in connection therewith.

The following are key events in our history and business development:

Year	Key Event
1986	Our Executive Chairman and CEO, Mr. Michael Mun, co-founded the business to undertake the design, manufacture and distribution of PCs.
1988 to 1992	Our R&D department was established to develop new products and provide engineering support to our manufacturing and service operations. Our operations were relocated to our newly constructed corporate headquarters located at 31 Ubi Road 1, Singapore 408694, which provided us with approximately 97,000 sq ft of office and manufacturing space. We successfully developed and introduced our own brand of sound cards for PCs, which were well-received by the industry due to their broad compatibility with major sound card standards.
1994	AGRP was listed on the Official List of the Stock Exchange of Singapore Dealing and Automated Quotation System (“ SESDAQ ”) on 23 February 1994. We commenced manufacturing activities in the PRC at a leased facility in Dongguan.
1995 to 2000	We ventured into multimedia telecommunication devices such as video conferencing and DECT phones, and also launched our own brand of networking products including various models of modems.
2001 to 2005	We continued to expand the range of our Data-communication products, introducing various models of voice communication products, modems, routers and HomePlug devices.
2003	To expand our R&D capabilities, we established a R&D team in Shenzhen, the PRC, which allowed us to tap on the readily available talent pool in Shenzhen to better support our manufacturing facility in the PRC.
2005	We completed the construction of our own manufacturing facility in Dongguan with a total built-up area of approximately 460,000 sq ft, expanding our manufacturing capacity to keep pace with the growth of our business.
2006	AGRP’s listing status was transferred from SESDAQ to the Main Board of the SGX-ST.
2008	We secured contracts to supply 6 million ADSL modem units to a leading US telecommunications provider and HomePlug devices to a leading US satellite television provider.

GENERAL INFORMATION ON OUR GROUP

Year	Key Event
2009	Our Company was incorporated as the holding company for AGRP's electronics business pursuant to an exercise to streamline the corporate structure of AGRP.
2010	We won two (2) key LED lighting tenders from Jurong Town Council and Aljunied Town Council to deploy LED lighting for public housing in Singapore, marking our first foray into the LED lighting business.
2011	We secured an ODM contract to supply LED lighting products to the Hong Kong subsidiary of a leading Europe-based multinational lighting corporation. The product went on to be launched by the leading multinational corporation and was showcased at the Frankfurt Lighting Fair in 2012.
2013	We ventured into JDM projects, starting with lighting products and expanding to cover other products for various sectors, including technology start-ups.
2017	AGRP was delisted from the SGX-ST with effect from 21 February 2017 ⁽¹⁾ . The rationale for the delisting, as set out in AGRP's circular to its shareholders dated 22 December 2016, included (i) giving AGRP's shareholders an opportunity to realise investments with an upfront premium; (ii) low trading liquidity of AGRP's shares; (iii) greater management flexibility; (iv) compliance costs of maintaining listing; and (v) no present need for access to Singapore capital markets.
2018	<p>We entered into a manufacturing and development services agreement with a major US e-commerce retailer to supply smart security cameras.</p> <p>We expanded into the IoT segment, diversifying our product mix to include home automation products such as smart plugs and blinds and smart light switches.</p>
2019	<p>Our subsidiary, Aztech Dongguan, was named as one of the top five (5) LED exporters in the PRC by the LED Industry Research Institute (GGII).</p> <p>We secured three (3) contracts for the supply and installation of Smart Lighting systems to Singapore's first Smart Town in Punggol Northshore, offering lighting on demand and remote management capabilities</p> <p>We established IOT Manufacturing in Malaysia to cater for the expansion of our business into the manufacture of IoT Devices and Data-communication and LED lighting products.</p>
2020	<p>We undertook a rebranding exercise to (i) position our Group as a design and manufacturing expert in the business-to-business markets under our "Aztech" brand and (ii) replace the "Aztech" brand with the "Kyla" brand in the business-to-consumer markets where we sell products under our own name.</p> <p>Our Group's manufacturing facility in Malaysia commenced production in the third quarter of 2020.</p>

Note:

- (1) Post delisting of AGRP, AGRP has rationalised its businesses and exited most of its non-electronics businesses, including the marine and shipping business, as well as the food and beverage business. AGRP has focused on expanding its electronic business, which is consolidated under our Company. With the expected growth of our electronics business in the coming years, our Directors believe that the listing of our Company on the SGX-ST will enable us to tap the capital markets to raise funds to support such growth. In particular, it is imperative for our Group to grow to a good size and develop economies of scale in order to remain competitive and improve our ability to maintain and attract new customers in the technology sector. Please refer to the section entitled "Prospects, Business Strategies and Future Plans" of this Prospectus for further details relating to our future plans and use of proceeds from the issuance of the New Cornerstone Shares.

BUSINESS OVERVIEW**Our Business**

We are a key technology enabler for the connected world of tomorrow, with a focus in providing one-stop design and manufacturing services. Supported by our core strength in R&D, design, engineering and manufacturing, our key products are IoT Devices, Data-communication products and LED lighting products. Leveraging on our expertise, we also provide JDM and CMS services to blue chip customers, technology start-ups and other companies with innovative products.

We have a globally diversified customer base, which consists of blue-chip companies, technology start-ups and networking product companies for our IoT Devices and Data-communication products and major lighting companies for our LED lighting products. We also supply LED lighting products to government institutions and customers in the commercial and public sectors. As at the Latest Practicable Date, we have over 290 customers worldwide, with our products sold in over 40 countries.

Our strong core competencies and differentiating capabilities in R&D, design, engineering and manufacturing enable us to optimise our production and ensure that it is efficient and effective. This is achieved through careful production planning, plant layout as well as production process design. Our manufacturing facilities are located in Dongguan, Guangdong Province, the PRC, and Johor, Malaysia. Please refer to the section entitled “General Information on our Group—Properties and Fixed Assets” of this Prospectus for further details on our manufacturing facilities.

Our key products can be broadly categorised into the following segments:

- i. IoT Devices and Data-communication products;
- ii. LED lighting products; and
- iii. Other electrical products.

Rebranding exercise

We commenced a rebranding exercise in December 2019 pursuant to which the “Aztech” brand is used by our Group in the business-to-business markets where we provide OEM, ODM, JDM and CMS services while the “Kyla” brand is used by our Group in the business-to-consumer markets where we sell products under our own name.

Our Group will also be positioned as a leading design and manufacturing solutions partner under the “Aztech” brand, with its new tag line, “Delighting People with Smarter Solutions”.

Our Group’s in-house R&D capabilities span industrial design, electronics, mechanical, hardware, firmware and software design. Specialised engineers are in charge of compliance and quality to ensure the robustness of our designs and that international standards are met.

The “Kyla” brand focuses on the business-to-consumer markets with products that enhance individuals’ lifestyles through innovation.

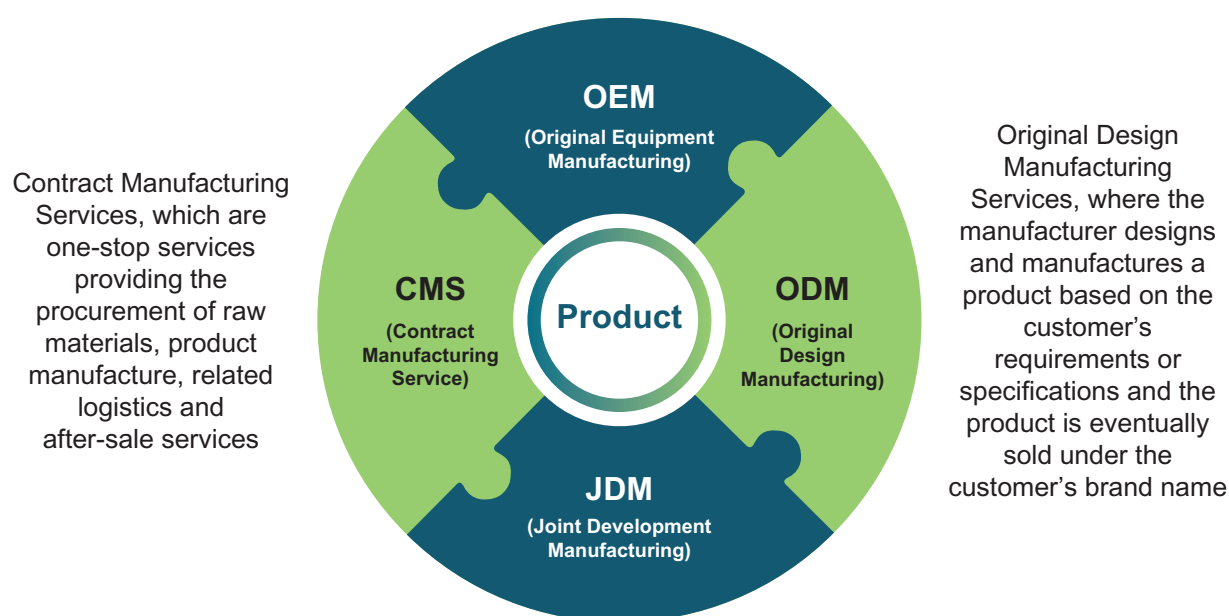
GENERAL INFORMATION ON OUR GROUP

IoT Devices and Data-communication products

ODM, OEM, JDM and CMS products

With over 30 years of track record as a reliable supplier of quality electronic products, backed by strong R&D, design, engineering and manufacturing capabilities, we also provide services to brand owners such as home security solutions providers, telecommunication companies, technology start-ups, healthtech companies and automotive companies with innovative products. Depending on the requirements of our customers, we provide design services, manufacturing services or a combination of both. These services can generally be classified under ODM, OEM, JDM or CMS, and these products are typically sold under our customers' brands. Please refer to the section entitled "General Information on our Group – Manufacturing and Production Process" of this Prospectus for further details on our ODM, OEM, JDM and CMS arrangements.

Original Equipment Manufacturing Services, where products or parts of products are manufactured based on the manufacturer's design and specifications and are marketed and sold under the customer's brand name or under the manufacturer's own brands



Joint Development Manufacturing Services, where the manufacturer and the customer work together on the design and manufacture of a product which is eventually sold under the customer's brand name

Some of the innovative products we have manufactured under our ODM, OEM, JDM and CMS channels include:

Smart security cameras	Smart security cameras are cameras equipped with remote live streaming capabilities and motion-activated features for surveillance purposes.
IoT lighting products	IoT lighting products are lighting units which can be controlled via an application or voice control using LoRa, Zigbee, Bluetooth or other protocols. They can also be automated through a pre-defined automation sequence.

GENERAL INFORMATION ON OUR GROUP

HomePlugs	HomePlugs are devices which transforms the powerline in the apartment into a networking infrastructure, thus reducing network “blindspots” and improving network coverage within the home.
Satellite modems	Satellite modems are satellite-linked internet connectivity devices for deployment in rural areas.
Climate control mattresses	Climate control mattresses are mattresses with covers that are embedded with sensory devices that have the ability to regulate temperature for comfort and monitor sleep.
Tracking devices	Tracking devices are devices that have the ability to monitor the activities of and track the movement of pets using GPS, LoRa and other protocols.
Healthtech products	Wearable sensors that are paired with the application that facilitates tele-consultation with healthcare professionals.

“Aztech” and “Kyla” brand products

We distribute a wide range of IoT Devices such as home automation product(s). In the Data-communication products segment, examples of products we distribute include fibre gateways, mesh routers, HomePlug devices and smart security cameras for residential as well as commercial applications. With over 30 years of experience, we have established a reputation as a reliable supplier of these products in the markets we serve.

Our IoT Devices and Data-communication products are sold under our proprietary “Aztech” and “Kyla” brands through our channel partners and on e-commerce platforms.

Some of the key IoT Devices and Data-communication products in our portfolio include:

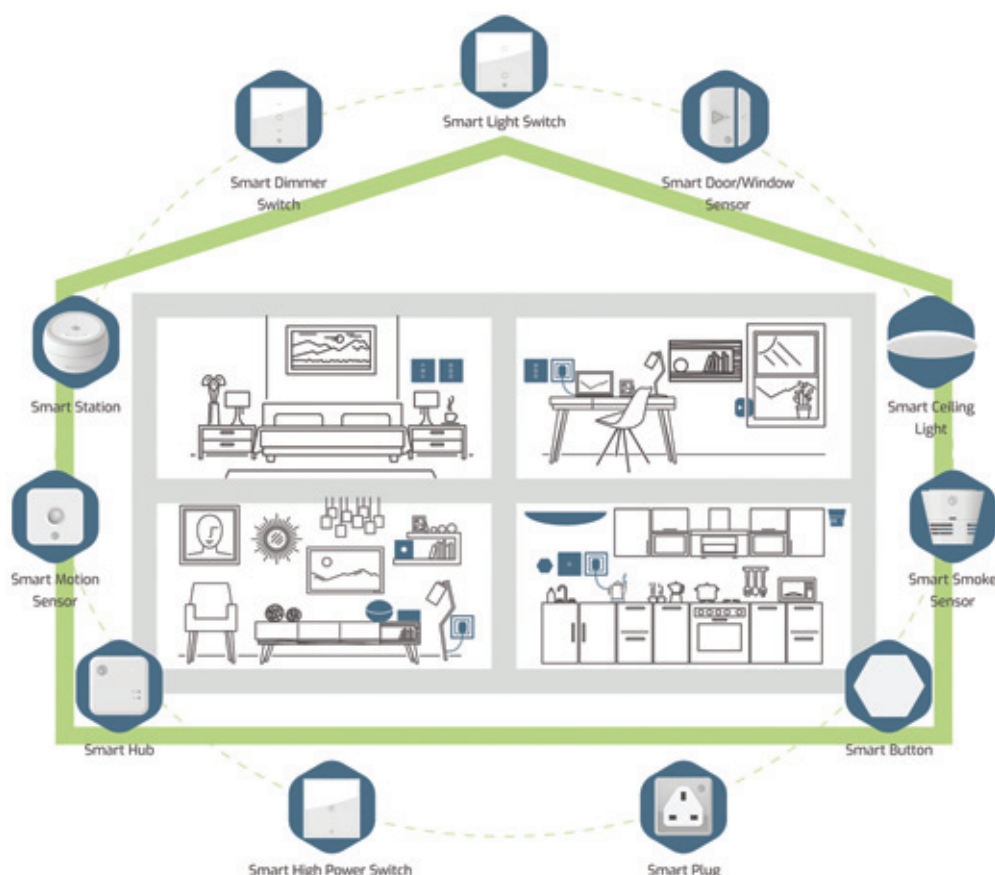
Smart security cameras	Smart security cameras are cameras equipped with remote live streaming capabilities and motion detection features for surveillance purposes.
HomePlugs	HomePlug devices transform the domestic power line into a networking infrastructure, thus reducing “blind spot” and improving network coverage within the home.
Fibre gateways	Fibre gateways are all-in-one devices used in Active Ethernet deployments based on FTTH (Fibre-To-The-Home) access. A fibre gateway replaces the traditional ADSL gateway by offering true Gigabit full duplex bandwidth capacity. It also adds up telephone lines, a router and a WiFi access point for local area networking.
Dual Band Wi-Fi MESH Controllers	Dual Band Wi-Fi MESH Controllers are devices that provide an all-in-one solution for wireless connectivity for home networks that enables the user to roam between access points without disconnection. Through the advanced mesh technology, the user can be connected consistently as the technology circumvents coverage issues and can automatically switch connected devices to the strongest Wi-Fi signal available.
IoT Devices	IoT Devices are devices that can be controlled, using Zigbee and WiFi products, <i>via</i> an application, voice control or through pre-defined automation sequence to automate products such as lightings, curtains, air-conditioners and enhance the user's lifestyle experience.

GENERAL INFORMATION ON OUR GROUP

We also have other IoT Devices that are in the pipeline, including smart wearables and smart energy monitoring solutions.

In addition, we have developed an IoT home automation system which enables users to control devices in their homes wirelessly through an application on their smartphone or tablet. This system allows users to personalise their automation needs and preferences. These systems are designed to be modular and can also be synergised with other sensory devices such as motion sensors and door/window sensors, giving users the full home automation experience. These systems are sold under our “Kyla” brand.

Our products reinvent how people live with IoT and smart home devices by combining technology and comfort. Its consumer, home and lifestyle products cover smart home automation systems, home appliances, sensory network devices, data communication devices as well as internet protocol cameras.



Our IoT Devices and Data-communication products (which include the products in the table on the preceding page) are offered to our OEM/ODM customers. The products are designed and manufactured by us and sold under the label of the respective customers.

LED lighting products

We manufacture a wide range of LED lighting products which are used in a variety of applications for general lighting, in particular residential, commercial and industrial lighting. We also produce LED lighting products for special applications such as agriculture, refrigeration and automotive industrial lighting. Our comprehensive range of LED lighting products includes a variety of luminaires, bulbs and tubes.

Since 2009, we have built deep capabilities in R&D, design, engineering and manufacturing of LED lighting products. We manufacture the key components of our LED lighting products such as the driver and optics while the LED chips and heat sinks are procured from reliable vendors in our approved

GENERAL INFORMATION ON OUR GROUP

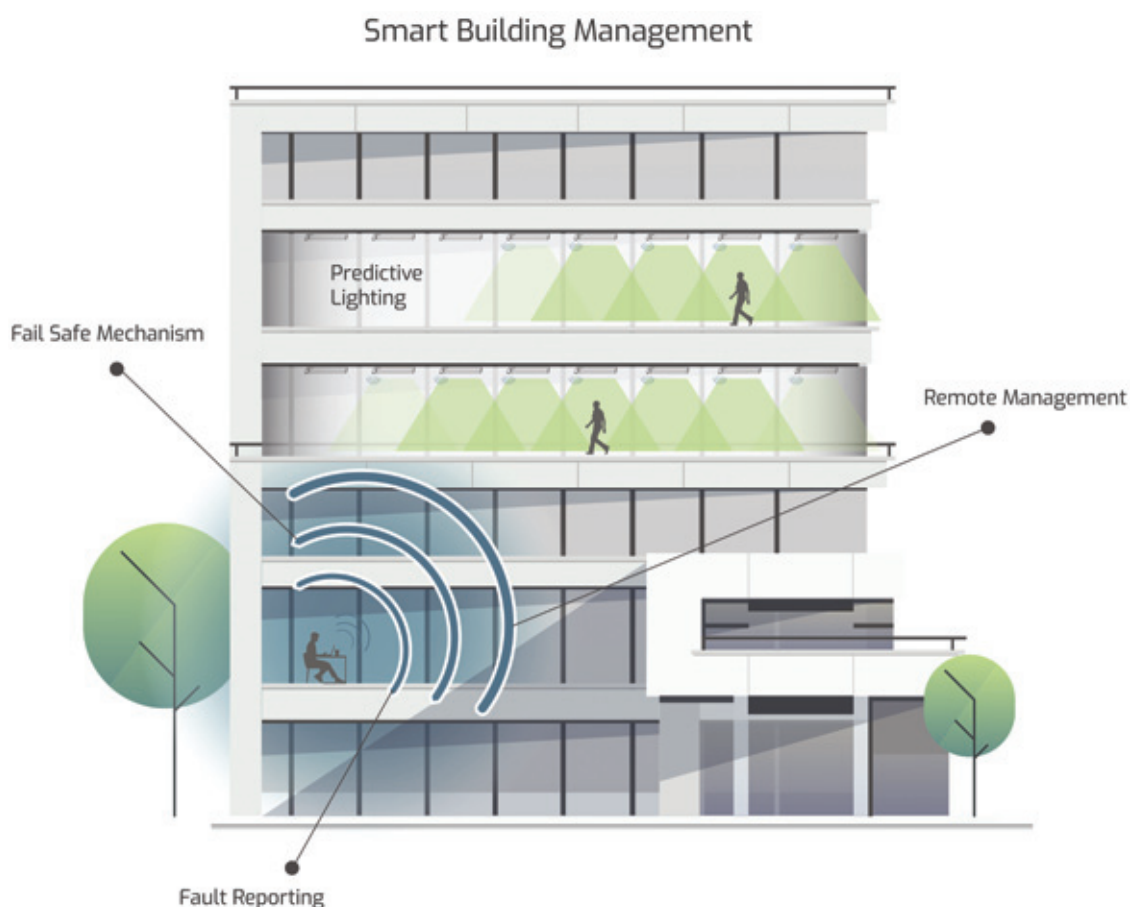
vendors list. Please refer to the section entitled “General Information on our Group – Manufacturing and Production Process” of this Prospectus for further details on our production process for LED lighting products.

We also leverage on our strong background in R&D, design, engineering and manufacturing to provide OEM/ODM/JDM/CMS services mainly for multinational corporations. Please refer to the section entitled “General Information on our Group – Major Customers” of this Prospectus for further details.

We have also developed smart lighting systems to provide urban city smartness with on-demand lighting, reducing light pollution and increasing the lifespan of the LED lighting. Smart lighting systems also aim to reduce cost of electricity with effective deployment of enhanced functionalities, such as the dimming of lights when not required and ambient light management (which involves lighting systems responding accordingly to the natural lighting conditions of the surrounding environment).

Our smart lighting systems may also be connected to the Internet, allowing for control of the lighting systems remotely. This allows the parameters of in-built sensors to be adjusted, and also for faults to be automatically reported via emails so technical support teams can respond in a more timely fashion to the issue encountered.

We specialise in the design and development of Smart Lighting System, which consists of a network of wireless nodes with an in-built smart controller, allowing the efficient use of lighting without compromising users’ safety and security. It is designed to manage lighting systems intelligently based on demand by using the smart sensors, achieving high energy efficiency and reducing consumption by up to 40%.



We also sell our LED lighting products under our proprietary “AZ e-lite” brand and “Kyla” brand. From 2021, we will begin to phase out the sale of LED lighting products under our “AZ e-lite” brand and we will sell products under our “Kyla” brand only as part of our rebranding exercise. Please refer to the section entitled “General Information on our Group – Business Overview – Rebranding Exercise” of this Prospectus for further details on our rebranding exercise.

Other electrical products

We sell two (2) categories of electrical products, namely, (i) kitchen appliances and (ii) other home and living products. Our kitchen appliances include ovens, air fryers, electric kettles and toasters. Our home and living products include cordless vacuum cleaners, fans and air purifiers. These electrical products are marketed in our showroom in Singapore, on our e-commerce platform and other online marketplaces. As at the Latest Practicable Date, we have more than 11 product lines and more than 35 models of electrical products in total, and these are sold under our “Aztech” brand. Following our rebranding exercise in December 2019, beginning from 2020, we commenced phasing out the sale of electrical products under our “Aztech” brand and will sell products under our “Kyla” brand only.

From Product Conceptualisation to Manufacturing

Our Group’s one-stop design-to-build manufacturing capabilities help create value for our clients seamlessly, at every stage from start to end. The manufacturing services we provide include design and development, productisation, design verification and reliability testing, supply chain management and manufacturing.



Every product begins with a concept or idea to resolve or overcome a problem through said product. A prototype of the product, as imagined by its creators, is then made to solicit feedback from the market through interviews and surveys. Once the market feedback received is positive, the productization journey begins.

Our team of engineers is suitably experienced to contribute to any part of the productisation process and help add value to our clients’ needs. Involving multi-disciplinary engineering expertise across different fields, a support team is also formed to provide other ancillary services such as sourcing, procurement, supply chain which are equally critical to a successful product launch.

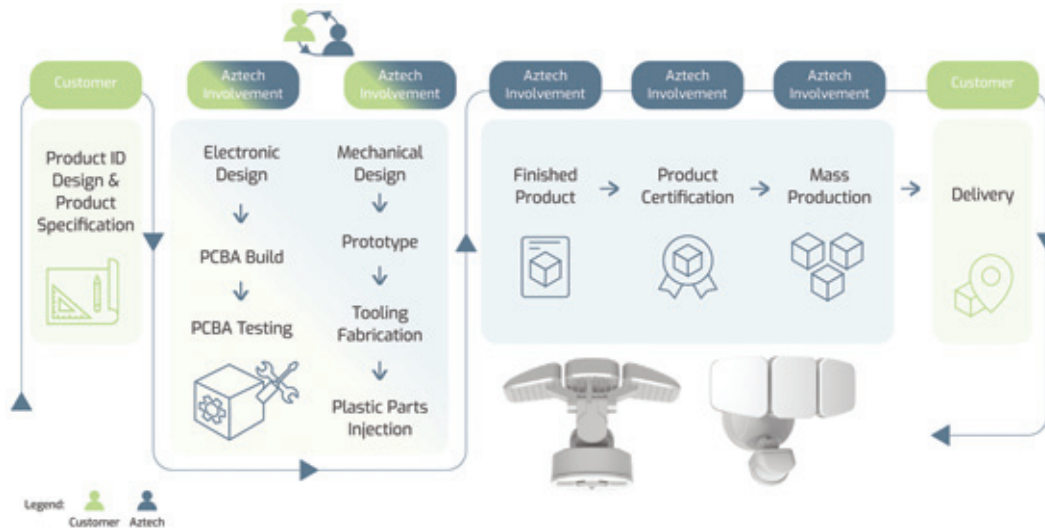
A product goes through numerous cycles of design validation. Engineering Validations Tests (EVT) ensures that the intended product looks and functions to its intended specifications. Design Validation Tests (DVT) allows the production line and equipment to be adjusted to allow for a more consistent yield and quality with the help of jigs and tools. Production Validation Tests (PVT) simulates the actual production prior to mass production where quality assurance and controls are in place, fine tuning the manufacturing process to achieve the targeted volumes at a target cost.

GENERAL INFORMATION ON OUR GROUP

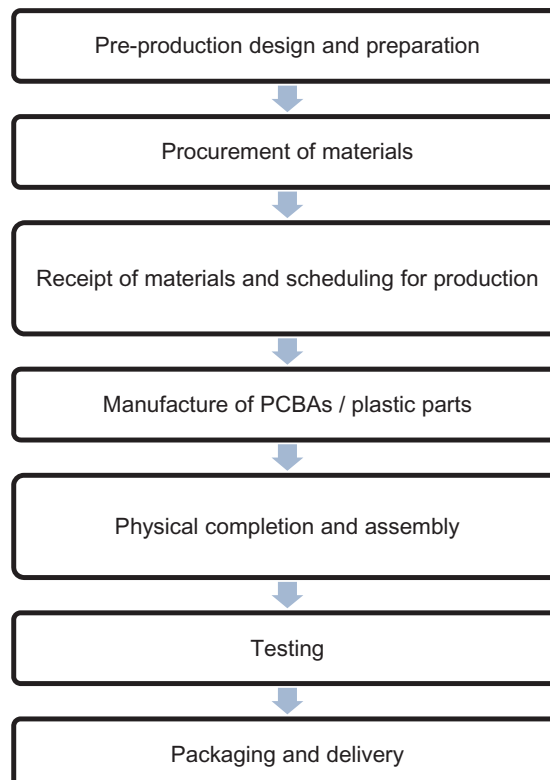
Once the product has been tested to the required performance and quality, it is verified, signed off and ready for mass production.

During the productisation process, the reliability is validated and tested in order to ensure it meets the various safety standards required by the authorities where the product is sold in. Certification of the product is done concurrently to ensure compliance. The supply chain management is managed, from individual component sourcing to lead-time management, to facilitate the delivery output requirements at every stage.

Our one-stop manufacturing capabilities and our comprehensive service offerings enable us to be intimately involved in our customers' productisation and to partner them seamlessly in bringing their new products to market. The following example provides an overview of how we partner with our customers in bringing a IoT product to market:



MANUFACTURING AND PRODUCTION PROCESS



Pre-production design and preparation

Save for the home appliances sold under our “Aztech” brand which are outsourced to third party manufacturers, we manufacture a wide range of IoT Devices and Data-communication products and LED lighting products which are marketed under our own brands. We also provide manufacturing services under OEM/ODM/JDM/CMS arrangements for various products which are marketed under our customers’ brands.

Under the ODM arrangement, our customers provide us with their product design and/or specifications. The product specification is a detailed document which contains information about the product such as the necessary drawings, dimensions, environmental factors and ergonomic factors. It also lists the different components in the products and the specifications as well as type of materials to be used for each component. Our engineers will review and analyse the product specifications, identify possible technical issues that may be encountered during the manufacturing process and propose possible solutions to those issues. Where necessary, our engineers may also recommend changes to the product design to improve its aesthetics, manufacturability and/or effectiveness. As for OEM products, these are developed in-house by our R&D team, manufactured by us but sold under our customers’ brands.

For the JDM and CMS arrangements, we work closely with customers in the conceptualisation and design of their products. The final products are typically sold under our customers’ brands.

Building a new production line involves designing and engineering detailed work instructions and steps. Sample production runs are conducted and a design for manufacturability (DFM) report is prepared. The DFM report is provided to our R&D team for evaluation and assessment of potential production risks and mitigation measures, as well as areas to improve product and process design, and efficiency and yield of the manufacturing process. Following pilot runs for further testing and validation, production can then be gradually ramped up to target levels.

Production process

The key steps in our production process for our IoT Devices and Data-communication, LED lighting and other electrical products are outlined below:

- *Procurement of components*

Following the acceptance of a customer order, purchase orders are created for the procurement of necessary materials and components from our suppliers. We use a combination of standard and customised components in manufacturing our extensive range of products. The standard components such as LEDs, resistors, capacitors, processors and integrated circuits are procured from our list of approved suppliers while customised components such as most of the plastic parts and all the PCBAs are manufactured in-house.

We have capabilities in producing a wide range of plastic components such as plastic enclosures, light pipes, keypads and lenses including the ability to fabricate plastic injection moulds which are required for producing the plastic components.

- *Receipt of materials and scheduling for production*

Materials and components received are checked in accordance with our incoming quality assurance procedures, to ensure that they meet our requirements and internal inspection standards. After all required materials and components are in place, we schedule for the commencement of production.

- *Manufacture of PCBAs*

The production process begins with the manufacture of PCBAs, which is an integral component of all of our electronic products.

- (a) Surface mounting: Bare PCBs are placed on the loader of SMT machines, which are programmed and equipped with barcode scanning systems to ensure that the correct

GENERAL INFORMATION ON OUR GROUP

electronic components (including LEDs, resistors, capacitors, processors and integrated circuits) are picked and placed onto respective feeders on the PCBs.

- (b) Reflow soldering: After the components have been mounted on the PCBs, they are conveyed into a hot air reflow soldering oven. The PCBs are gradually heated up according to a pre-determined temperature profile, so that the solder paste on the PCBs melts to form solder joints which fix the components onto the PCBs.
- (c) Manual insertion: Where there are larger and/or through-hole leaded components which have to be manually inserted onto the PCB, manual insertion is carried out.
- (d) Visual inspection: Visual inspection (automated or manual) is performed to ensure that the correct components have been placed onto the correct positions on the PCBs.

- *Manufacture of plastic parts*

The plastic parts are manufactured using plastic injection moulding machines.

- *Physical completion and assembly*

The PCBAs are combined with other parts and components to complete the manufacturing process for the respective electronic products. For instance, for LED lights, the PCBA is assembled with other parts such as the driver, heat sink and optics. Some products will also require programming with the relevant firmware prior to assembly with other parts.

- *Testing*

Products are tested to verify their functionality and to ensure that they conform to our customers' specifications. For further information on our outgoing quality assurance procedures, please refer to the section entitled "General Information on our Group – Quality Control and Assurance" of this Prospectus.

- *Packaging and delivery*

Finished products are packaged in accordance with our customers' requirements and transferred to our warehouse prior to delivery to our customers.

SALES AND MARKETING

Our sales and marketing activities are led by:

- (i) our Senior Vice President – Sales/Business Development, Mr. Daniel Oh, who oversees the business development activities of our Group's Data-communication products and the international sales division for OEM, ODM, JDM and CMS products;
- (ii) our Senior Vice President – Business Development, Mr. Jason Saw, who heads the international sales and marketing division for our LED lighting products; and
- (iii) our Vice President – Sales and Marketing, Mr. Ivan Mun, who spearheads the domestic sales and marketing division for our IoT Devices and LED lighting products.

Collectively, Mr. Daniel Oh, Mr. Jason Saw and Mr. Ivan Mun are responsible for the promotion of our latest products and capabilities to our existing and potential customers. They are supported by a team of 40 sales and marketing employees as at the Latest Practicable Date, who are based in Singapore, Hong Kong, and the PRC. We also have a sales representative in the United States to service the US market.

OEM, ODM, JDM and CMS Channels

Our marketing and business development strategy is based on fostering long-term relationships and building close rapport with our customers by consistently providing them with quality products and services and maintaining regular contact with them. We also capitalise on our technical expertise to

GENERAL INFORMATION ON OUR GROUP

engage and work closely with our customers during the process of product design and manufacturing. We pay close attention to their needs and preferences to better understand their requirements or concerns, enabling us to leverage on our R&D and engineering capabilities. This allows us to develop products and suggest design or process improvements that would better fulfill our customer's needs.

The relationships which we have built with our customers also act as a source of market intelligence, allowing us to keep abreast of industry trends and developments and enabling us to adapt to market demands more quickly. In addition to ensuring a future flow of orders from existing customers, we may also be able to secure orders from new customers through referrals.

We also participate in and attend international exhibitions and trade fairs such as the Consumer Electronics Show (CES), Internationale Funkausstellung Berlin (IFA), Computex Taipei and the HKTDC Hong Kong Electronics Fair. We believe that this allows us to keep up-to-date on new products and technologies in the market, market trends and other industry developments, and also enhances our profile and visibility by showcasing our latest products and capabilities.

QUALITY CONTROL AND ASSURANCE

As at the Latest Practicable Date, our Group's quality control department comprises 120 staff and is overseen by our Executive Chairman and CEO, Mr. Michael Mun. The managers in charge of each of our key product types are responsible for ensuring that our quality control and assurance measures in relation to each product type are complied with.

We believe that quality control in our products through rigorous testing and validation is one of the key factors that contribute to our growth and success. We have established a stringent quality management system for our business operations and manufacturing process. These quality control measures ensure that our products meet the requirements and expectations of our customers. To date, we have been certified to be in compliance with ISO 9001:2015, ISO 14001:2015, TL 9000, IATF 16949:2016 standards.

Our quality management system includes quality assurance measures and control checks at various stages of the production process, in order to detect and identify any production defects early so that corrective actions may be taken to rectify problems immediately, thereby minimising defects in our products and optimising our production efficiency. Our quality assurance measures and control checks include:

(a) Selection of suppliers

We maintain an updated list of preferred suppliers in respect of quality, pricing, payment terms, timeliness of delivery and responsiveness to our requirements, and conduct regular reviews (including through onsite inspections and an internal assessment and scoring process) of our list of preferred suppliers on an annual basis. Should there be quality issues identified in the course of dealing with our suppliers, a review of the relevant supplier will be conducted to identify any corrective or follow-up actions, if necessary.

Prior to the addition of a new supplier to our preferred supplier list, a supplier qualification process is carried out, which involves assessment of the financial information of the potential supplier, review of its quality management system, as well as an onsite inspection of the supplier's production facilities, in addition to assessment of commercial terms such as pricing, delivery and payment terms.

(b) Incoming materials and components delivered by our suppliers

Upon the receipt of materials or components from our suppliers, we will carry out verification of the physical and/or electrical characteristics of the materials or components to ensure that they meet our requirements and internal inspection standards. We have an established set of procedures for the inspection of each type of material or component. In the event of any discrepancy in the quantity or quality of the materials or components delivered to us, such materials or components will be rejected and returned to our suppliers.

GENERAL INFORMATION ON OUR GROUP

(c) Product and process control design

Our quality control procedures for manufacturing start with our design of the product and manufacturing process. Prior to mass production of new products, we will conduct sample production runs and prepare a DFM report. The DFM report is provided to our R&D team for evaluation and assessment of potential areas to improve product and process design, as well as efficiency and yield of the manufacturing process. Following several pilot runs for further testing and validation, production is gradually ramped up to target levels.

We also put our products through various safety and reliability checks, which are designed to assess potential problems under carefully controlled and monitored conditions. Such tests include subjecting the products to varying humidity and temperature cycles, electrostatic discharge tests, drop tests, pressure tests and vibration tests, to ensure that our products will not exhibit physical anomalies such as structural damages or material deformation, or electric anomalies such as electricity leakage.

(d) In-process quality assurance

We have established in-process quality control measures, with all of our products being tested at key stages of the production line for any defects or irregularities. This includes a first article inspection for each production run to allow early detection of potential problems. At various stages of production, visual inspection of products and components is performed (through manual and automated optical inspections), and specific tests are conducted for different product types. For instance, all LED lights manufactured are subject to a “burn-in” test, where they are put into continuous operation for a specified period of time in order to detect any possible operational faults caused by failure of electronic components or originating in the manufacturing process. Where applicable, we also perform functional testing on our products to validate certain product functions, such as the pairing of LED lights with other devices to allow for the lights to be controlled remotely. Clear production targets are set for each production line, with each production lot being analysed for scrap rate and types so that corrective measures can be taken immediately. The above processes have been formalised through detailed internal procedures which we have developed in respect of each key product type offered by our Group. In addition to the above, certain customers may engage third parties or send representative source inspectors to inspect our in-process quality control system.

(e) Outgoing products quality assurance

We also conduct final random sampling tests prior to the delivery of products to our customers. Our quality control personnel will inspect out-going finished products and their packaging thoroughly to ensure that the quality, quantity and specifications are in accordance with our customers’ requirements before delivery to our customers. For instance, finished LED lighting products are tested in integrating spheres on a random sample basis to check whether specifications such as brightness and colour temperature have been fulfilled.

(f) After-sales support and warranties

We also provide after-sales support to our customers, and will seek to rectify defects in our products supplied, if any. In general, we provide a warranty period of one year for all our products, or such other period as may be agreed with our customers. Currently, in addition to our customer care centre in Singapore, our distributors also offer after-sales support in each of the respective countries for customers who purchase our products. Should our customers detect any manufacturing defects in our products within the warranty period, we will make the necessary repairs or replacements.

(g) Staff training

In addition to the quality control procedures we have implemented, we believe that the experience and technical expertise of our employees is a vital aspect of maintaining the quality

GENERAL INFORMATION ON OUR GROUP

of our products and as such, our Group places strong emphasis on staff training. Please refer to the section entitled “General Information on our Group – Staff Training” of this Prospectus for further details.

Our commitment to quality is evidenced by the following certifications received by us:

Certification	Description	Certifying Authority	Issued to	Date of issue	Date of expiry
GB/T 190001-2016 / ISO 9001:2015 / TL9000-H R6.2/R5.6	Quality Management System for manufacture of telecommunication products (HomePlug models)	TÜV Rheinland (China) Ltd.	Aztech Dongguan	8 June 2020	23 May 2022
ISO 9001:2015	Quality Management System for manufacture of, LED lightings, HomePlug Models, DSL Modems, Smart Laptop Shells, Pet tracers, Home Security & Video Monitoring Devices, Wearable Health Sensors and Air Purifiers; Assembly of set top box, Bluetooth car kit and GPS modules	TÜV Rheinland Cert GmbH	Aztech Dongguan	8 June 2020	11 May 2022
ISO 14001:2015	Environment Management System for manufacture of LED Lightings, Home Plug Models, DSL Modems, Smart Laptop Shells, Pet Tracers, Home Security & Video Monitoring Devices, Wearable Health Sensors and Air Purifiers; Assembly of set top box, Bluetooth car kit and GPS modules	TÜV Rheinland Cert GmbH	Aztech Dongguan	16 November 2020	15 November 2023
IATF 16949:2016	Management system for manufacture of communication on board unit	TÜV NORD Cert GmbH	Aztech Dongguan	29 November 2020	28 November 2023
ISO 9001:2015	Quality Management System for Box Built Assembly and Functional Test of Electrical Electronics Equipment	TÜV Rheinland Cert GmbH	IOT Manufacturing Sdn. Bhd.	3 November 2020	2 November 2023

During the Period Under Review, we had not encountered any failure to maintain or renew the above certifications that had resulted in a material adverse impact on our operations, financial position and

GENERAL INFORMATION ON OUR GROUP

results of operations. However, if we are unable to meet, maintain or renew such certifications or if our current certifications are revoked, our business, results of operations, financial position and cash flow may be adversely affected. Please refer to the section entitled “Risk Factors – Risks Relating to Our Business – Our service and manufacturing facilities and processes are subject to quality management system certifications and customers’ qualification audits and we are subject to risk of failing to meet, maintain or renew such certifications or the revoking of such certifications” of this Prospectus.

RESEARCH AND DEVELOPMENT

We believe that R&D is crucial in providing our Group with a competitive edge and that through R&D, we will be able to provide our customers with constantly improving and innovative products and solutions to cater to their requirements.

Our R&D activities are spearheaded by our Vice President of Research and Development, Mr. Terence Kwong, who oversees our four (4) R&D centres located in Singapore, Hong Kong, Shenzhen, PRC and Dongguan, PRC. As at the Latest Practicable Date, our R&D team has 142 staff, comprising, among others, software and firmware development engineers, electronic/electrical engineers, mechanical engineers, production test development engineers, compliance engineers and industrial designers.

The key activities of our R&D team include (i) engineering and designing products and production processes; and (ii) providing consultancy and design expertise for OEM, ODM, JDM and CMS customers, adding value during the early stages of product design and development. Our design expertise includes electronic design, mechanical design, industrial design, software engineering, app programming and cloud computing. Our development expertise includes design for manufacturability, test programmes, compliance and supply chain management.

Our R&D team also keeps abreast with technological and engineering development trends in order to identify new R&D and business opportunities. This is achieved through participation in trade fairs and exhibitions, and active interaction with our sales team and customers to better understand market demand and product requirements.

Our R&D team is collaborating with a technology company (“**R&D Partner**”) on an R&D project which commenced in September 2020. As at the Latest Practicable Date, the products that are to be developed under this R&D project are in their developmental stages and our Group has not yet generated any revenue from the sale of such products. Revenue will be derived by our Group from the sale of products developed under this R&D project. In addition, our Group will be entitled to 50% of the net revenue derived from the subscription services to be offered by the R&D Partner in conjunction with the use of such products. Under the terms of the memorandum of agreement entered into with the R&D Partner, our Group shall pay the R&D Partner licensing fees on a quarterly basis for each unit of product sold. In addition, for the term of the agreement and for an additional 60 months following termination, our Group shall not, directly or indirectly, jointly or in conjunction with any other person, develop, market, distribute or sell products which may in any way compete with any version of the products developed under the R&D project.

Save for the above-mentioned collaboration with the R&D Partner, all of our R&D activities are conducted in-house.

Our Company plans to intensify its R&D activities by (i) increasing the development work at its Singapore operations; and (ii) setting up an additional R&D centre in Guangzhou, PRC, in line with the Guangdong-Hong Kong-Macao Greater Bay Area national initiative by the PRC government. Under this initiative, the Greater Bay Area is slated to become a global advanced manufacturing, innovation, international shipping, financial, and trade centre and to play an important role in implementing the Belt and Road initiative. Our Group believes this move will enable our Group to play a bigger role in product development for our customers.

In order to safeguard proprietary information and mitigate the impact from a potential loss of key R&D staff, we have taken the following measures:

- (a) ensure that all R&D of technology as well as products and solutions are well-documented to facilitate future R&D works;

GENERAL INFORMATION ON OUR GROUP

- (b) ensure that all R&D staff sign confidentiality agreements which provide that all intellectual property rights created by them in the course of their employment shall vest in our Group and that they are not to disclose any information relating to our technologies, management and business during the course of their employment; and
- (c) to the extent possible, we seek to take steps to protect any intellectual property that may have potential for commercialisation, such as by way of patent registration.

Some successful products developed by our R&D team include the following:

- (a) **IoT Devices:** Internet connected lighting switches, Internet connected sensors, Internet connected plugs, motorized curtain/blinds and Internet connected hub;
- (b) **Smart lighting projects:** smart controllers, smart sensors, luminaries and lighting management systems;
- (c) **Data communication products:** modems (analog/ADSL/VDSL), WiFi routers, WiFi repeater/ extenders, WiFi mesh node and HomePlugs devices; and
- (d) **Voice communication products:** DECT phones, DECT phones with Skype capabilities, cordless phones and IP telephony products, and walkie-talkie products.

Our Group's R&D work is a cross functional process where the team carries out market and technical research, designs new products from initial concepts or works on concepts given by customers. At this stage, the R&D team has to ensure the innovativeness, the reliability and the right user experience of the product. The process also includes sourcing for the right materials, depending how and where the product is being used, for example, whether the product will be used indoors or outdoors, the expected shelf-life of the product which ultimately determines the ruggedness of the material used. The R&D team must ensure the product designed is designed to manufacture, in order to optimize the efficiency and cost effectiveness of the manufacturing process.

For the Period Under Review, our expenses incurred for R&D activities amounted to approximately S\$2.6 million, S\$2.8 million, S\$1.7 million and S\$1.4 million in FY2017, FY2018, FY2019 and 9M2020, representing approximately 0.7%, 0.8%, 0.4% and 0.5% of our revenue for each of the respective financial year/period. The amount of our expenses incurred for R&D activities as a percentage of our revenue for FY2020 was less than 1.0%.

As a result of the safe distancing and lockdown measures imposed by the respective governments due to the COVID-19 pandemic, our R&D employees in Singapore and the PRC had to work from home for varying periods. Save for the foregoing, as at the Latest Practicable Date, the COVID-19 pandemic has not resulted in any adverse impact on our R&D activities.

STAFF TRAINING

For our business to remain competitive at all times, we believe in ensuring that our employees are equipped with the necessary skills and knowledge to perform their job functions effectively. We conduct annual reviews and regular assessments of our employees' training and developmental needs in order to achieve this. Based on the assessed needs, we conduct various in-house training programmes and other courses for our employees.

Our training programmes can be classified into the following categories:

- (a) Orientation Training

Initial orientation training is conducted for all new employees. The objective of this programme is to introduce our Company to new employees, as well as provide an overview of our culture, rules and regulations, safety procedures, device handling, documentation procedures and environmental awareness.

GENERAL INFORMATION ON OUR GROUP

(b) Functional Training

Specific process training and functional skills enhancement training are provided to our employees to ensure that they are equipped with the necessary skills and knowledge for their respective work areas. Our production operators are required to pass the relevant tests which may consist of a written test and/or a practical test before they are deployed on the assembly line.

(c) On-the-job Training

On-the-job training is conducted for all new employees and from time to time for all existing employees. This training reinforces functional training and is managed and monitored by the employees' immediate supervisors and/or trainers.

For the Period Under Review, our expenses incurred for external training courses were not material.

MAJOR CUSTOMERS

We set out below a list of our major customers which accounted for 5.0% or more of our revenue during the Period Under Review:

Major customer	Products/services supplied	Year in which relationship with our Group started	As a percentage of revenue (%)			
			FY2017	FY2018	FY2019	9M2020
Customer A ⁽¹⁾⁽²⁾	Smart security camera	2015	5.73	28.36	49.03	57.77
Customer B ⁽¹⁾⁽³⁾	LED lighting products	2012	64.30	45.11	28.43	13.44
Customer C ⁽¹⁾⁽⁴⁾	HomePlug	1998	17.66	14.41	8.85	12.07

Notes:

- (1) The names of these customers have not been identified due to confidentiality restrictions in our agreements with these customers. We have written to these customers to seek their consent for disclosure of their identities in this Prospectus. However, such consents were not granted.
- (2) Customer A is a major US e-commerce retailer. In 2015, we started to manufacture smart security cameras for a product company, which was then acquired by the US e-commerce retailer in 2017. We entered into a manufacturing and development services agreement with the major US e-commerce retailer in 2018 to supply smart security cameras.
- (3) Customer B is a Hong Kong subsidiary of a leading Europe-based multinational lighting group.
- (4) Customer C is a German company specialising in smart home technology.

Save as disclosed above, there is no other customer who accounted for 5.0% or more of our revenue during the Period Under Review.

Fluctuations in revenue from Customer A were mainly due to Customer A being acquired by the major US e-commerce retailer in 2017 and post-acquisition, the products were actively marketed online, resulting in the increased popularity of the products in the global market.

Fluctuations in revenue from Customer B were mainly due to our Group's shift of our focus from conventional LED lighting products to smart lighting products and IoT Devices and Data-communications products, which commanded higher margins. This strategy has resulted in the reduction in the overall revenue from Customer B as our Group reduced its focus on lower margin products.

The decrease in revenue from Customer C for FY2017 and FY2019 were mainly due to a transitional period where the power line market experienced a migration to new technologies. However, for 9M2020, our Group had seen a growth in the revenue from Customer C as they successfully rolled out new product lines.

GENERAL INFORMATION ON OUR GROUP

To the best of their knowledge, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our current relationship with any of our major customers. While we are dependent on our relationship with our major customers, and our Group may be materially and adversely affected if we are not able to retain them, our Directors are of the opinion that we will be able/take steps to control the risk of reliance and our Company's reliance on our major customers would not adversely affect our business operations, our financial performance and would not impact on our Group's sustainability based on the following reasons:

(a) *We have mutually beneficial business relationships with our major customers*

We consider that it is mutually beneficial for our major customers and us to maintain a close and stable business relationship with each other. This is due to our major customers being able to benefit from our proven track record as a leading player in the electronics industry to ensure that their products are executed in accordance with their requirements including quality standards. This in turn enables our major customers to fulfil their contracts or achieve their development objectives. With our strong R&D capabilities, we are able to adapt to rapid technological change which in turn, enable us to meet the shifts in our customers' expectations and market changes and build reliable relationships with our customers.

(b) *Diversification of customer base and expansion of our product and service offerings*

Our Group continues to market its services to companies globally from start-ups with potential growth to major international players. Our Group is also extending its reach to other industries such as the healthtech and automobile industry. At the same time, our Group will continue its R&D efforts to expand its product and service offerings with existing customers and diversify its source of revenue.

(c) *Provision of annual forecasts from customers*

Due to the nature of our business, whereby our major customers provide annual forecasts which will provide us an early indication of the demand for our products, should a major customer's forecast for the year be substantially or significantly lower than expected, in line with our Group's strategy to mitigate the adverse effects resulting from any loss of customers or reduction in their orders, our Group will actively look for replacement customers or new orders to make up for the shortfall in demand.

(d) *Stable demand for our products and services*

The demand for our products and services has been stable and our Group expects such demand to increase if interest in IoT Devices increases.

Please refer to the section entitled "Risk Factors – Risks relating to our Business – We are exposed to concentration risk of reliance on our major customers, and may be adversely affected by any disruption or termination of our business relationships with our major customers or fluctuations in their demand for our products" of this Prospectus for further details.

As at the date of this Prospectus, none of our Directors, Substantial Shareholders, Executive Officers or their respective Associates has any interest, direct or indirect, in any of the above major customers.

There are no arrangements or understanding with any major customer pursuant to which any of our Directors or Executive Officers were appointed.

GENERAL INFORMATION ON OUR GROUP

MAJOR SUPPLIERS

Our major suppliers are predominantly suppliers of the standard components and raw materials that we use.

We set out below a list of our major suppliers which accounted for 5.0% or more of our total purchases during the Period Under Review:

Major supplier	Products/ services supplied	Year in which relationship with our Group started	As a percentage of our total purchases (%)			
			FY2017	FY2018	FY2019	9M2020
Star Optical (DG) Co. Ltd.	Camera module - lens	2015	0.81	4.18	6.59	7.57
Supplier A ^{(1) (2)}	Chipsets and other parts	2005	0.19	0.48	5.10	7.10
Haleson Electronics Technology (Macao Commercial Offshore) Limited	Plastic casing	2015	0.91	3.46	6.61	6.06
Supplier B ⁽¹⁾⁽³⁾	Chipsets	2010	6.30	6.05	3.70	5.59
Foshan Nationstar Optoelectronics Co. Ltd.	LED chipsets	2011	5.61	0.76	0.46	0.23
Supplier C ⁽¹⁾⁽⁴⁾	LED chipsets	2013	12.52	11.82	5.59	-
Supplier D ⁽¹⁾⁽⁵⁾	Chipsets	2015	7.17	1.86	0.03	-

Notes:

- (1) The names of these suppliers have not been identified due to confidentiality restrictions in our agreements with these suppliers. We have written to these suppliers to seek their consent for disclosure of their identities in this Prospectus. However, such consents were not granted.
- (2) Supplier A is a Singapore subsidiary of the world's largest electronic component distributor based in the US.
- (3) Supplier B is a German company specialising in smart home technology.
- (4) Supplier C is a Hong Kong subsidiary of a leading Europe-based multinational lighting company.
- (5) Supplier D is a US-headquartered company that designs and develops integrated circuits.

Save as disclosed above, there is no other supplier who accounted for 5.0% or more of our total purchases during the Period Under Review.

Star Optical (DG) Co. Ltd. and Haleson Electronics Technology (Macao Commercial Offshore) Limited are suppliers of components and/or raw materials for products that we produce for Customer A, and the purchases from these two suppliers had increased during the Period Under Review in line with the increase in orders from Customer A.

Supplier A and Supplier B are alternative suppliers of components and/or raw materials for products that we produce for Customer A. Supplier B, together with Supplier D, are also alternative suppliers for components and/or raw materials for products that we produce for Customer C.

Our aggregate purchases from Supplier A and Supplier B for purposes of Customer A's products had increased during the Period Under Review in line with the increase in orders from Customer A. Notwithstanding this, our Group had increased its purchases from Supplier A substantially, which has

GENERAL INFORMATION ON OUR GROUP

therefore resulted in the decrease in the corresponding purchases from Supplier B for purposes of Customer A's products.

Our aggregate purchases from Supplier B and Supplier D during the Period Under Review for purposes of Customer C's products had decreased in line with the decrease in orders from Customer C. In addition, our Group's purchases from Supplier D had decreased significantly as we increased our purchases from Supplier B for purposes of Customer C's products. With the increase in orders from Customer C in 9M2020, there was an increase in the purchases from Supplier B.

The decrease in purchases during the Period Under Review from Foshan Nationstar Optoelectronics Co. Ltd. and Supplier C were mainly due to our Group's shift in focus away from the lower margin LED lighting products.

We have a well-diversified and extensive network of key component suppliers. As at the Latest Practicable Date, our business and profitability are not materially dependent on any one of our suppliers and the aforesaid materials supplied by these major suppliers can be easily sourced from other alternative suppliers in the market. In most cases, we obtain several quotations from different suppliers and the selection will be based on factors including price, quality and timely delivery. Our Group has also taken the following measures to mitigate any supplier-related risks:

- (a) our Group maintains good working relationships with key suppliers to ensure that there is adequate support and allocation of supply to meet our Group's business requirements;
- (b) our Group ensures that there are alternate parts as far as practicable; and
- (c) for unique parts, our Group ensures that only suppliers that are reliable and financially strong are selected.

In certain circumstances, we purchase materials from suppliers which are appointed by our customers.

To the best of their knowledge, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our current relationship with any of our major suppliers.

As at the date of this Prospectus, none of our Directors, Substantial Shareholders, Executive Officers or their respective Associates has any interest, direct or indirect, in any of the above major suppliers.

There are no arrangements or understanding with any major supplier pursuant to which any of our Directors or Executive Officers were appointed.

CREDIT MANAGEMENT

Credit terms given to our customers

We generally extend credit terms of between 30 and 95 days to our existing customers. The credit terms extended to our customers may differ as we grant credit terms based on our assessment of the customer's credit quality using internal and external credit review systems. This includes assessment of, among others, financial background and credit-worthiness, length of customer relationship, payment track record, frequency of purchases and transaction volume, as well as credit checks. All credit terms, such as credit limit and credit period, granted to customers and any changes to such terms, are reviewed by our finance department and approved by our Executive Chairman and CEO, Mr. Michael Mun. Credit terms granted to existing customers are reviewed regularly and at least on an annual basis.

For new customers or other customers for which credit terms have not been granted, we require cash terms, advance payments, bank guarantees and/or letters of credit to be issued in our favour, depending on our assessment of the customer's credit quality and the size of the particular transaction.

We monitor our trade receivables ageing on a regular basis and follow up promptly on any overdue payments. A weekly trade receivables report will be generated by our finance department and sent to internal audit and sales departments, as well as our Executive Chairman and CEO, Mr. Michael Mun.

GENERAL INFORMATION ON OUR GROUP

Where necessary, we will send reminder letters to follow up with customers on overdue payments. If repeated reminders to settle overdue payments fail to yield results, we may issue letters of demand and proceed with legal action to collect the debts after considering factors such as the quantum of the debts and our relationship with such customers.

As at the Latest Practicable Date, out of approximately S\$109.2 million of trade receivables as at 30 September 2020, approximately S\$108.5 million have been collected. As at the Latest Practicable Date, the COVID-19 pandemic did not have any material adverse impact on our Group's ability to collect our trade receivables.

Our average trade receivables' turnover days for the Period Under Review was as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>
Average trade receivables' turnover (days) ⁽¹⁾⁽²⁾	74	76	88	84

Notes:

- (1) For FY2017, FY2018 and FY2019 average trade receivables' turnover (days) = Average of (closing trade receivables balance for each quarter of the relevant financial year / revenue for the corresponding quarter of the relevant financial year x 90 days) for the respective financial year.
- (2) For 9M2020, average trade receivables' turnover (days) = Average of (closing trade receivables balance for each quarter of 9M2020 / revenue for the corresponding quarter of 9M2020 x 90 days).

Our average trade receivables' turnover days had increased from 74 days in FY2017 and 76 days in FY2018 to 88 days and 84 days in FY2019 and 9M2020 respectively, mainly due to the increase in credit terms granted to certain major customers.

We perform ongoing credit evaluation of our customers' financial condition and make specific allowances for impairment of trade receivables on a case-by-case basis, based on expected collectability of our receivables and when the ability to collect an outstanding debt is in doubt. We may also write off an outstanding debt when we are certain that the customer is not able to meet its financial obligations to us.

Our loss allowance of trade receivables as well as bad debts written off for the Period Under Review was as follows:

<u>(\$'000)</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>
Balance as at beginning of financial year/period	2	-	731	1,021
Loss allowance of trade receivables	-	726	500	55
Written off	-	-	(202)	(2)
Exchange difference	-	5	(8)	10
Balance as at end of financial year/period	-	731	1,021	1,084

The loss allowance of trade receivables in FY2018 and FY2019 was due to changes to SFRS(I) 9 *Financial Instruments* effective from annual periods beginning on 1 January 2018. Please refer to the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations – Review of Results of Operations" of this Prospectus for more details. Assessment was done on the adequacy of amount of provision for loss allowance of trade receivables at the end of each financial year / period. Our Company is of the view that such amount as at 30 September 2020 was sufficient. Barring unforeseen circumstances, we do not expect to make material write-off or provisions on the outstanding trade receivables post-Listing.

GENERAL INFORMATION ON OUR GROUP

The aging schedule of our trade receivables for the Period Under Review is as follows:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 September 2020
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Current	87,448	67,176	89,601	106,204
Less than 30 days overdue	11,856	5,999	7,289	3,635
31 to 60 days overdue	432	277	575	371
More than 60 days overdue	25	43	284	90
Less: loss allowance	-	(529)	(1,021)	(1,084)
Total	99,761	72,966	96,728	109,216

Credit terms from our suppliers

Our suppliers generally grant us credit terms of between 30 and 120 days. The availability of credit and the credit terms extended to us by our suppliers vary from supplier to supplier, depending on factors such as the length of our business relationship with them, their evaluation of our credit terms, quantum of our purchases, as well as the supplier's internal policies.

Our average trade payables' turnover days for the Period Under Review was as follows:

	FY2017	FY2018	FY2019	9M2020
Average trade payables turnover (days) ⁽¹⁾⁽²⁾	104	117	112	105

Notes:

- (1) For FY2017, FY2018 and FY2019, average trade payables' turnover (days) = Average of (closing trade payables balances for each quarter of the relevant financial year / purchases for the corresponding quarter of the relevant financial year x 90 days) for the respective financial year.
- (2) For 9M2020, average trade payables' turnover (days) = Average of (closing trade payable balances for each quarter of 9M2020 / purchases for the corresponding quarter of 9M2020 x 90 days).

The fluctuations in our average trade payables' turnover days during the Period Under Review was due to different amount of purchases made from major suppliers in each quarter. Other than the foregoing, we did not identify any specific reason that resulted in the fluctuations, which were in any event not significant.

INVENTORY MANAGEMENT

Our inventories comprise raw materials, work-in-progress and finished goods. Our raw materials mainly consist of packaging materials, as well as LED and other electronic components such as integrated circuits and printed circuit boards. We actively manage and maintain our inventories to ensure cost-efficiency, quality control and timely delivery of our products.

Inventory levels are principally determined by taking into account secured orders, expected demand for products and the lead-time for completion of orders. For OEM, ODM, JDM and CMS products, we do not maintain significant stock levels. Generally, raw materials are procured and products are manufactured in accordance with the bill of materials and purchase order from the customer. For large customer accounts with high transaction volumes, rolling forecasts are provided by the customer to facilitate our management of procurement and production, taking into account their respective lead times.

For products that we manufacture and sell under our in-house brands, we maintain adequate inventory levels in order to fulfil retailers' needs. The level of inventories maintained may vary across different products, taking into account, among others, sales forecasts, the life cycle of the product, availability of components, economic production quantities, as well as production and delivery lead times.

GENERAL INFORMATION ON OUR GROUP

We have introduced automation initiatives to enhance the efficiency and accuracy of our inventory management system. Finished goods from our production line are palletised and labelled with a QR Code for items to be identified and tracked as they are transferred to the warehouse, and for real-time monitoring of stock levels.

Our purchasing team checks the level of our inventories on a regular basis to verify the accuracy of our inventory records and for procurement planning. We conduct a monthly cycle count for our high value inventories and key components such as integrated circuits. We also conduct a complete inventory count on an annual basis in the presence of our external auditors. This ensures the accuracy and reliability of the information in our inventory management system and also allows us to address and reconcile any discrepancies in our inventory records (if any).

Our average inventory turnover days during the Period Under Review was as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>
Average inventory turnover (days) ⁽¹⁾⁽²⁾	23	48	23	47

Notes:

- (1) For FY2017, FY2018 and FY2019, average inventory turnover (days) = Average of (closing inventories balances for each quarter of the relevant financial year / changes in inventories of finished goods, work-in-progress and raw materials used for the corresponding quarter of relevant financial year x 90 days) for the respective financial year.
- (2) For 9M2020, average inventory turnover (days) = Average of (closing inventories balances for each quarter of 9M2020 / changes in inventories of finished goods, work-in-progress and raw materials used for the corresponding quarter of 9M2020 x 90 days).

The increase in our average inventory turnover days from 23 days in FY2017 to 48 days in FY2018 was mainly due to increased purchases of raw material and components at the end of the first and second quarters of FY2018 in order to meet the high production demand in the second and third quarters of FY2018.

The decrease in our average inventory turnover days from 48 days in FY2018 to 23 days in FY2019 was mainly due to improvements in our inventory management system.

The increase in our average inventory turnover days from 23 days in FY2019 to 47 days in 9M2020 was due to an increase in the purchase of raw materials and components in anticipation of higher production volume in the fourth quarter of FY2020 and shortages of raw materials in the market due to the COVID-19 pandemic. Notwithstanding the increase in our purchase of raw materials and components in 9M2020, no material provision or write down of inventories are expected in FY2020 and/or FY2021 as these additional raw materials and components have been substantially used for production in the fourth quarter of FY2020.

Our inventories are measured at the lower of cost or net realisable value, whereby cost is calculated using the weighted average method. Cost comprises direct materials and, where applicable, direct labour costs and 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. Where necessary, damaged, obsolete and slow moving items are written down to its net realisable value.

Our write-down of inventories to net realisable value for the Period Under Review was as follows:

<u>(\$'000)</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>
Write-down of inventories to net realisable value	913	1,795	2,130	-

The write-down of inventories to net realisable value for the Period Under Review was due to inventory obsolescence as a result of outdated raw materials and finished goods relating to lighting products and home appliances. There was no write-down of inventories to net realisable value for 9M2020 because a write-down was done in FY2019 and no write-down was required for 9M2020.

GENERAL INFORMATION ON OUR GROUP

INSURANCE

As of the Latest Practicable Date, our Group maintained, amongst others, the following insurance policies: general liability insurance, property all risks insurance, insurance covering damage to equipment and business interruption, marine cargo insurance, insurance for our employees such as group personal accident insurance, group term life insurance and work injury compensation insurance.



As of the Latest Practicable Date, AGRP maintained, among others, the following insurance policies: directors' and officers' liability insurance and medical insurance for foreign employees. Please refer to the section entitled "Interested Person Transaction – Present and Ongoing Interested Person Transactions – Payment of insurance premium by AGRP for our Group" of this Prospectus for more details.

Our Directors are of the view that our insurance coverage is adequate for our existing operations. Our Directors will review our insurance coverage as and when the need arises to ensure that our Group has sufficient insurance coverage.

INTELLECTUAL PROPERTY RIGHTS

Save as disclosed below, our Group's business and profitability is not materially dependent on any trademark, patent, licence or other intellectual property rights.

As at the Latest Practicable Date, the trademarks for which we have obtained registration include:

Description	Trademark Number	Place of Registration	Trademark Class(es)	Duration of Right
AZTECH	T0511541B	Singapore	9 ⁽¹⁾	20 years from 7 July 2005
	40201606215S	Singapore	7 ⁽²⁾ , 11 ⁽³⁾	10 years from 7 April 2016
	40201926716P	Singapore	7 ⁽²⁾ , 9 ⁽¹⁾ and 11 ⁽³⁾	10 years from 10 December 2019
AZTECH	3005279	United Kingdom	9 ⁽¹⁾	11 October 2013 to 9 May 2023
AZTECH	90005516	Malaysia	9 ⁽⁴⁾	10 years from 20 August 2017
AZTECH	3347689	France	9 ⁽⁵⁾ , 38 ⁽⁶⁾	10 years from 18 March 2015
AZ e-lite	302554849	Hong Kong	9 ⁽⁷⁾ , 11 ⁽⁸⁾	10 years from 21 March 2013
AZ e-lite	8442427	PRC	11 ⁽³⁾	10 years from 14 July 2011
安迪思	10888761	PRC	11 ⁽³⁾	10 years from 14 August 2013

Notes:

- (1) Class 9 includes multimedia products; modems; wireless modems, communication products using voice over internet protocol (VOIP) technology, DECT (digital enhanced cordless telecommunications)/WDCT (worldwide digital cordless telecommunications) phones, walkie talkie; digital cameras; digital camcorders; MP3 players; weather information apparatus; electronic baby monitoring devices; corded phones; telecommunication apparatus and instruments; telephones and parts and fittings for all the aforesaid goods; computer hardware; mice; screens; disc drives; apparatus for recording, transmission or reproduction of sound or images; data processing equipment and computers; application software for digital cameras; cameras; lenses; electronic flashes; motor drives; optical filters; card readers; apparatus and instruments for transmitting, receiving, tuning, recording and reproducing audio and visual signals.

GENERAL INFORMATION ON OUR GROUP

- (2) Class 7 includes blender, table-top blender, hand-blender, chopper, shredder, vacuum cleaner, vacuum cleaner bags, robotic vacuum cleaner, handheld vacuum cleaner, handstick vacuum cleaner, canister vacuum, electric mixers for mixing food, hand mixer, stand mixer, kitchen stand machine, slow juicer, food processor, washer.
- (3) Class 11 includes toaster, electric kettle, air pot, toaster oven, convection oven, microwave oven, electric pressure cooker, stand fan, tower fan, ceiling fan, wall fan, table fan, air cooler, air conditioner, garment steamer, steam generator, wine cooler, refrigerator, dryer, cooker hood, multi-function cooker, cooker, rice cooker, slow cooker, infrared cooker, air purifier, water purifier, bread maker, sandwich maker, soup maker, food steamer, barbeque grill, hot plate, infrared hob, induction hob, air fryer, drum cooker, noodle maker, drip coffee filter.
- (4) Class 9 includes computers, keyboards and monitors.
- (5) Class 9 includes scientific, research, navigation, surveying, photographic, cinematographic, audiovisual, optical, weighing, measuring, signalling, detecting, testing, inspecting, life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling the distribution or use of electricity; apparatus and instruments for recording, transmitting, reproducing or processing sound, images or data; recorded and downloadable media, computer software, blank digital or analogue recording and storage media; mechanisms for coin-operated apparatus; cash registers, calculating devices; computers and computer peripheral devices; diving suits, divers' masks, ear plugs for divers, nose clips for divers and swimmers, gloves for divers, breathing apparatus for underwater swimming; fire-extinguishing apparatus.
- (6) Class 38 includes mainly services that allow at least one party to communicate with another, as well as services for the broadcasting and transmission of data.
- (7) Class 9 includes apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity.
- (8) Class 11 includes lighting apparatus, installation and instruments; parts and fitting for all the aforesaid goods.

As at the Latest Practicable Date, the patents for which we obtained registration include, amongst others:

Description	Application Number	Place of Registration	Filing Date	Duration of Right
LED tube for emergency lighting system	2013091996	Singapore	18 October 2012	Until 18 October 2032
LED tube for emergency lighting system	12886851.0	France, Great Britain, Germany, Italy, Netherlands and Spain	18 October 2012	Until 18 October 2032
LED Tube for Emergency Lighting System	PI 2015701210	Malaysia	18 October 2012	Until 18 October 2032
LED Tube for Emergency Lighting System	15111584.2	Hong Kong	18 October 2012	Until 18 October 2032
An LED Lighting Device Having Elastically Biased Rotational End Caps	PI 2015701277	Malaysia	22 October 2012	Until 22 October 2032
An LED lighting device having elastically biased end caps	201280076589.2	PRC	22 October 2012	Until 22 October 2032

GENERAL INFORMATION ON OUR GROUP

Description	Application Number	Place of Registration	Filing Date	Duration of Right
An LED lighting device having elastically biased end caps	15111333.6	Hong Kong	22 October 2012	Until 22 October 2032
An LED lighting device having elastically biased end caps	12845093.9	France, Great Britain, Germany, Ireland and Belgium	22 October 2012	Until 22 October 2032
Microwave induction LED light tube	ZL2018208878291	PRC	8 June 2018	Until 7 June 2028
LED light tube of rotary type	ZL2017203033006	PRC	24 March 2017	Until 23 March 2027
U-shape lamps easy to dismantle and reassemble	ZL2017200892205	PRC	20 January 2017	Until 19 January 2027

As at the Latest Practicable Date, the patents which we have applied for registration include:

Description	Application Number	Place of Registration	Filing Date
An LED lighting device having elastically biased rotational end caps	10201708628R	Singapore	22 October 2012

GENERAL INFORMATION ON OUR GROUP

As at the Latest Practicable Date, the domain names for which we obtained registration include:

Domain Name	Creation Date	Expiration Date
azelite.cn	10 December 2009	10 December 2025
azelite.com	11 March 1997	30 June 2022
azelite.com.cn	10 December 2009	10 December 2025
azelite.com.hk	5 October 2010	5 October 2021
azelite.com.my	12 December 2019	12 December 2021
azelite.com.sg	14 December 2009	14 December 2021
azelite.hk	5 October 2010	5 October 2021
azelite.my	12 December 2019	12 December 2021
azelite.sg	15 December 2009	15 December 2021
aztech.cn	11 December 2006	11 December 2025
aztech.com	31 August 1993	30 June 2024
aztech.com.cn	14 August 2006	14 August 2025
aztech.com.hk	6 June 1997	29 September 2025
aztech.com.my	12 December 2019	12 December 2021
aztech.com.sg	20 August 1996	20 August 2022
aztech.my	12 December 2019	12 December 2021
aztech.sg	12 January 2005	12 January 2022
aztechglobal.com	2 February 2021	30 August 2021
aztechglobal.com.sg	26 January 2021	26 January 2022
iotm.com.my	19 September 2019	19 September 2024
iotm.my	19 September 2019	19 September 2024
kylaconnect.com	15 January 2020	15 January 2022

Licensing Agreements

We have not entered into any material licencing agreements to use patented inventions and/or technologies in the design of our products.

PROPERTIES AND FIXED ASSETS

Properties

As at the Latest Practicable Date, we do not own any real properties.

GENERAL INFORMATION ON OUR GROUP

As at the Latest Practicable Date, we lease the following properties:

Lessee	Lessor	Location	Term	Approximate floor area	Use of property and products produced (where applicable)
Aztech Dongguan	JJSEU (now known as JJSEUS)	Qiangangling, (前岗岭), Jiujiangshui, Changping, Dongguan, PRC	1 October 2002 to 30 September 2052	350,544.7 sq ft	Industrial factory and dormitory for the manufacture of Data-communication products, IoT products and LED lighting products
(“Dongguan Land”)					
Aztech Dongguan	JJSEUS	Qiangangling, (前岗岭), Jiujiangshui, Changping, Dongguan, PRC	1 July 2017 to 30 June 2022	57,411.5 sq ft	Recreational facilities i.e. playing field. Currently used as temporary open air storage and playing field for employees
(“Annex Land”)					
Aztech Dongguan	JJSEUS	Huchun, Jiujiangshui, Changping, Dongguan, PRC (湖唇24.43亩土地)	1 January 2007 to 31 December 2056	175,308.3 sq ft	Reserved for industrial factory but is currently undeveloped and not in use
(“Reserved Land”)					
Aztech Dongguan	JJSEUS	Zhongxin Road, Jiujiangshui, Changping, Dongguan, PRC	1 July 2018 to 30 June 2021	Construction Area (total: 72,118.2 sq ft): <ul style="list-style-type: none"> • Factory: 34,229.2 sq ft • Dormitory: 37,307.7 sq ft • Others: 581.3 sq ft 	Industrial plant for the manufacture of Data-communication products, IoT products and LED lighting products
(“Secondary Factory Building”)					
Aztech Dongguan	JJSEUS	Dormitory Block A, No.5, Jiujiangshui, Changping, Dongguan, PRC	25 August 2020 to 24 August 2025	30,623.3 sq ft	Dormitory

GENERAL INFORMATION ON OUR GROUP

Lessee	Lessor	Location	Term	Approximate floor area	Use of property and products produced (where applicable)
(“New Dormitory”)					
Aztech Dongguan	Shenzhen Tai Hon Wong Property Development Co., Ltd (深圳市大汉王置业有限公司)	Unit 05 and 06, 18/F, Block B, Bojin Business Plaza (博今商务广场), No.1, Tairan 7th Road, Chegongmiao, Futian District, Shenzhen, PRC	1 October 2019 to 30 September 2022	6,588.7 sq ft	Office and R&D centre
Company	HSBC Institutional Trust Services (Singapore) Limited as trustee of Ascendas Real Estate Investment Trust	31 Ubi Road 1, #01-05, Singapore 408694	1 January 2021 – 31 December 2023	1,282.02 square metres	Office and R&D designing, assembly, distribution and repair of data communication, home appliances and LED lighting systems etc only
(“Ubi Office”)					
IOT Manufacturing	Huuvu	No. 8 and 10 Setia Business Park, Jalan Laman Setia 7/4, Taman Laman Setia 81550 Johor Bahru, Malaysia	1 July 2019 – 30 June 2022	45,504 sq ft (built-up)	Industrial plant for the manufacture of Data-communication products, IoT products and LED lighting products
(“IOT Premises”)					
Aztech Technologies	AZ Marine Offshore	15D Pandan Road, Singapore 609266	1 January 2020 – 30 November 2021	28,632 sq ft	Warehouse
Aztech Systems	Excel Treasure Industries Limited	Workshop 23 on 13th Floor of Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	23 April 2019 – 22 April 2022	2,691 sq ft	Office

GENERAL INFORMATION ON OUR GROUP

<u>Lessee</u>	<u>Lessor</u>	<u>Location</u>	<u>Term</u>	<u>Approximate floor area</u>	<u>Use of property and products produced (where applicable)</u>
Aztech Systems	Hong Kong Science and Technology Parks Corporation	Unit 302 to 303 and 305 to 306 of 3rd Floor of Core Building 1, Phase One, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong	8 January 2021 – 7 January 2024	4,939 sq ft	Office

Under the property lease for the Ubi Office, the lessor may terminate the lease by providing six (6) months' notice in writing, if at any time during the term, the lessor decides that the building situated at 31 Ubi Road 1, Singapore 408694 is to be demolished for redevelopment, or such building or any part of it is to be renovated, retrofitted, refurbished or altered (and such renovation, retrofitting, refurbishment or alteration will affect the Ubi Office). Should such termination occur, the Directors are of the view that it will not have a material adverse effect on our Group's operations as our Company will be able to find an alternative office without difficulty and the relocation costs would not be material.

Save for the property lease for the Ubi Office, as at the Latest Practicable Date, none of the property leases for our Group's leased properties as set out in this Prospectus may be unilaterally terminated by the lessor.

Issues relating to the properties that we occupied in the PRC

Dongguan Land and all buildings erected on it

Our main production and ancillary facilities are located on the Dongguan Land. Pursuant to an agreement dated 15 June 2002 for the use of land entered into between our Group and the JJSEU, our Group has the right to use the Dongguan Land for a term of 50 years from 1 October 2002 to 30 September 2052 ("**Lease Agreement**"). JJSEU is now known as JJSEUS after its restructuring in 2006. Our Group had constructed buildings on the Dongguan Land which are primarily used as production facilities, dormitories and canteens. One of the dormitory buildings built on Dongguan Land was erected on the part of the land which is within the red-line zone planned for the Cong-Guan highway ("**Specific Dormitory**"). Besides the buildings, our Group has also erected a few temporary steel-sheet structures currently being used as warehouses and workshops.

As at the Latest Practicable Date, neither our Group nor JJSEUS has obtained (i) the Certificate of State-owned Land Use Rights (国有土地使用权证) / Certificate of Collective-owned Land Use Rights (集体使用权证) for the Dongguan Land; or (ii) the Certificate of Property Right (房屋产权证), construction work planning permits (建设工程规划许可证) or construction work commencement permits (建筑工程施工许可证) for all the buildings erected on it.

Based on the due diligence report issued by our PRC Legal Adviser, the Lease Agreement may not be legally valid, binding and enforceable and our Group's use of Dongguan Land and the buildings erected on it may be disturbed or discontinued. As such, our Group may be required to vacate Dongguan Land and the buildings erected on it. According to our PRC Legal Adviser, the Lease Agreement does not provide for any saving clauses where Aztech Dongguan may have any claim or recourse against the landlord or any other party in the event that the Lease Agreement is held to be illegal, invalid, non-binding or unenforceable.

GENERAL INFORMATION ON OUR GROUP

When our Group commenced construction of the buildings on the Dongguan Land in 2002, we were not familiar with the practice and requirements in the PRC and assumed that either the contractor or the architect would have ensured that all construction related permits were in place. JJEUS was not involved in the construction of the buildings and hence, would only provide assistance to Aztech Dongguan in the application process if so requested by Aztech Dongguan. As Aztech Dongguan is the party exerting right to the buildings on the Dongguan Land, Aztech Dongguan was responsible for and should have ensured that such certificates and permits were obtained.

In 2007, we became aware that the relevant certificates and permits had not been obtained when we learnt about the potential impact the plan to construct the Cong-Guan highway might have on part of the Dongguan Land, and since then, we have been seeking to resolve the issues. There was a delay in resolving the issues due to the construction of the Cong-Guan highway adjacent to the Dongguan Land. Construction of the Cong-Guan highway was completed in 2016 and the effort to resolve the outstanding issues resumed in 2018. In the annual reports of AGRP from 2007 to 2015, AGRP had indicated in the “Notes to Financial Statements” that the Group’s production facilities in the PRC are located on plots of land of which land use rights certificates have not been obtained and it was applying for the land use rights certificate and property ownership certificates in respect of the Dongguan Land and the buildings on it.

On 31 August 2015, DLRB (now merged into DNRB) issued a penalty decision (“**Penalty Decision**”) indicating that our Group had without regulatory approval constructed industrial buildings on collective-owned land, although the Dongguan Land is classified as construction land and is in compliance with the current land utilisation plan. A fine of RMB347,299 was imposed and our Group had paid the fine on 14 September 2015. The Penalty Decision also required the return of the Dongguan Land to JJS. DLRB also issued a notice to JJSEUS on 9 September 2015 requesting it to deal with the Dongguan Land at JJSEUS’ own discretion. JJSEUS had at its discretion, allowed Aztech Dongguan to continue to use the Dongguan Land.

We noted that AGRP had not publicly disclosed the receipt of the Penalty Decision. AGRP has represented to us that the receipt of the Penalty Decision was not an unexpected event as they had been in communication with the relevant authorities including DLRB to resolve the outstanding issues and that they did not see the Penalty Decision as material information which required immediate disclosure for the following reasons:

- (a) the fine imposed under the Penalty Decision was immaterial and there was no immediate requirement for Aztech Dongguan to vacate from Dongguan Land;
- (b) DLRB had also issued a notice to JJSEUS on 9 September 2015 requesting JJSEUS to deal with the Dongguan Land at its own discretion, and JJSEUS had at its discretion, allowed Aztech Dongguan to continue to use the Dongguan Land; and
- (c) having been in communication with the relevant authorities, AGRP was confident of addressing the Penalty Decision and that it will not be required to vacate its premises located on the Dongguan Land.

On 25 October 2018, Aztech Dongguan submitted the forms to register the rectification of title to the buildings constructed on the Dongguan Land (“**Rectification of Title Registration**”).

On 18 March 2020, DNRB Changping Branch issued a clarificatory statement (“**Clarification Statement**”) confirming that, amongst others, Aztech Dongguan had fulfilled its obligations under the Penalty Decision within the applicable statutory time period and the file was closed. Since the file was closed, our Directors believe that there is no outstanding obligation that Aztech Dongguan has to fulfill under the Penalty Decision.

According to the Dongguan City Implementing Rules of Approval Procedures for the Land Use Right and Land Planning Examination of Buildings with Historical Outstanding Issues and Public Facilities Illegally Constructed (《东莞市历史遗留产业类和公共配套类违法建筑补办建设用地使用权审批手续及土地规划审查操作实施细则》) (“**No. 120 Document**”), which was promulgated by DNRB on 20 May 2020, Aztech Dongguan, being the party exerting right to the buildings on the Dongguan Land, may

GENERAL INFORMATION ON OUR GROUP

submit an application for the rectification of the right to use the Dongguan Land, subject to the approvals by the DNRB Changping Branch, DNRB and the Dongguan City Government. The No. 120 Document provides the implementing rules and approval procedure for Dongguan City Title Registration Implementation Plan for Buildings with Historical Outstanding Issues and Public Facilities Illegally Constructed (《东莞市历史遗留产业类和公共配套类违法建筑补办不动产权手续实施方案》) (“No. 14 Document”). The No. 14 Document is the current policy in Dongguan relating to buildings with historical outstanding issues and public facilities illegally constructed and the buildings constructed on the Dongguan Land are buildings with historical outstanding issues.

Our PRC Legal Adviser has further advised that the rectification application under the No. 120 Document may be based on several types of land use rights including, *inter alia*, collective-owned land use circulation, assignment of land use right by agreement, and that this will in turn lead to separate set of requirements and necessary fees.

In view of the No. 14 Document, Aztech Dongguan will be required to furnish further documents and resolve several issues before DNRB Changping Branch will commence initial review on the forms that Aztech Dongguan submitted for the Rectification of Title Registration. As at the Latest Practicable Date, Aztech Dongguan and JJSEUS are still obtaining the necessary documents and resolving the outstanding issues in relation thereto.

DNRB Changping Branch has confirmed to our Group that the use of the Dongguan Land is in compliance with the overall land utilization plan of Changping, the constructed factory buildings on the land have been included in the constructed properties that satisfy the conditions for Title Registration. Aztech Dongguan estimates that the Rectification of Title Registration and the process to obtain the Certificate of State-owned Land Use Rights or the Certificate of Collective-owned Land Use Rights will be completed by March 2022. Changping Town Government has on 3 September 2020 issued a certification to further confirm that until March 2022, the factory buildings and the land in Jiujiangshui occupied by Aztech Dongguan will not be subject to any risk of demolition or being withdrawn from leasing. This was the date provided by Changping Town Government to allow Aztech Dongguan sufficient time to progress with the relevant applications to obtain the certificate of land use rights in respect of the Dongguan Land and to complete the Rectification of Title Registration for the building erected on the Dongguan Land.

In view of the foregoing, Aztech Dongguan has commissioned Guanghe (Dongguan) Law Firm to opine on the issues relating to Dongguan Land. Based on the legal opinion dated 23 February 2021 issued by Guanghe (Dongguan) Law Firm, Guanghe (Dongguan) Law Firm is of the opinion that Aztech Dongguan has the right to continue to use the of Dongguan Land and the buildings on it without any risk of demolition by governmental authorities or repossession by the JJSEUS or the JJS Village Committee up to March 2022. Guanghe (Dongguan) Law Firm has arrived at its opinion based on the following:

- (a) the confirmation by the DNRB Changping Branch that, amongst other things, the use of the Dongguan Land is in compliance with the overall land utilization plan of Changping. The constructed factory buildings on the Dongguan Land satisfy the conditions for the Rectification of Title Registration and the earlier Penalty Decision is considered fulfilled and closed;
- (b) the certificate issued by Changping Town Government stating that, amongst other things, “until March 2022, the factory buildings and the land in Changping, Jiujiangshui village occupied by Aztech Dongguan will not be subject to any risk of demolition or being withdrawn from leasing”; and
- (c) the confirmation by the JJESUS on 1 March 2020 that Aztech Dongguan may continue to use the Dongguan Land until 30 September 2052 under the same terms and conditions of the Lease Agreement.

Guanghe (Dongguan) Law Firm also indicated in their opinion that:

- (a) The above confirmations and certificate issued by the respective DNRB Changping Branch, the Changping Town Government and JJESUS are valid *vis a vis* Aztech Dongguan since the land used by Aztech Dongguan is in the jurisdiction of the Changping Town Government and the DNRB Changping Branch.

GENERAL INFORMATION ON OUR GROUP

- (b) In accordance with Article 24 of the “Administrative Penalty Law of the People’s Republic of China” that two and more fines shall not be imposed to one single illegal act, as such, in principle, there is no risk for Aztech Dongguan to be fined again due to the illegal use of the Dongguan Land. However, in order to complete the Rectification of Title Registration, after the verification of the Rectification of Title Registration, Aztech Dongguan will have to pay a fine of 5% or 7% of the construction costs, the details of the fine payment shall be subject to the completion time of the construction (5% if the construction is completed by 28 May 2008, or 7% if otherwise).
- (c) Aztech Dongguan may simultaneously apply for the certificate of land use rights in respect to the Dongguan Land as well as proceed with the Rectification of Title Registration of its buildings. However, the certificate of land use rights in respect to the Specific Dormitory is unlikely to be obtained because the Specific Dormitory is within the red-line zone planned for the Cong-Guan highway.
- (d) Unless Aztech Dongguan has obtained the certificate of land use rights and completed the Rectification of Title Registration of the buildings, Aztech Dongguan will not be entitled to any compensation payment arising from any requisition of the Dongguan Land.
- (e) In case that Aztech Dongguan fails to obtain the certificate of land use rights and complete the Rectification of Title Registration by March 2022, and if any government agency makes any penalty decision under the relevant administrative laws and regulations to require Aztech Dongguan to demolish the buildings or terminate the leasing arrangement, Aztech Dongguan will, prior to such demolition or termination, have at least six (6) months to seek alternative ways to solve the issues in relation to the penalty decision.
- (f) The latest basis for Aztech Dongguan’s rectification application for the Rectification of Title Registration should be the No. 14 Document. As of the date of the legal opinion, because it involves issues such as the quota for construction land in Changping and the inconsistency of red-line zones of the land parcel, Aztech Dongguan has yet to submit documents in compliance with No. 14 Document. Meanwhile, a prerequisite for Aztech Dongguan’s Rectification of Title Registration is that it has to reach an agreement with the JJS Village Committee in relation to the type of land use rights before continuing the application for the certificate of land use rights and the Certificate of Property Right.

Please refer to the legal opinion from Guanghe (Dongguan) Law Firm set out in “Appendix H – Legal Opinion from Guanghe (Dongguan) Law Firm” to this Prospectus for more details.

The fine of 5% or 7% of the construction costs as stated above is imposed in accordance with the No. 14 Document title registration had not been obtained prior to construction of buildings on the Dongguan Land. The amount of the fine will be determined after Aztech Dongguan is able to proceed with the application of the certificate of land use rights in respect of the Dongguan Land and the Rectification of Title Registration has been completed. We estimate the fine to be between approximately RMB1.9 million to RMB2.7 million (equivalent to approximately S\$0.4 million to S\$0.6 million) and if levied, our Group will pay the fine using its internal resources. The fine, if levied, will not have a material impact to our Group’s financials.

As at the Latest Practicable Date, Aztech Dongguan expects the Rectification of Title Registration to be completed by March 2022. However, for the application to continue, Aztech Dongguan and JJS Village Committee will need to confirm on the type of land use of either state-owned construction land (国有建设用地) or collectively-owned construction land (集体建设用地) on which the application will be based.

According to Guanghe (Dongguan) Law Firm:

- (i) the right to use state-owned construction land means that Aztech Dongguan may obtain the right to use state-owned construction land by way of an agreed grant through a “state-owned construction land grant contract” between Aztech Dongguan and DNRB, subject to the No. 14 Document and the No. 120 Document in relation to the rectification of property titles. Once Aztech Dongguan obtains the Certificate of State-owned Construction Land Use Rights, the land use agreement between Aztech Dongguan and JJSEU will be terminated. After registration of the Certificate of State-owned Construction Land Use Rights, Aztech Dongguan will directly obtain the state-owned construction land use right from the state without the requirement to lease the Dongguan Land from JJSEU; and

GENERAL INFORMATION ON OUR GROUP

- (ii) the right to use collectively-owned construction land means that Aztech Dongguan may obtain the right to use collectively-owned construction land by way of a circulation through a “collectively-owned construction land circulation contract” between Aztech Dongguan and the JJS Village Committee, subject to the No. 14 Document and the No. 120 Document in relation to the rectification of property titles. Once Aztech Dongguan and the JJS Village Committee agree to proceed in this way, Aztech Dongguan may obtain the right to use the Dongguan Land subject to the terms of such contract and the laws relating to circulation of the right to use collective-owned construction land (that is, the JJS Village Committee will be the owner of the collectively owned construction land and Aztech Dongguan will be the party with the right to use the collectively owned construction land).

Guanghe (Dongguan) Law Firm has advised that, subject to the agreement between Aztech Dongguan and the JJS Village Committee on the type of land use rights, Aztech Dongguan may, after taking into consideration the provisions in the No. 120 Document, the current land use status of Dongguan Land and the completion dates of the buildings on Dongguan Land, proceed to apply for the certificate of land use rights through one of the following methods:

- (a) to apply for the right of use of state-owned construction land by way of an agreed grant through a “state-owned construction land grant contract” and submit the following documents, among others, to the relevant PRC authorities:
 - (i) various forms and application materials;
 - (ii) description of the plot project (including planning red line map and photocopy) with opinions of the local town/street (zone) planning department and Rectification Title Registration Office;
 - (iii) copies of opinions of relevant authorities such as environment, fire protection, water conservancy (as the case may be) (any land used for industrial purpose or any purpose which have substantial impact on environment shall provide a copy of environment statement);
 - (iv) a copy of the Penalty Decision issued by the urban management enforcement authority and proof of payment;
 - (v) copies of approval documents for Dongguan Land to be designated as construction land;
 - (vi) undertaking from Aztech Dongguan to undertake the responsibility of soil pollution prevention and control and implement the subsequent commitment of soil pollution prevention and control measures; and
 - (vii) a “state-owned construction land grant contract” to be entered into between Aztech Dongguan and DNRB. The reserve price shall be determined collectively based on the valuation of the land. The final price shall not be lower than the reserve price and shall not be lower than 70% of the benchmark land price of the same land grade where Dongguan Land is located. Meanwhile, the tenure shall not be longer than the maximum tenure stipulated by the state (50 years for industrial land); or
- (b) to apply for the right of use collectively-owned construction land by circulation and submit the following documents, among others, to the relevant PRC authorities:
 - (i) various forms and application materials;
 - (ii) a copy of the “Collectively-owned Land Title Certificate” or other ownership certificate issued by the relevant natural resources’ management authorities;
 - (iii) signed approval by the requisite number of members of JJS at a meeting held in accordance with the relevant rules;
 - (iv) project approval, verification or filing documents;

GENERAL INFORMATION ON OUR GROUP

- (v) description of the plot project (including planning red line map and photocopy) with opinions of the Changping planning department and the Dongguan City Changping Town Property Rectification Title Registration Office;
- (vi) copies opinions of relevant authorities such as environmental, fire protection, water conservancy (as the case may be) (any land used for industrial purpose or any purpose which have substantial impact on environment shall provide a copy of environment statement);
- (vii) the Penalty Decision issued by the urban management enforcement authority and proof of payment;
- (viii) approval documents for Dongguan Land to be designated as construction land;
- (ix) undertaking from Aztech Dongguan to undertake the responsibility of soil pollution prevention and control and implement the subsequent commitment of soil pollution prevention and control measures; and
- (x) the circulation grant tenure and price shall be agreed between the JJS Village Committee and Aztech Dongguan save for the tenure shall not be longer than the maximum tenure (50 years for industrial land) stipulated by the state and the price of circulation shall not be lower than the lowest price of industrial land in Dongguan.

As at the Latest Practicable Date, the final price under either the state-owned construction land grant contract or the circulation contract has not been determined. Such price will only be determined after Aztech Dongguan has commenced the application process for the construction land use rights and will be payable by Aztech Dongguan upon its entry into of the state-owned construction land grant contract or the circulation contract, as the case may be. Our Group intends to fund such price using a combination of internal resources and/or bank borrowings.

As at the Latest Practicable Date, there is no disagreement between Aztech Dongguan and the JJS Village Committee in relation to the type of land use the rectification application will be based on. However, as the documents required to be submitted and the issues to be solved differ depending on the type of land use (either collectively-owned construction land or state-owned construction land) on which the rectification application will be based, the parties in question are still exploring the most efficient way to obtain the outstanding documents and solve the outstanding issues before making a decision on the type of land use rights on which the rectification application will be based.

As at the Latest Practicable Date, our Group expects Aztech Dongguan to conclude its discussions with the JJS Village Committee and to confirm the type of land use which the rectification application will be based on by the fourth quarter of 2021. Save for the foregoing and as at the Latest Practicable Date, our Directors are not aware of any other major issue which Aztech Dongguan may face in the application for the Rectification of Title Registration. Notwithstanding the foregoing, there is no assurance whether other issues may arise when DNRB Changping Branch commences initial review of the application forms or any other documentation that Aztech Dongguan submitted or will be submitting for the Rectification of Title Registration.

As there is no assurance that all the issues relating to the Dongguan Land will be resolved, in the event that an administrative penalty decision be made to require Aztech Dongguan to demolish the buildings or terminate the Lease Agreement, our Group is required to write off the net book value of the Dongguan Land and the buildings on the Dongguan Land which amounted to approximately S\$3.0 million as at 30 September 2020.

As at the Latest Practicable Date, Aztech Dongguan has not obtained the Certificate of State-owned Land Use Rights or the Certificate of Collectively-owned Land Use Rights, nor has it completed the Rectification of Title Registration. Our Company will provide updates on the material developments in relation to this issue post-Listing.

Guanghe (Dongguan) Law Firm has confirmed that the No. 120 Document contains the detailed procedures set out by the DNRB subsequent to the No. 14 Document and is not relevant at this stage

GENERAL INFORMATION ON OUR GROUP

because Aztech Dongguan and the JJS Village Committee have to reach an agreement on the type of land use rights before the procedures under the No. 120 Document are applicable. Guanghe (Dongguan) Law Firm is of the view that the No. 120 Document is not applicable such an agreement is reached between the JJS Village Committee and Aztech Dongguan, they will not refer No. 120 Document in their legal opinion.

Contingency plan

In the event that an administrative penalty decision be made to require Aztech Dongguan to demolish the buildings or terminate the leasing arrangement, Guanghe (Dongguan) Law Firm has advised that under Article 46 of Administrative Procedure Law of the PRC, if a citizen, a legal person or any other organization applies for reconsideration of an administrative decision before a people's court, he or it shall do so within six (6) months from the day when he or it knows that a specific administrative act has been undertaken, except as otherwise provided for by law. Accordingly, should Aztech Dongguan receive any such administrative decision, it will have at least six (6) months to make an application to the courts for reconsideration. In view of the foregoing, Aztech Dongguan will have at least six (6) months to relocate.

While any such administrative penalty decision will affect only our Group's production which is located on the Dongguan Land, in planning for contingency for the scenario, our Group assumes that a separate administrative penalty decision will also be served on the landlord of the Secondary Factory Building since the landlord has also not obtained the relevant land use rights and building certificates, and that we are also required to vacate from the Secondary Factory Building.

If relocation is required, our Group intends to source for a site within Dongguan (failing which other cities in the PRC will be considered) of approximately 30,000 square metres to relocate its manufacturing facility. To the best of our Group's knowledge, the market rental for industrial buildings in Dongguan area is estimated to be about S\$3 per square metre as at the Latest Practicable Date. Our Group estimates the total costs of relocation of existing production equipment and the fitting out of the new manufacturing facility to be approximately S\$2.0 million. If relocation is required, our Group intends to fund such relocation costs using internal resources and believes that the relocation can be completed and full production can commence within three (3) months after the lease of the new site is secured. Where possible, the relocation will be done by our Group in phases and production will run concurrently to minimise disruption of supply to our customers.

The expected duration of the downtime affecting our Group's operations from the discontinuation of the use of the Dongguan Land is expected to be minimal as our Group will be relocating in phases to ensure there would be minimal disruption to our Group's production schedule. Furthermore, our Group may increase its production ahead of its delivery schedule to cater for any potential down time of its production lines. This approach is not new to our Group as we typically increase our production ahead of Chinese New Year and the Golden Week in the PRC in anticipation of production down time due to the closure of plants during such holiday periods. As such, our Group does not anticipate any material impact on our financials as there would be minimal production downtime and impact on our operations.

Further, our Group may also relocate our dormitory or make alternate arrangement such as paying accommodation allowance instead of arranging for employee accommodation. If our Group decides to pay accommodation allowance instead of operating our own dormitory, our Group expects the total accommodation allowance to be in line with the cost of operating our own dormitory. Our Group does not foresee a significant increase in cost for any alternate arrangement for the accommodation of the employees.

The above contingency plans for our Group's properties in the PRC assumes that either the COVID-19 pandemic will be over by March 2022 or if the COVID-19 pandemic is not fully contained by March 2022, there will not be any restrictive measures imposed by the PRC authorities after March 2022 requiring a lockdown or social distancing measures.

In addition, the IOT Premises has commenced production in August 2020 and is primarily engaging in manual assembly and packaging. The IOT Premises currently has seven (7) assembly lines. Recognising that the production capacity at our manufacturing facilities located in the PRC and Malaysia may limit our ability to increase our revenue, we are planning to expand and enhance our

GENERAL INFORMATION ON OUR GROUP

manufacturing facilities especially the IOT Premises. As at the Latest Practicable Date, it is expected that the total built-up area of our IOT Premises will increase from approximately 45,500 sq ft to approximately 86,000 sq ft and an additional nine (9) more assembly lines will be installed when the expansion and enhancement of the IOT Premises is completed by the first half of FY2021. With this additional built-up area, coupled with a reconfiguration of the assembly lines at the IOT Premises, the IOT Premises will have space for the further installation of up to another 19 assembly lines, bringing the total to up to 35 assembly lines, if the need arises.

We have also recently installed two (2) SMT production lines at the IOT Premises which is undergoing commissioning as at the Latest Practicable Date and will have a maximum annual capacity of approximately 14,880 in machine hours, as compared to the maximum annual capacity at our manufacturing facilities in the PRC of approximately 194,688 machine hours in FY2019. A third SMT production line will be installed at the IOT Premises by the first half of FY2021. We estimate that the three (3) SMT production lines will have, in aggregate, a maximum annual capacity of approximately 21,120 in machine hours. In terms of production volume, we estimate that the three (3) SMT production lines at the IOT Premises can, in aggregate, have a maximum annual capacity in machine hours of up to 11% of the maximum annual capacity in machine hours of the SMT production lines at our manufacturing facilities in PRC. In addition, our Group has the option to outsource the production of PCBAs to third party sub-contractors if the need arises. As all stencils and fixtures required for the production process can be readily transported to third party sub-contractors, these sub-contractors will be able to start production on short notice. While there are no plastic injection moulding machines at the IOT Premises as at the Latest Practicable Date, our Group has identified and shortlisted plastic injection factories in Malaysia that have the capacity and machines to produce the plastic parts required by our Group.

Where necessary, a substantial part of our Group's production requirements for products which are of a comparatively higher value may be shifted to the IOT Premises to mitigate any potential negative impact on our Group's financials.

Accordingly, in the unlikely event that our Group is unable to relocate our production facilities in PRC within the six (6) months' grace period and that the tenancy for the Secondary Factory is terminated at the same time, it is expected that the IOT Premises will be able to, following completion of the abovementioned expansion and enhancement works by the first half of FY2021, handle up to 60% of the production (in value) of our Group's production requirements through selective production of products which are of a comparatively higher value.

Issue relating to Specific Dormitory

Guanghe (Dongguan) Law Firm is of the opinion that the certificate of land use rights in respect to the Specific Dormitory is unlikely to be obtained because of the red-line zone planned for the Cong-Guan highway. Notwithstanding the foregoing, our Group has included the Specific Dormitory in the Rectification of Title Registration. Our Group has not given up on trying to obtain the title document for the Specific Dormitory as the Cong-Guan highway has already been built, and the Specific Dormitory has not in any way obstructed the operation of the Cong-Guan highway. Other than having a lower chance of success, our Group does not expect the application timeline for the title document for the Specific Dormitory to differ from the application timeline for the other buildings. Our Group is prepared to demolish this building if so required by the authority and relocating the workers who reside in this dormitory building to other vacate dormitories in the vicinity. Our Directors are of the view that such relocation will not have a material impact to our Group.

Reserved Land and Annex Land

Similar to the Dongguan Land, neither our Group nor JJSEUS has obtained the relevant land use rights certificate for the Reserved Land and the Annex Land. As such, the leases of the Reserved Land and the Annex Land may not be legally valid, binding and enforceable.

There is currently no building constructed on the Reserved Land, and our Group has no intention to construct any building on the Reserved Land. Our Group is contemplating the novation of the lease agreement of the Reserved Land to a third party. On 29 December 2019, our Group signed a non-binding letter of intent with a third party for the disposal of the Reserved Land. Further negotiations

GENERAL INFORMATION ON OUR GROUP

in relation thereto will only continue after the travelling restrictions are lifted. Notwithstanding the entering into of such a letter of intent, our Group is not prohibited to look for any other third party to novate the lease agreement of the Reserved Land. Our Directors are of the view that there will be no material financial impact to our Group whether or not the disposal of the Reserved Land materialises.

There is currently no permanent building constructed on the Annex Land, and our Group has no intention to construct any building thereon. The lease for Annex Land is short term in nature and is currently used as an outdoor temporary storage for non-essential goods (with a portion of the space covered with a temporary rain shelter) and a basketball court for employees' recreation. On 19 March 2019, DNRB issued a penalty decision for the unauthorised construction of the temporary rain shelter and the basketball court on the Annex Land. Aztech Dongguan has paid its fine, and DNRB Changping Branch has confirmed that Aztech Dongguan has fulfilled its obligation under the penalty decision. Our Group is currently exploring the possibility of obtaining the relevant permission to retain the temporary rain shelter and the basketball court till the lease expires and if such permission is not granted by DNRB Changping Branch, our Group will dismantle the temporary shelter and the basketball court. The lease of the Annex Land is for a period of five (5) years and is due to expire on 30 June 2022. Our Group does not intend to lease it on a long term basis. In the event that the lease of Annex Land is terminated or not renewed or should our Group be required to vacate the Annex Land, our Group will dismantle the temporary shelter and the basketball court and move the goods stored on the Annex Land to other warehouses of our Group.

Our Directors are of the view that there will be no material impact to our Group if the leases of the Reserved Land and the Annex Land are terminated.

Secondary Factory Building and New Dormitory

Our Group is aware that the landlord has not obtained the relevant land use right certificate, the real estate ownership certificate, construction work planning permit and construction work commencement permit, and as such, there is a risk that the lease of the Secondary Factory Building and the New Dormitory may not be legally valid, binding and enforceable and the use of the Secondary Factory Building and the New Dormitory may be disturbed or discontinued. The lease of the Secondary Factory Building and the New Dormitory is short term in nature, and it is not material for our Group's operations. While the Secondary Factory engages primarily in manual assembly and packaging, it handles less than 10% of our Group's manual assembly and packaging operations as at the Latest Practicable Date as the bulk of such operations are carried out in the main production facility at the Dongguan Land. While there is no guarantee that any penalty decision by DNRB or DNRB Changping Branch, if given, will not be directed at Aztech Dongguan, our Directors do not foresee that such penalty, if given and directed at Aztech Dongguan, will have a material impact on the financials of our Group since Aztech Dongguan is only a tenant of these buildings and was not involved in the construction of the building. In the event that the lease of the Secondary Factory Building or the New Dormitory is terminated or not renewed or should our Group be required to vacate the Secondary Factory Building, our Group does not foresee difficulties in (i) finding a replacement site and (ii) relocating its operations, and even if our Group fails to find a replacement site, our Group may make other arrangements such as paying accommodation allowances to the affected employees for them to arrange for their own accommodation and sub-contracting the assembly works. Our Directors are of the view that there will be no material impact to our Group if the leases for the Secondary Factory Building and the New Dormitory are terminated.

Updates on material developments

While we have a contingency plan to relocate our main production facilities on Dongguan Land should an administrative penalty decision be made to require Aztech Dongguan to demolish the buildings or terminate the Lease Agreement, no inference can be drawn on the certainty of such penalty decision if the Rectification of Title Registration is not completed by March 2022.

We will keep Shareholders updated and make timely announcements *via* SGXNET as and when there are any material developments in relation to the issues relating to the Dongguan Land as set out above, and the status of the discussions between Aztech Dongguan and the JJS Village Committee with respect to the Rectification of Title Registration process (including whether any delay is anticipated in the Rectification of Title Registration process) in our periodic and full year financial results announcements.

GENERAL INFORMATION ON OUR GROUP

Expansion of IOT Premises

Our Group is undertaking expansion and enhancement works at this facility, which is expected to cost approximately RM10.5 million (equivalent to approximately S\$3.4 million), out of which approximately RM7.2 million (equivalent to approximately S\$2.4 million) have been incurred as at the Latest Practicable Date. Following the completion of such renovation and expansion works, which is expected to be by the first half of FY2021, the total built-up area of our IOT Premises will increase from approximately 45,500 sq ft to approximately 86,000 sq ft.

Production Facilities and Utilisation

As at the Latest Practicable Date, we have a total of 23 SMT production lines and 58 sets of plastic injection moulding machines and 65 assembly lines at our production facilities located in Dongguan, PRC. As at the Latest Practicable Date, we have three (3) SMT production lines, 20 assembly lines and two (2) packaging lines at our IOT Premises. As at the Latest Practicable Date, we do not have any plastic injection moulding machines at our IOT Premises.

Please refer to the section entitled “General Information on our Group – Manufacturing and Production Process” of this Prospectus for more information on our production process.

The following table shows the maximum annual capacity in machine hours and estimated utilisation rate for our SMT and plastic injection moulding machines at our production facility on the Dongguan Land:

	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>FY2020</u>
Maximum annual capacity (in machine hours)⁽¹⁾⁽³⁾⁽⁴⁾				
SMT production lines	207,168	194,688	138,528	193,440
Plastic injection moulding machines	247,104	252,096	233,376	328,464
Estimated utilisation rate (%)⁽²⁾⁽³⁾⁽⁴⁾				
SMT production lines	72.07	68.88	60.73	62.56
Plastic injection moulding machines	76.17	95.62	69.54 ⁽⁵⁾	62.59

Notes:

- (1) Annual machine hours capacity is computed as follows: (Number of machines) x (24 hours per day) x (26 days per month) x 12 months.
- (2) Utilisation rates are computed based on the estimated number of hours that our machines are in operation divided by the maximum annual capacity.
- (3) The figures above do not include any production capacity of our IOT Premises, which commenced operations only in the third quarter of 2020 and engages primarily in manual assembly and packaging. We are unable to estimate the maximum annual capacity of the assembly lines at our IOT Premises as such production capacity can be readily increased or decreased based on the customer's order and production plan, and is also dependent principally on the type of products, availability of factory floor space and the supply of labour. The IOT Premises can accommodate approximately 35 conveyor lines of 18 metres each, compared to the current capacity of 70 conveyor lines of 20m each at our production facility at the Dongguan Land.
- (4) The figures above do not include the activity at the Secondary Factory Building, which engages primarily in manual assembly and packaging. Production capacity at the Secondary Factory Building can be readily increased or decreased based on the customer's order and production plan, and the maximum capacity depends principally on the type of products, availability of factory floor space and the supply of labour. The Secondary Factory Building can accommodate approximately 10 conveyor lines of 20 metres each, compared to the current capacity of 70 conveyor lines of 20 metres each at our production facility at the Dongguan Land.
- (5) Our Group had invested in additional factory equipment for plastic injection moulding, which has further increased our Group's capacity for plastic injection moulding works. As a result, our Group's utilisation rate for plastic injection moulding had decreased in 9M2020 and FY2020.

Our annual production capacity and utilisation rate had decreased in 9M2020 due to the closure of our Group's manufacturing facility in the PRC for a longer period than usual from January to March 2020, as a result of the lockdowns instituted by the central government of the PRC due to the COVID-19 pandemic.

GENERAL INFORMATION ON OUR GROUP

Fixed Assets

As at 31 December 2019 and 30 September 2020, the aggregate net book value of our leasehold property, computer and office equipment, factory equipment, factory furniture and fittings, office furniture and fittings, R&D equipment and tools, software applications and motor vehicles was approximately S\$22.2 million and S\$22.5 million, respectively. Please refer to the section entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations” of this Prospectus for more information.

No valuation has been made on our leasehold property for the purpose of inclusion in this Prospectus. To the best of our Directors’ knowledge, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above fixed assets, save as disclosed in the sections entitled “Risk Factors” and “Government Regulations” of this Prospectus.

Save for hire purchase in respect of several motor vehicles, none of our fixed assets is subject to any mortgage, pledge or any other encumbrances or otherwise used as security for any bank borrowings.

LICENCES, PERMITS AND APPROVALS

As at the Latest Practicable Date, our Group holds the following licences, permits and approvals which are material to our operations:

<u>Name of Licence / Permit/Approval</u>	<u>Issuing Entity</u>	<u>Month and Year of Issue</u>	<u>Month and Year of Expiry</u>	<u>Description</u>
Aztech Technologies				
Telecommunication Dealer’s Class Licence	Infocomm Media Development Authority of Singapore	June 2009	Valid until cancelled or suspended	Licence in respect of the manufacture, importation, letting for hire, sale, or offer or possession for sale of telecommunication equipment
Telecommunication Wiring Contractor’s Class Licence	Infocomm Media Development Authority of Singapore	December 2014	Valid until cancelled or suspended	Licence in respect of undertaking the functions of a telecommunication wiring contractor (i.e. the installation, maintenance or repair of any internal telecommunication wiring work connected to the Public Switch Telephone Network)
Aztech Dongguan				
Pollutant Emission Permit (广东省污染物排放许可证)	Dongguan Ecological Environment Bureau (东莞市生态环境局)	November 2019	November 2022	Permit for discharge of pollutants
Custom certificate (海关单位注册登记证书)	Changping office, Huangpu Customs District, PRC (中华人民共和国黄埔海关驻常平办事处)	September 2014	No expiry	Certificate for custom declaration
Radiation Safety Licence (辐射安全许可证)	Dongguan Ecological Environment Bureau (东莞市生态环境局)	June 2019	June 2024	Licence for the use of III-ray device

GENERAL INFORMATION ON OUR GROUP

<u>Name of Licence / Permit/Approval</u>	<u>Issuing Entity</u>	<u>Month and Year of Issue</u>	<u>Month and Year of Expiry</u>	<u>Description</u>
<i>Aztech Systems</i>				
Radio Dealers Licence (Unrestricted)	Communications Authority of Hong Kong	January 2021	January 2022	Licence to deal in the course of trade in apparatus or material for radio-communications (or in any component, parts of any such apparatus or apparatus that generates and emits radio waves, whether it is intended for radio-communications or not) in Hong Kong
<i>IOT Manufacturing</i>				
Business Licence	Iskandar Puteri City Council	September 2019	December 2021	Licence to carry on business as electronic and electrical manufacturing factory and to place the signboard for advertisement at 8, Jalan Laman Setia 7/4, Taman Laman Setia 81550 Gelang Patah, Johor, Malaysia
Business Licence	Iskandar Puteri City Council	September 2019	December 2021	Licence to carry on business as electronic and electrical manufacturing factory and to place the signboard for advertisement at 10, Jalan Laman Setia 7/4, Taman Laman Setia 81550 Gelang Patah, Johor, Malaysia
Manufacturing Licence	Ministry of International Trade and Industry of Malaysia	June 2019	Nil	Licence to act as a licenced manufacturer at No. 8 & 10, Jalan Laman Setia 7/4, Taman Laman Setia 81550 Gelang Patah, Johor, Malaysia to manufacture smart cameras and smart solid state lightings, accessories and parts thereof.

GENERAL INFORMATION ON OUR GROUP

Name of Licence / Permit/Approval	Issuing Entity	Month and Year of Issue	Month and Year of Expiry	Description
Fire certificate	Fire and Rescue Department of Malaysia	October 2020	October 2021	Fire certificate issued in respect of the premises located on No. 8, Jalan Laman Setia 7/4, Taman Laman Setia 81550 Gelang Patah, Johor, Malaysia for the compliance of life safety, fire prevention, fire protection and fire fighting requirements under the Fire Services Act 1988
Fire certificate	Fire and Rescue Department of Malaysia	November 2020	November 2021	Fire certificate issued in respect of the premises located on No. 10, Jalan Laman Setia 7/4, Taman Laman Setia 81550 Gelang Patah, Johor, Malaysia for the compliance of life safety, fire prevention, fire protection and fire fighting requirements under the Fire Services Act 1988
Certificate of fitness	Department of Occupational Safety and Health Malaysia	March 2020	June 2021	Certificate of fitness issued for the operation of "Air/ Vacuum/ N2 Tank 500 litres X-1/ 10.34 Bar OD605 x 1524SL (Serial No. JH PMT 85683"
Certificate of fitness	Department of Occupational Safety and Health Malaysia	March 2020	June 2021	Certificate of fitness issued for the operation of "Air/ Vacuum/ N2 Tank 500 litres X-1/ 10.34 Bar OD605 x 1524SL (Serial No. JH PMT 85684"
Certificate of fitness	Department of Occupational Safety and Health Malaysia	January 2021	April 2022	Certificate of fitness issued for the operation of one (1) unit of machine classified as "Good Hoist"

As at the Latest Practicable Date, none of the aforesaid licences, permits and approvals which are material to the business and operations of our Group has been suspended, revoked or cancelled. There are at present no facts or circumstances which would cause such licences to be suspended,

GENERAL INFORMATION ON OUR GROUP

revoked or cancelled as the case may be or for any applications for, or for the renewal of, any of these licences to be rejected by the relevant authorities.

Save as disclosed above, our Group does not require any other governmental licences, permits or approvals in respect of its operations apart from those pertaining to general business registration requirements.

Our wholly-owned subsidiary, Aztech Systems, sold and distributed modems and routers (“**Telecommunication Products**”) within Hong Kong from 2004 to 5 January 2020 without a Radio Dealers Licence (Unrestricted) granted by the Communications Authority of Hong Kong (“**CA**”) and imported and exported the Telecommunication Products from June 2019 to 5 January 2020 without a permit issued by CA. The directors of Aztech Systems were unaware that the Telecommunication Products are regarded as radio-communications transmitting apparatus under the Telecommunication Ordinance (Cap. 106 of the Laws of Hong Kong) (“**TO**”) until they were advised by our Legal Adviser on Hong Kong Law, Stephenson Harwood, on 23 December 2019 during the preparation of the Listing that the Telecommunication Products would appear to be radio-communications transmitting apparatus under the TO subject to licensing and permit requirements. Based on the advice of Stephenson Harwood, Aztech Systems applied for a Radio Dealers Licence (Unrestricted). On 6 January 2020, Aztech Systems successfully obtained the Radio Dealers Licence (Unrestricted) issued by CA (“**Licence**”) and is licensed to sell radio-communications apparatus (including the Telecommunication Products) and import into or export from Hong Kong radio-communications transmitting apparatus (including the Telecommunication Products). As at the Latest Practicable Date, the Licence is still valid.

Under section 8(1) of the TO, a Radio Dealers Licence (Unrestricted) is required for dealing in the course of trade in apparatus or material for radio-communications (or any component, parts of any such apparatus or apparatus that generates and emits radio waves, whether it is intended for radio-communications or not) in Hong Kong. Pursuant to section 20 of the TO, any person who contravenes section 8(1) of the TO shall be guilty of an offence and may be liable on a summary conviction, to a fine of HK\$50,000 and imprisonment for 2 years; and on conviction on indictment, to a fine of HK\$100,000 and imprisonment for 5 years.

Under section 9 of the TO, any person who wishes to import to or export from Hong Kong any radio-communications transmitting apparatus will need to obtain a permit granted by the CA unless he is a holder of a Radio Dealers Licence (Unrestricted). Pursuant to section 21 of the TO, any person who contravenes section 9 of the TO may be liable on summary conviction to a fine of HK\$25,000 and imprisonment for 12 months.

Section 32 of the TO provides that where a person by whom an offence under the TO is committed is a corporation and it is proved that the offence was committed with the consent or connivance of a director or other officer concerned in the management of the corporation, the director or other officer shall be guilty of the like offence.

As advised by Stephenson Harwood, the Legal Adviser to our Company on Hong Kong Law, a time-bar defence is open to Aztech Systems and its directors for any offence under section 9 of TO, and will operate as a complete defence to all the import and export activities of Aztech Systems before the issuance of the Licence:

- (1) Under section 26 of Magistrates Ordinance (Cap.227) (“**MO**”), complaint or information in respect of an offence (other than an indictable offence) should be made/laid within 6 months from the time when the matter arose.
- (2) Offence under section 9 of TO is not an indictable offence. Section 26 of MO is therefore applicable.
- (3) In the premises, as the Licence has been issued for more than six months, Aztech Systems is unlikely to be prosecuted or penalized for import and export activities before the issuance of the Licence (i.e. 6 January 2020).

As advised by Stephenson Harwood, the Legal Adviser to our Company on Hong Kong Law, based on a verbal enquiry it made with the CA which is responsible for the prosecution of offences under the TO

GENERAL INFORMATION ON OUR GROUP

on 15 January 2020 on a without prejudice and no-name basis, the enforcement action that may be taken by the CA against Aztech Systems would likely be a monetary penalty of approximately HK\$1,000 to HK\$3,000 and the forfeiture of radio-communications transmitting apparatuses of Aztech Systems for the previous breaches of section 8(1) of the TO and that it is unlikely for a person convicted under sections 8(1) of the TO to be sentenced to imprisonment.

After considering the application of section 32 of the TO and the confirmation by Aztech Systems that the non-compliance incidents were attributable to the directors of Aztech Systems all of whom are non-Hong Kong residents being unaware of and unfamiliar with the Hong Kong laws including the TO in the past and that its directors did not consent to Aztech Systems operating its business without the Radio Dealers Licence (Unrestricted) as well as the application of the Radio Dealers Licence (Unrestricted) by Aztech Systems was a result of legal advice obtained from Stephenson Harwood during the preparation for the Listing, Stephenson Harwood, the Legal Adviser to our Company on Hong Kong Law is of the opinion that the chance of prosecution or penalty against the directors of Aztech Systems for the previous breach of section 8(1) of the TO is unlikely. In the unlikely event that Aztech Systems and/or its directors are prosecuted or penalised under section 8(1) of the TO, the corporation and/or its directors may be subject to (a) on summary conviction, to a maximum fine of HK\$50,000 and maximum imprisonment for 2 years, and (b) on conviction on indictment, to a maximum fine of HK\$100,000 and maximum imprisonment for 5 years. As at the Latest Practicable Date, there has not been any prosecution or penalty reported against Aztech Systems or any of its directors or other officers.

As Aztech Systems has obtained and renewed the Licence, our Directors are of the view that the failure to obtain a Radio Dealers Licence (Unrestricted) for the period from 2004 to 5 January 2020 will not materially affect our Group's business operations in Hong Kong.

To the best of our knowledge, as at the Latest Practicable Date, our Group has obtained all requisite approvals and is in compliance with the laws and regulations that would materially affect our Group's business operations in the various jurisdictions which our Group operates.

Please refer to the section entitled "Government Regulations" of this Prospectus for further information.

SEASONALITY

We do not experience any seasonality in particular. However, as with most businesses with a manufacturing base in the PRC, we experience lower production volume during the Chinese New Year holidays each year as many offices and factories are closed during this period. In addition, we generally experience higher sales volume in the second half of the year. The seasonal variations that we have experienced in the past may not be reflective of our sales trend in the future.

AWARDS, ACCOLADES AND ACCREDITATION

Our Group's commitment to excellence and our strong reputation is demonstrated by awards, accolades and accreditations we have received, some of which are set out below:

Year	Awarding Organisation	Awarded To	Award / Recognition
2017	Hong Kong Trade Development Council	AZ E-Lite HK	10th Hong Kong Lighting Design Competition – Open Group – Champion
2019	CPC Changping Town Committee, Changping Town Government	Aztech Dongguan	Top 20 in total exports in Changping 2019 award
2019	CPC Changping Town Committee, Changping Town Government	Aztech Dongguan	Top 20 value contribution to Changping 2019 award
2020	Guangdong Science and Technology Department, Department of Finance of Guangdong Province, Guangdong Provincial Office of the State Administration of Taxation, Local Taxation Bureau of Guangdong Province	Aztech Dongguan	Certificate of High-Tech Enterprise (高新技术企业证书)

COMPETITION

We operate in a competitive environment and face competition from new and existing competitors based in Singapore, PRC and elsewhere. We believe that the principal competitive factors for the industry and space that we operate in include product quality, pricing, manufacturing and delivery lead time, as well as design and engineering capabilities. Please refer to the following sections of the Independent Market Research Report for more details of our competitive landscape:

- paragraph 3.2.2, “Profiles of Key Players” for more details of other key players in the IoT and Data-communication market; and
- paragraph 4.3.2, “Profiles of Key Players” for more details of other key players in the global LED lighting market.

According to Frost & Sullivan, the IoT market is highly competitive and fragmented due to the presence of many large and small industry players operating in the domestic as well as in the international market, and the global LED lighting market is fragmented with major international players dominating the industry.

Our Directors believe that for new entrants to compete effectively, they require the necessary technical knowledge, track record and ability to produce products of similar quality. We have undergone various rigorous qualification and audit processes to be appointed as an approved supplier by our major customers. Our strong core competencies in R&D, design, engineering and manufacturing, enable us to optimise our production and ensure we are efficient and effective. The expertise and capability to meet and manage these requirements can only be built through years of experience in providing precision manufacturing services. In addition, according to Frost & Sullivan, moving forward, LED lighting manufacturers globally are increasingly looking to comply with the regulations laid down by regulatory bodies in various countries. This is likely to reduce the sales of non-compliant products in countries with stricter regulations, therefore limiting the growth opportunities for LED lighting manufacturers that are not able to meet specific levels of quality standards. As such, our Directors believe that new entrants will have significant difficulties in providing the same level of services as the experienced industry players in the short term.

To the best of our knowledge, we consider the following to be our key competitors:

Business-to-business markets – provision of ODM, JDM and CMS services**CMS**

(i) Foxconn Technology Group, (ii) Pegatron Corporation, (iii) Venture Corporation Limited, (iv) Flextronics Inc., (v) Jabil Inc., (vi) Celestica Inc. and (vii) Valuetronics Holdings Limited.

ODM / JDM

(i) Pegatron Corporation, (ii) Wistron Corporation, (iii) Inventec Corporation, (iv) Zinwell Corporation, (v) TP-Link Technologies Co., Ltd., and (vi) Venture Corporation Limited.

Business-to-consumer markets – sale of products under our brand**IoT Devices and Data-communication products**

(i) Xiaomi Corporation, (ii) TP-Link Technologies Co., Ltd., (iii) Belkin International, Inc., (iv) Netgear Inc., (v) Samsung Electronics Co., Ltd. and (vi) D-Link Corporation.

LED lighting / smart lighting products

(i) Signify N.V., (ii) Singapore Technologies Engineering Ltd, (iii) Lumica (Asia) Pte. Ltd. and (iv) Davis Electronics Co. Inc.

None of our Directors, Substantial Shareholders, Executive Officers or their respective Associates has any interest, direct or indirect, in any of the above competitors.

COMPETITIVE STRENGTHS

We have a committed and highly experienced founder and management team, with deep insights into the electronics industry, who have been instrumental in building up our Group's brand and reputation globally

Our Group is led by a highly experienced management team, helmed by our founder and Executive Chairman and CEO, Mr. Michael Mun, who has more than 30 years of experience in the electronics industry. Mr. Michael Mun has been instrumental in developing our business and charting our strategic directions since the founding of our Group.

Mr. Michael Mun is ably supported by a committed management team who is highly familiar with our business and understands our customers' needs and requirements. Each member of our management team has vast experience in their respective fields of expertise, several of whom have also been with our Group for more than 10 to 20 years.

Our management team's in-depth product, industry and technical knowledge, coupled with strong management capabilities, business network, and ability to identify market trends and new business opportunities have contributed significantly to the growth of our Group and are vital to our continued growth and future development. We believe our management team's experience and expertise have also been instrumental in building up our Group's brand and reputation globally as well as in gaining the trust of our customers.

Our management team is also highly flexible and adaptable and has demonstrated foresight and understanding of trends in the electronics industry. In the fast changing electronics industry, new products are constantly being developed, while existing products can become obsolete quickly, resulting in shorter product life cycles. Nonetheless, over the years, we have been able to adapt and take advantage of these trends to develop new products and secure new customers to ride on new growth areas within the electronics industry.

In 2009, with LED luminaires in the infancy stage of growth, we identified it as a new product line with high prospects. Backed by our Group's strong foothold in electronics and manufacturing, we designed and developed the first prototypes over a period of three (3) months and secured projects with the Jurong Town Council, a town council in Singapore that is responsible for the management of public housing in the Jurong housing estates. Subsequently, our LED lighting products were listed in the approved list of the Housing Development Board of Singapore ("HDB"), a statutory board under the Ministry of National Development of Singapore responsible for public housing in Singapore, and we were thereafter involved in the supply and installation of LED luminaires in HDB's upgrading projects. With our capabilities in LED lighting products established, we proceeded to secure projects from a leading international lighting company, manufacturing LED T8 tubes for the retrofit market before progressively moving into smart light bulbs.

In 2018, we identified the strong growth opportunities in the IoT segment and started the development of our own range of IoT home automation products. This capability enabled us to secure a leading US consumer electronics company as a customer, supplying them with IoT related products.

We believe that we are well-positioned to leverage on the experience and capabilities of our management team for the continued growth of our Group. Please refer to the section entitled "Directors, Executive Officers, Legal Representatives and Employees" of this Prospectus for further details on the experience of each of our Directors and Executive Officers.

We have an established reputation and strong track record of over 30 years, demonstrating flexibility and adaptability to evolving market trends

We have an established reputation and strong track record of over 30 years in the electronics industry and over 25 years in communication and networking technology. We believe that we have built up a resilient business model, which is able to withstand the fast changing nature of the electronics industry, as reflected in our ability to maintain a consistent track record of profitability. Over the years, we believe that we have gained the trust of our customers and have established ourselves as a leading

GENERAL INFORMATION ON OUR GROUP

player in this industry, through consistently providing our customers with high quality products and services, and drive value creation for our customers. We believe that this has enabled us to build close and long-standing relationships with our customers, which include multi-national blue chip corporations and institutions, some of whom have been our customers for more than 10 years. In addition, as at the Latest Practicable Date, products under our proprietary “Aztech” and “Kyla” brands are being sold in four (4) countries through channel partners and on e-commerce platforms.

In addition to our strong product development capabilities, our long operating history has also demonstrated our flexibility and adaptability to evolving market trends in the fast changing electronics industry. We are agile and can quickly develop new products catering to new growth segments within the consumer electronics industry. This is further evidenced by our current product focus on the fast-growing IoT segment, which includes smart home devices.

Our knowledge and expertise in communication and networking technology is a critical backbone to IoT solutions. Our experience puts us in a well position to ride on the strong growth in IoT and Data communication industry. We have a proven track record in innovating and introducing products that are aligned to the evolving electronics industry. Throughout our history, we have introduced products that ride on the cutting-edge trends in the consumer electronics industry, ranging from sound cards, DECT phones, modems, routers, HomePlugs, LED lighting products and IoT home automation products. In particular, our IoT home automation products reinvent how people live with IoT and smart homes by combining technology and comfort and our smart lighting systems allow the efficient use of lighting without compromising users’ safety and security.

Going forward, Frost & Sullivan notes that one of the latest trends within the electronics industry is the growth in demand for IoT products, such as smart home systems, and Data-communication products. This is in line with increased global adoption of electronic products driven by the higher purchasing power of the population, availability of new devices at more affordable prices, product enhancements, technology transitions such as the Fifth Generation (“5G”) network rollouts, and work-from-home arrangements, among others. According to Frost & Sullivan, one of the market drivers for the IoT and Data-communication products segment is the increasing acceptance of new innovative products and solutions. We believe that, given our expertise in the data-communication space and our flexibility and adaptability, we are well-positioned to continue to introduce new innovative products that are expected to gain increasing acceptance.

With our established reputation and track record and our ability to adapt to evolving trends, technologies and consumer demands, we believe that we are well-positioned to capture opportunities arising from the increasing acceptance of new innovative IoT products and solutions and that increasing global penetration rate of LED lightings. According to Frost & Sullivan, the shipment of smart home devices is expected to grow at a CAGR of 16.9% from 832.7 million units in 2019 to 1,555.7 million units in 2023 and the global penetration rate of LED lightings is estimated to increase from 25.3% of the total installed units in 2019 to reach 42.8% in 2023.

Our core competencies in strong in-house R&D and production engineering capabilities that differentiate us from our competitors

We believe that R&D is critical in providing our Group with a competitive edge which differentiates us from our competitors, and have placed strong emphasis and focus on developing our capabilities in this area. According to Frost & Sullivan, with our strong core capabilities in design and manufacturing, we are able to add value to the whole production process and differentiate our Group from other pure-play contract manufacturers. This differentiator enables our Group to grow as a manufacturing partner of choice, while providing OEM, ODM, JDM and CMS services to our customers. In particular, the IoT, data-communication and LED lighting industries in which we operate are characterised by rapid technological advancements. As such, we believe that our R&D capabilities enable us to continue to adapt to our customers’ expectations and market changes to remain competitive.

As at the Latest Practicable Date, we have a dedicated R&D team comprising 142 staff who are collectively equipped with a high level of technical expertise and experience in industrial design, mechanical engineering, electronics and electrical engineering and software and hardware design. This

GENERAL INFORMATION ON OUR GROUP

team is responsible for the R&D of new products, product modifications and enhancements, as well as the design and engineering of manufacturing processes. Through close engagement with our customers in the early stages of their product design and development, we are able to offer value-added design and engineering solutions to cater to their requirements. Where appropriate, we are also able to offer technical advice which may improve the manufacturability of their products. We believe that this enhances our ability to secure orders from our customers. Our R&D capabilities also work synergistically with our manufacturing facilities, equipment and processes, as well as the reputation and customers' trust that have been built by our management team over the years.

Our focus on the technical expertise of our R&D team is complemented by the strong emphasis which we place on the protection of our customers' intellectual property. To this end, we have implemented internal policies and procedures and established a strong internal controls environment to safeguard such proprietary information. We also have a team of specialised engineers overseeing compliance and quality to ensure robustness of the design and meeting of international standards. Please refer to the section entitled "General Information on our Group – Research and Development" of this Prospectus for further information on our R&D activities.

We have strong manufacturing capabilities at diversified and highly integrated facilities

We possess the manufacturing and engineering capabilities to provide our customers with quality products. These include plastic tooling, plastic injection and high speed surface mount technology with automated inspection machines. With an experienced team of engineers, strong sourcing capabilities and manufacturing expertise, we are able to provide value-add improvements to the whole design and manufacturing process through design enhancements, sourcing for alternate parts to reduce costs and to improve the manufacturing process yield to achieve higher utilization of our equipment. These capabilities help the customers achieve a more robust product design, with improved quality at competitive pricing.

We continually take steps to upgrade our manufacturing facilities by investing in modern automated equipment in order to enhance our overall production efficiency and quality, and to reduce manpower and time costs. In addition, we undertake continuous process development to ensure that our manufacturing capabilities keep pace with advances in component and manufacturing technologies. In 2016, our subsidiary, Aztech Systems, was awarded the Upgrading and Transformation Award at the 2016 Hong Kong Awards for Industries: Upgrading and Transformation organised by the Hong Kong Young Industrialists Council. The awards recognise enterprises which have proactively pursued programmes with shift of strategies or alter of structural adjustments to continuously upgrade and transform their competitiveness in face of increasingly rapid changing business opportunities and challenges.

We currently house our production lines for LED lighting products, IoT products, data-communication products and other electronic products within our manufacturing facility in Dongguan, Guangdong Province, the PRC as these products share similar manufacturing processes. This allows us to enjoy economies of scale and flexibility in production planning. In addition, our manufacturing facility in Dongguan is designed to be able to support both high-volume-low-mix and low-volume-high-mix production requirements, which enables us to capture a wider customer base as compared to other manufacturers.

We have also developed distinctive and integrated production processes, which include customised automation, increasing yield and quality. These across-the-chain production processes take advantage of our manufacturing facilities and equipment to provide our customers with value-added products and services.

We have also recently commenced operations at our IOT Premises. This allows us to increase our manufacturing capacity, diversify our production footprint and serve customers who are looking to transfer manufacture of their products to regions outside the PRC. We believe our strategically located manufacturing facilities in the PRC and Malaysia help reduce logistics costs and ensure prompt, flexible scheduling and just-in-time delivery.

According to Frost & Sullivan, our Group benefits from having manufacturing operations in two countries, which allows the continuity of operations when negative factors, such as geopolitical

GENERAL INFORMATION ON OUR GROUP

uncertainties, impact economic or production activities in any one selected geography. Furthermore, Frost & Sullivan notes that potential unanticipated negative events such as natural disasters (e.g. earthquakes, hurricanes and floods), disease outbreaks (e.g. COVID-19) or trade tensions (e.g. US-PRC trade war) may disrupt the flow of products and materials within a supply chain. We believe that our decision to commence operations at our new manufacturing facility in Johor, Malaysia will mitigate the risk of supply chain pressure due to such unanticipated negative events.

We are a key technology enabler to our customers

Through our more than 30 years of operating track record in the electronics industry, we have built up a strong suite of core technological capabilities such as analogue/digital circuit designs, real time application design, data communications, LAN/WAN, 4G/LTE, WiFi, Bluetooth, power supply, thermal management, light optics, Zigbee and LoRa. Together with our one-stop design and manufacturing services, these core technological capabilities have allowed us to position ourselves as a key technology enabler to our customers, assisting them to integrate technologies and functions in their product design and engineering.

Our key customers include multi-national blue-chip corporations that are market leaders in the IoT/ Smart Home devices and LED lighting markets, as well as growth-focused technology start-up companies in businesses such as pet trackers/feeders, security cameras, air monitoring and purifying devices and wearable sensors. We typically engage our customers at the early product development stage. Through providing one-stop solution partnerships and meeting their highly rigorous qualification processes, we have gained the trust of these customers and established strong and resilient relationships with them over the years.

The relationships we build with these customers also improve our product development capabilities, deepen our understanding of market trends and further enhance our ability to attract new customers. An example would be a customer which is involved in the supply of air monitoring and purifying products for consumers. With the capabilities and experience gained from working with this customer, we are able to secure another customer which supplies governments with high quality environment monitors that helps monitor their countries' air quality parameters.

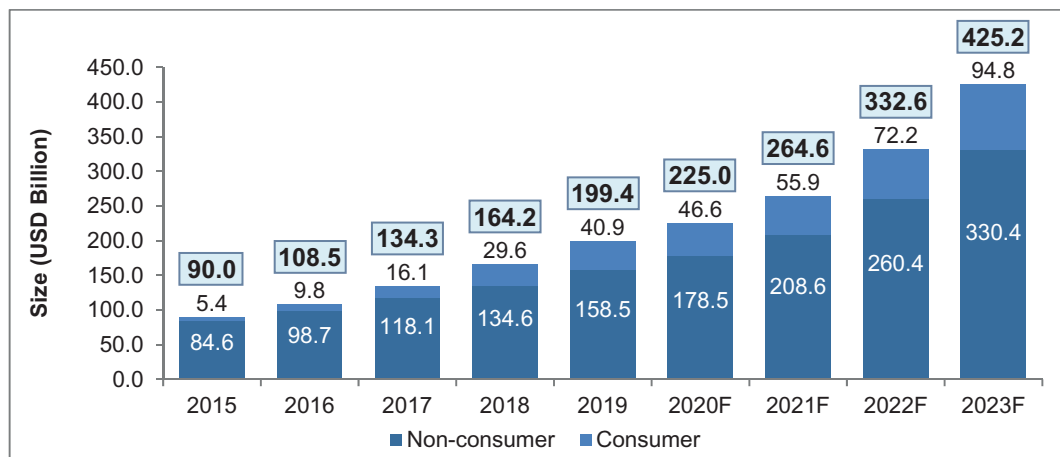
We offer a robust portfolio of products that cater to the fast growing IoT, Data-communications and LED lighting industries

We offer a wide range of products in each of our IoT and Data-communication and LED lighting business segments, which can be applied for residential, commercial, industrial, architectural and/or outdoor uses. We believe that our diverse product portfolio allows us to optimise the utilisation of our production capacity and also gives us the flexibility to cope with market changes, thereby managing our reliance on any single product type, broadening our customer base and sources of revenue.

Our products also cater to the growing IoT, Data-communication and LED lighting industries. According to Frost & Sullivan, the market size of the global IoT industry consumer market segment is expected to grow at a CAGR of 23.4% from USD40.9 billion in 2019 to USD94.8 billion in 2023. The non-consumer segment is expected to grow at a CAGR of 20.2% from USD158.5 billion in 2019 to USD330.4 billion in 2023. Frost & Sullivan expects the market size of the global data communication industry to grow at a CAGR of 5.9% from USD46.9 billion in 2019 to USD 59.0 billion in 2023. The market size of the global LED lighting industry is expected to grow at a CAGR of 4.3% from USD67.7 billion to USD80.0 billion from 2019 to 2023.

GENERAL INFORMATION ON OUR GROUP

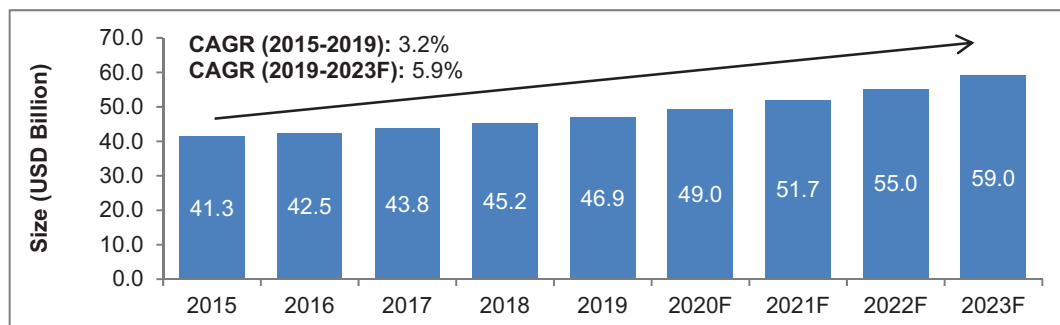
Market Size of IoT Industry, Global, 2015-2023F



Note: Sum may not add up to the total due to rounding.

Source: Frost & Sullivan

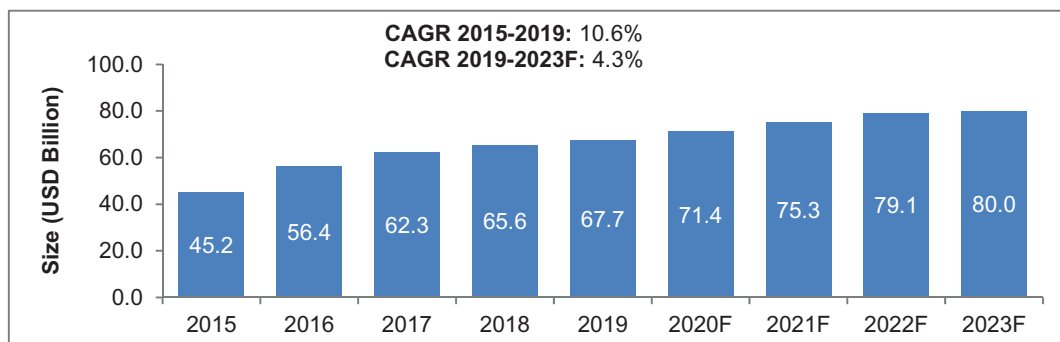
Market Size of Data Communication Industry, Global, 2015-2023F



Note: The market size refers to the revenue generated from the purchase of data communication devices by the end-users. Data communication devices refer to products that connect and translate the data or information from the internet service provider to the connected devices.

Source: Frost & Sullivan

Market Size of LED Lighting, Global, 2015-2023F



Note: Market size refers to the general lighting industry (including smart lighting) based on manufacturer revenue earned from the sales of LED lighting products manufactured in-house and sold to third parties and end consumers.

Source: Frost & Sullivan

GENERAL INFORMATION ON OUR GROUP

Our products are also well-positioned to take advantage of market trends. For instance, the regulatory landscape globally is increasingly supportive of LED lighting to replace older, less efficient incandescent bulbs and compact fluorescent lamps (“CFL”). According to Frost & Sullivan, governments are implementing various regulations to encourage the use of LED lightings, spurring the market development and demand of LED lighting products. Major countries such as India, the US, and China are adopting a phased-out approach to replace CFLs with LED lightings across the countries. Among the initiatives implemented by governments globally is the prohibition of the manufacture, distribution, and sale of incandescent and halogen bulbs. These regulatory measures will assist to promote the adoption and penetration of LED lighting products. Frost & Sullivan estimates the global penetration rate of LED lightings to reach 42.8% of the total installed units in 2023, from the penetration rate of 25.3% in 2019, while the global penetration rate of CFLs is estimated to decrease from 19.8% in 2019 to 10.9% in 2023, driven by the absolute ban of CFLs in the European Union.

According to Frost & Sullivan, the increase in global mobile subscription rates and the growing number of devices connected to the internet globally are drivers in the growth of the IoT industry and the data-communication industry respectively. The number of global mobile broadband subscriptions have increased at a CAGR of 14.8% from 3,511 million in 2015 to 6,098 million in 2019 and it is expected to grow at a CAGR of 4.6% between 2019 and 2023 to reach 7,312 million by 2023. The routers and switches segment under the data-communication industry is forecasted by Frost & Sullivan to grow at a CAGR of 6.1% between 2019 and 2023 to reach USD48.4 billion in 2023, whereas the cable modems segment is expected to grow at a CAGR of 6.5% during the same period to reach USD9.4 billion. These devices support the overall ecosystem of IoT-enabled devices (including smart home products) and are therefore a key catalyst for the growth of the IoT and Data-communication product markets.

We also believe that our product segments are complementary. With the application of IoT and connected devices becoming increasingly popular, we are well-positioned to leverage on the synergies of our combined experience and strengths in the design and manufacture of LED lighting products, IoT products, connected devices and Data-communication products to develop innovative electronic products such as smart LED lighting products and smart security camera to capitalise on growth opportunities in the growing smart home solutions, smart city and various industrial applications.

We have a globally diversified sales strategy that enables us to attract customers

We pursue a global diversified sales strategy, with our products being sold and marketed through OEM, ODM, CMS, JDM and retail channels. Our dedicated team of 40 sales and marketing employees as at the Latest Practicable Date are based in Singapore, Hong Kong and the PRC, and we are also supported by a sales representative in the United States. With our sales and marketing team based in these countries where our major customers are located, we are able to promptly identify new market trends and customer requirements, as well as respond to our customers on a timely manner and deliver the best services to them.

Our technological capabilities, synergistic products and one-stop design and manufacture service also equip us with the ability to attract start-ups companies with growth potential in their respective product segments in the IoT and smart devices space, to collaborate with us. With our continuous effort in sales and marketing, our customer base has successfully grown to over 290 customers in more than 40 countries as at the Latest Practicable Date, ranging from multi-national blue chip companies to start-up companies across a diverse industries including consumer electronics, LED lighting, automotive, healthtech and pet tech.

As for retail channels, our products are being sold in over 40 countries through distributors and direct sales as at the Latest Practicable Date. As such, our business model allows us to capture revenue streams for a wide range of products and across the entire value chain.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

The following discussions contain forward-looking statements which involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements. Factors that might cause our actual future results to differ from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in the section entitled “Risk Factors” of this Prospectus. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled “Cautionary Note Regarding Forward-Looking Statements” of this Prospectus for further details.

PROSPECTS AND TREND INFORMATION

Notwithstanding the impact of the COVID-19 pandemic on the global economy, for the next 12 months from the Latest Practicable Date, in light of our competitive strengths and barring unforeseen circumstances, our Directors expect the growth in our business to be driven primarily by the corresponding growth in the industries that we serve and believe that the prospects and outlook for our business is expected to remain positive in view of the trends and developments as discussed below, which has been prepared based on the information set out in the Independent Market Research Report prepared by the Independent Market Research Consultant. Please refer to “Appendix G – Independent Market Research Report” to this Prospectus for the full text of the Independent Market Research Report.

Increasing demand for IoT Devices and Data-communication products

According to, Frost & Sullivan, IoT products are increasingly gaining traction in the market, for industrial, enterprise, and consumers applications. This is mainly driven by the development of IoT and other complementary technologies (for example integrated smart home devices, smart wearables & gadgets and 5G Technology), declining costs associated with owning IoT Devices, as well as the growing demand for large data gathering to enable better decision making and reduce human errors. Among the industries that will benefit from the growing adoption of IoT are healthtech, factory automations, and consumer electronics. Between 2015 and 2019, the IoT industry grew from USD90.0 billion to USD199.4 billion, supported by technological improvements and higher usage of connected devices. Frost & Sullivan forecasts the IoT industry to continue growing at a CAGR of 20.8% to reach USD425.2 billion by 2023. As the demand for IoT Devices is expected to increase due to the growing adoption rate, the prospects for manufacturers are promising. This is evident in the establishment of various Chinese manufacturers of IoT Devices to meet the existing and future market demands.

The demand for Data communications devices is also forecasted to increase, as they help facilitate the efficient transmission of data, driving the usage of IoT Devices. Frost & Sullivan forecasts the Data Communication industry to continue to grow at a CAGR of 5.9% during the period 2019-2023, to reach USD59.0 billion by 2023, driven by growing access to the internet and internet-connected devices, demand for faster and reliable connections, and the increasing exchange of data.

Positive outlook for the LED lighting industry

According to Frost & Sullivan, while factors such as the outbreak of COVID-19 and the US-PRC trade war are impacting manufacturers of LED lighting, the outlook of the LED general lighting industry remains optimistic. Frost & Sullivan forecasts the global LED general lighting industry to grow at a CAGR of 4.3% from USD67.7 billion in 2019 to USD80.0 billion in 2023. With the growing development of smart cities globally, companies have the advantage of identifying growth opportunities to expand their portfolio, especially in the smart lighting segment. The smart lighting segment is estimated to have grown at a CAGR of 42.8% to reach USD9.4 billion in 2019 from USD4.6 billion in 2017. This segment is forecasted to grow at a CAGR of 28.3% to reach USD25.4 billion in 2023.

The global market penetration rate of LED lighting is expected to increase as the adoption rates of CFLs, incandescent and halogen lights decrease. The global penetration rate of LED lightings is

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

estimated to reach 42.8% of the total installed units in 2023, from the penetration rate of 25.3% in 2019, while the global penetration rate of CFLs is estimated to decrease from 19.8% in 2019 to 10.9% in 2023, driven by the absolute ban of CFLs in the European Union. The phase-out of incandescent and halogen lightings in key countries like the US will boost the market growth potential of LED lightings.

TREND INFORMATION

As at the Latest Practicable Date and barring unforeseen circumstances, our Directors have observed the following trends for the next 12 months from the Latest Practicable Date:

- (1) general economic and market conditions will have an impact on the electronics and data-communications industry as a whole and on the demand for our products including but not limited to conditions arising from the COVID-19 pandemic;
- (2) our ability to manage disruptions arising from the COVID-19 pandemic and to continue the usual operations of our business, as well as to cope with travel restrictions imposed by the PRC, Singapore, Malaysia and other countries arising from the COVID-19 pandemic;
- (3) higher demand in IoT and Data-communication products which may lead to higher sales volume and revenue;
- (4) a higher degree of competition in prices in the electronics and data-communications industry;
- (5) the challenge of sourcing for and retaining a suitable workforce in the face of an increasingly well-educated labour market; and
- (6) expected increases in other expenses for FY2021 due to:
 - (a) incremental annual and compliance costs such as Directors' and audit fees associated with our Listing; and
 - (b) one-off Listing expenses which are expected to be expensed off in FY2021.

Save as disclosed above and in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Position and Results of Operations", "Capitalisation and Indebtedness", "General Information on our Group", "Government Regulations" of this Prospectus and "Appendix G – Independent Research Market Report" to this Prospectus, and barring any unforeseen circumstances, our Directors are not aware of any (i) significant recent trends in production, revenue and inventory, and in the costs and selling prices of our products since the end of 9M2020, or (ii) any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, profitability, liquidity or capital resources, or that would cause the financial information disclosed in this Prospectus to be not necessarily indicative of our future financial position or results of operations. Please also refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Prospectus.

ORDER BOOK

As at 30 September 2020, our Group had an outstanding order book of approximately S\$280.7 million, comprising approximately S\$271.7 million for the IoT Devices and Data-communication products segment and approximately S\$9.0 million for the LED lighting products segment. Of the outstanding order book as at 30 September 2020, approximately 79.0% has been delivered or completed within FY2020 and the balance of approximately 21.0% has been delivered or completed as at latest practicable date.

As at the Latest Practicable Date, our Group had an outstanding order book of approximately S\$307.9 million, comprising approximately S\$292.4 million for the IoT and Data-communication products segment and approximately S\$15.5 million for the LED Lighting products segment. Of the outstanding order book as at the Latest Practicable Date, all is expected to be delivered or completed within FY2021.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

Our order book in respect of the above business segments as at any particular date is subject to changes in our client's transaction or the project's schedule and termination of services and may not be indicative of our revenue for any succeeding period. Accordingly, our order book as at any particular date may not be indicative of our revenue for any succeeding periods.

BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:

Expansion and enhancement of our manufacturing facilities

We intend to expand our manufacturing facilities to increase our production capacity, in view of the growing demand for our IoT Devices and Data-communication products and LED lighting products. Our Group is currently exploring additional sites outside of the PRC for purposes of constructing a new manufacturing facility which will add approximately 500,000 sq ft of production floor space and double our Group's existing manufacturing capacity. Construction of the new facility is expected to take place in stages. Together with the acquisition of SMT production lines and plastic injection moulding machines, we target to have the initial stage of the new facility ready by the first quarter of FY2022.

In addition to our plant expansion plans, we intend to upgrade and/or purchase equipment which will increase automation of our production processes, thereby reducing our reliance on manual labour and lowering our production costs. We also intend to enhance our production processes by upgrading our enterprise resource planning system to automate and improve our production processes. We believe that these initiatives will lead to increased production efficiency and yield and improve our quality control processes, thus further enhancing our manufacturing competitiveness and allowing us to strengthen partnerships with our customers.

We intend to use approximately S\$50.0 million of the net proceeds from the issuance of the New Cornerstone Shares in FY2021 and FY2022 for the above purposes. However, we do not intend to allocate any such net proceeds to expand or enhance our existing manufacturing facilities in the PRC, unless a resolution of the issues pertaining to the Dongguan Land and the buildings constructed on it have been resolved. Please refer to the section entitled "General Information of our Group – Properties and Fixed Assets" of this Prospectus for further details on the issues pertaining to the Dongguan Land and the buildings constructed on it.

Expansion of our ODM/JDM business to capitalise on opportunities in the growing IoT market

With the application of IoT and connected devices becoming increasingly popular, we intend to leverage on and combine our experience and strengths in designing and manufacturing IoT Devices and Data-communication products, LED lighting products, and smart household appliances to promote our ODM and JDM business. We will continue to invest our resources in the design and development of innovative products in these sectors, and seek to build an ecosystem of inter-connected smart devices for home and office applications to capture market share and opportunities in this growing market.

We intend to use approximately S\$5.0 million of the net proceeds from the issuance of the New Cornerstone Shares in FY2021 for the above purposes.

Enhancement of our R&D capabilities

We believe that our R&D capabilities are instrumental to the success of our Group. We intend to recruit more staff for our R&D team, as well as invest in equipment and facilities to augment our R&D capabilities. We intend to develop R&D capabilities in the new areas of artificial intelligence and big data. We will also explore opportunities to enter into strategic collaborations with our customers, suppliers, industry experts and/or other business partners to develop new products and technologies, as well as to enhance our manufacturing capabilities.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

We intend to use approximately S\$15.0 million of the net proceeds from the issuance of the New Cornerstone Shares to enhance our R&D capabilities in FY2021, out of which approximately S\$10.0 million will be utilised to establish a new R&D centre in Guangzhou, PRC, and approximately S\$5.0 million will be utilised to acquire new equipment and recruit more staff for our current R&D facilities in Shenzhen, PRC and in Singapore.

Increase sales and marketing channels for overseas markets expansion

We plan to establish more sales and marketing channels overseas to sell our products and services in particular, in Japan, the PRC as well as the European and American markets. We intend to continue to sell our products through OEM and ODM channels. With the digital transformation and automation in industrial, medical, healthcare and automotive industries, fuelled by the proliferation of artificial intelligence and 5G technology, our Group intends to expand its offerings of products and services to the said sectors. To strengthen our overseas presence, our plans include expanding our sales and marketing teams to target countries with high penetration rate of IoT and smart connectivity Devices and to increase strategic cooperation with overseas technology partners and suppliers.

As our “Kyla” brand is a fairly new brand in her infancy, we plan to engage public relations agencies with experience in Fast Moving Consumer Goods (“**FMCG**”) to assist our Group to strategise and focus on the European and American markets. We will primarily use online marketplaces and our own e-commerce website to reach out to our target consumers before moving to offline traditional distribution channels. We also intend to increase media coverage and advertisements for our products.

We intend to use approximately S\$10.0 million of the net proceeds from the issuance of the New Cornerstone Shares in FY2021 and FY2022 for the above purposes.

Expansion of our business through, *inter alia*, investments, mergers and acquisitions, joint ventures and/or strategic collaborations

We intend to expand and diversify our operations and product and/or service offerings either through our own investments or through potential mergers and acquisitions, joint ventures and/or strategic collaborations with parties who can provide synergistic value to our business. Through such investments, mergers and acquisitions, joint ventures and/or strategic collaborations, we will look to strengthen our market position, enhance the value-add in our products and/or services and/or expand into new areas that are complementary to our existing business. One such example would be company or companies that have strong end-to-end capabilities in design and fabrication of precision engineering parts for healthtech and IoT products. We will also consider the acquisition of companies that possess complementary technologies so as to pursue strategic inorganic growth opportunities.

As at the Latest Practicable Date, we have not entered into definitive agreements with any potential party to acquire potential businesses or to form joint ventures and/or strategic alliances. We will carefully consider any such opportunities and undertake a comprehensive review and evaluation to determine whether such transactions will benefit our business before entering into any such transaction. Key factors that our Group will take into consideration when assessing such opportunities include, *inter alia*, return on investments, market trends and commercial viability.

We intend to use approximately S\$50.0 million of the net proceeds from the issuance of the New Cornerstone Shares in FY2021 and FY2022 for the above purposes.

GOVERNMENT REGULATIONS

The following description is a summary of material laws and regulations applicable to our Group. The regulations and policies set out below are not exhaustive and are only intended to provide general information to investors and are neither designed nor intended to be a substitute for professional advice. Prospective investors should consult their own advisers regarding the implication of the laws and regulations on our Group. We have not been in material breach of any of the laws and regulations applicable to our Group as set out in this section of this Prospectus.

PRC

Laws and regulations relating to foreign investment

Companies established and operating business in the PRC are subject to the Company Law of the PRC (《中华人民共和国公司法》) (the “**PRC Company Law**”), which was promulgated on 29 December 1993 and newly amended on 26 October 2018 (effective as from 26 October 2018). The PRC Company Law provides general regulations for companies’ set up and operation in the PRC including the foreign-invested companies. Unless otherwise provided in the PRC foreign investment laws, the provisions in the PRC Company Law shall prevail.

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (《中华人民共和国外资企业法》) (the “**Wholly Foreign-owned Enterprise Law**”), which was promulgated on 12 April 1986 and newly amended on 3 September 2016 (effective from 1 October 2016). The implementation regulations under the Wholly Foreign-owned Enterprise Law was promulgated on 12 December 1990 and newly amended on 19 February 2014, which became effective on 1 March 2014. Foreign Investment Law of the PRC (《中华人民共和国外商投资法》) (the “**Foreign Investment Law**”), which was promulgated on 15 March 2019, and came into force as 1 January 2020, repealing simultaneously the Wholly Foreign-owned Enterprise Law of the PRC, Sino-foreign Equity Joint Ventures Law of the PRC and Sino-foreign Cooperative Joint Ventures Law of the PRC. Foreign-invested companies established prior to the implementation of the Foreign Investment Law in accordance with the aforesaid laws may retain their original business forms for five years after the Foreign Investment Law comes into force. The “foreign investments”, according to the Foreign Investment Law, refer to investment activities within the PRC directly or indirectly conducted by foreign natural persons, enterprises, or other organisations (hereinafter referred to as “foreign investors”), including the following circumstances: (i) a foreign investor, alone or jointly with any other investors, forms a foreign-invested companies within the PRC; (ii) a foreign investor acquires any shares, equities, portion of property, or other similar interests in a PRC domestic enterprise; (iii) a foreign investor, alone or jointly with any other investors, invests in any new PRC domestic project; (iv) the investments in any other manner as specified by laws, administrative regulations or provisions regulated by the State Council. The Foreign Investment Law stipulates that the PRC implements system of pre-establishment national treatment and negative list foreign investment. The negative list, which would be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field prohibited from foreign investment under the negative list. A foreign investor shall meet the investment conditions stipulated under the negative list for any restricted fields under the negative list. For fields not mentioned in such negative list, domestic and foreign investments shall be treated equally. Foreign-invested enterprises can raise funds through public issuance of stocks, corporate bonds and other securities in accordance with the law.

In accordance with the PRC Company Law, a foreign-invested company is required to make appropriation to a Statutory Reserve Fund (法定公积金) (“**SRF**”). At least 10% of the statutory after tax profits must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the company’s registered capital. The SRF may be used to offset any accumulated losses or increase the registered capital. The SRF is not available for dividend distribution to shareholders.

Laws and regulations on product liability

The Law of Product Quality

On 22 February 1993, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the Law of the People's Republic of China on Product Quality (《中华人民共和国产品质量法》) (which came into force on 1 September 1993 and was revised on 8 July 2000, 27 August 2009, and 29 December 2018), which stipulates that producers shall be liable for the quality of their products. The products shall meet the following quality requirements: (i) being free from unreasonable dangers threatening the safety of human life and property, and conforming to the national standards or trade standards safeguarding the health or safety of human life and property where there are such standards; (ii) possessing the properties and functions that ought to be possessed, except for those with instructions stating their functional defects; (iii) conforming to the product standards marked on the products or the packages thereof, and to the state of quality indicated by way of product descriptions, samples, etc. Producers shall be liable for compensation for any damages caused by defects of their products. Any producer who violates the Law of the People's Republic of China on Product Quality may be fined and ordered to stop producing illegally manufactured products, and its illegal profits may be confiscated. Where the situation is serious, the business license shall be revoked. Where a criminal offence is committed, the producer will be held criminally liable.

Tort Law of the People's Republic of China

On 26 December 2009, the SCNPC promulgated the Tort Law of the People's Republic of China (《中华人民共和国侵权责任法》) (which came into force on 1 July 2010), which stipulates that producers shall be liable for compensation for any damages caused by defects of their products. Where the seller fails to indicate the producer or supplier of the defective product(s), the seller shall be liable for tort. Where the defective product harms the personal safety or property security of others, the victim(s) may be entitled to claim compensation from the producer or the seller. Where the seller has already compensated for the defective product (the producer shall be liable for the defect), the seller shall have the right to request the producer to repay the relevant compensation. Where the product defect is caused by any fault of the third party (such as the transporter or warehouse), the producer or the seller who has paid relevant compensation arising therefrom shall be entitled to claim compensation from the third party. Where any defect of the product is discovered after it has been sold, the producer or the seller shall take remedial measures as appropriate, such as product warning and recalling. The producer and the seller shall be liable for tort where any damage is caused by any improper or invalid remedy. Where the producer or the seller is fully aware that the product is defective but still produces or sells, which results in the death or serious health damage of others, the victim(s) shall be entitled to claim the corresponding punitive damages from the producer or the seller.

Laws and regulations on the protection of consumer rights and interests

Enterprises, in the supply of goods manufactured and sold by them or services to consumers, shall comply with the Law of the PRC on the Protection of Consumer Rights and Interests (《中华人民共和国消费者权益保护法》) (the "**Consumer Rights Protection Law**") promulgated by the SCNPC on 31 October 1993, first becoming effective on 1 January 1994 and then revised on 27 August 2009 and 25 October 2013. According to the Consumer Rights Protection Law, enterprises must ensure that the goods or services provided by them meet the requirements for safeguarding personal and property safety. For goods and services that may endanger personal and property safety, consumers should be provided with a true description and an explicit warning, as well as a description and indication of the proper way to use the goods or accept the services and the methods of preventing the occurrence of hazard. If the goods or services provided by enterprises cause personal injuries to consumers or third parties, enterprises shall compensate for the loss.

Laws and regulations on safe production

On 29 June 2002, the SCNPC promulgated the Law of the People's Republic of China on Work Safety (《中华人民共和国安全生产法》) (which came into force on 1 November 2002 and was revised on 27 August 2009, 31 August 2014, respectively), which stipulates that the production and business units shall have the conditions in line with the relevant work safety laws and regulations, and shall have

GOVERNMENT REGULATIONS

formulated relevant work safety rules to ensure the safety of production. Any enterprise in violation of the work safety regulations shall not engage in any production or business activities. In addition, an enterprise shall train its employees on work safety. Where there are more than one hundred employees in a production and business unit, a safety production management department shall be set up to improve the safety of production facilities or full-time safety production management personnel shall be allocated. Any enterprise that fails to abide by the relevant work safety regulations may be fined and ordered to stop production. Where it constitutes a criminal offence, the enterprise will be held criminally liable.

Laws and regulations on the import and export of goods

Pursuant to the Foreign Trade Law of the PRC (《中华人民共和国对外贸易法》) (the “**Foreign Trade Law**”), which was promulgated by the SCNPC on 12 May 1994 and became effective on 1 July 1994, and as last amended on 7 November 2016, a foreign trade operator engaged in import and export of goods or technologies shall make registration for record with the department in charge of foreign trade under the State Council) or institutions entrusted by it; but those that are exempted from registration for record by laws, administrative rules and rules of the department in charge of foreign trade under the State Council shall be excluded.

According to the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (《中华人民共和国海关报关单位注册登记管理规定》), which was promulgated by the General Administration of Customs on 13 March 2014 and last amended on 29 May 2018, consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with their local Customs in accordance with the applicable provisions. A consignor or consignee of imported or exported goods shall appoint its own customs declaration officer to complete customs formalities on its behalf or shall entrust a customs declaration enterprise that has registered with the Customs to appoint a customs declaration officer to complete customs formalities on its behalf.

Laws and regulations on environmental protection

In accordance with the Environmental Protection Law (《中华人民共和国环境保护法》) of the People's Republic of China promulgated by the SCNPC on 26 December 1989 and revised on 24 April 2014, the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中华人民共和国水污染防治法》) promulgated by the SCNPC on May 1984 which came into force on 1 November 1984 and was revised on 15 May 1996, 28 February 2008 and 27 June 2017 respectively; the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中华人民共和国大气污染防治法》) promulgated by the SCNPC on 5 September 1987, which came into force on 1 June 1988 and was revised on 29 August 1995, 29 April 2000, 29 August 2015 and 26 October 2018 respectively; and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中华人民共和国固体废物污染环境防治法》) promulgated by the SCNPC on 30 October 1995 and was revised on 29 December 2004, 29 June 2013, 24 April 2015 and 7 November 2016 respectively; and the Measures for the Administration of Pollution Discharge Permits (Trial) (《排污许可管理办法(试行)》) promulgated by the Ministry of Environmental Protection on 10 January 2018 and revised on 22 August 2019, any enterprises that discharge pollutants (such as waste gas, waste water, solid waste and noise) shall take effective measures to control or even avoid pollution and other damages caused by the relevant pollutants, and shall pay pollutant discharge fees pursuant to relevant laws and regulations. Any enterprises without pollutant discharge permits shall not discharge pollutants or discharge in strict accordance with the pollutant discharge licensing provisions. The environmental protection facilities and main operating units shall be designed, constructed and put into operation at the same time. Where an enterprise fails to meet the relevant environmental protection regulations, its competent authority may issue a warning, fine, or even order it to stop production. Where it constitutes a criminal offence, the person in charge of the enterprise may be subject to criminal liability.

Tax laws and regulations

Enterprise Income Tax

On 16 March 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (《中华人民共和国企业所得税法》) which was amended on 29 December 2018 and 6 December 2007, and the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax (《中华人民共和国企业所得税法实施条例》) (collectively, the "**EIT Law**") which was newly amended on 23 April 2019. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Value Added Tax

The Provisional Regulations of the PRC on Value-added Tax (2017 Revision) (《中华人民共和国增值税暂行条例(2017修订)》) were promulgated by the State Council on 19 November 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (2011 Revision) (《中华人民共和国增值税暂行条例实施细则》(2011年修订)) were promulgated by the Ministry of Finance and the SAT on 15 December 2008 which were subsequently amended on 28 October 2011 and came into effect on 1 November 2011 (collectively, the "**VAT Law**"). According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%. For general VAT taxpayers selling services or intangible assets except as otherwise specified in the VAT Law, the value-added tax rate is 6%. According to the VAT Law, any adjustments to tax rates shall be decided by the State Council. According to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《财政部、税务总局关于调整增值税税率的通知》) issued on 4 April 2018 and became effective on 1 May 2018, the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

Laws and regulations on labour security and work safety

The SCNPC promulgated the Labour Law of the PRC (《中华人民共和国劳动法》) on 5 July 1994, which became effective on 1 January 1995, and was revised on 29 December 2018. The SCNPC promulgated the Labour Contract Law of the PRC (《中华人民共和国劳动合同法》) on 29 June 2007, which became effective on 1 January 2008, and was then revised on 28 December 2012. The State Council promulgated the Regulations on the Implementation of Labour Contract Law of the PRC (《中华人民共和国劳动合同法实施条例》) (collectively the "**PRC Labour Laws**") on 18 September 2008, which became effective on the same date. Pursuant to the PRC Labour Laws, a written labour contract shall be concluded to establish a labour relationship.

The Social Insurance Law of the PRC (《中华人民共和国社会保险法》) was promulgated by the SCNPC on 28 October 2010 and amended on 29 December 2018. The State Council promulgated and implemented the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社会保险费征缴暂行条例》) on 22 January 1999, which were revised on 24 March 2019. Pursuant to the Social Insurance Law of the PRC, the basic pension insurance, basic medical insurance and unemployment insurance premiums shall be paid jointly by the employers and employees. The work-

GOVERNMENT REGULATIONS

related injury insurance and maternity insurance premiums shall be paid by the employers, while the employees are not required to pay. Enterprises in China shall apply for social insurance registration with social insurance institutions, and pay social insurance premiums for their employees.

Pursuant to the Regulations on Management of Housing Provident Fund 《住房公积金管理条例》 promulgated and implemented by the State Council on 3 April 1999 and last amended on 24 March 2019, enterprises shall apply for housing provident fund registration with the relevant housing provident fund management centre, set up housing provident fund accounts at the entrusted bank, and make housing provident fund deposits for their employees.

Laws and regulations on labour dispatch

Pursuant to the Implementing Measures for Labour Despatch Administrative Licensing (劳务派遣行政许可实施办法), which was promulgated by the ministry of Human Resources and Social Security of the PRC (the “**MOHRSS**”) on 20 June 2013 and became effective on 1 July 2013, to engage in labour dispatch business, an applicant shall apply for administrative licensing in accordance with the law to the competent administrative department of human resources and social security at its domicile. No entity and individual may engage in labour dispatch business without being licensed. Where the application submitted by an applicant satisfies statutory conditions, the relevant licensing authority shall grant the Labour Dispatch Operation Permit to the applicant.

The MOHRSS promulgated the Interim Provisions on Labour Dispatch (《劳务派遣暂行规定》) (the “**PRC Interim Provisions on Labour Dispatch**”) on 24 January 2014. PRC Interim Provisions on Labour Dispatch, which became effective on 1 March, 2014, states that labour dispatch should only be applicable to temporary, auxiliary or substitute positions. For purposes of these provisions, temporary positions mean positions subsisting for no more than six months, auxiliary positions mean positions of non-major business that serve the major businesses, and substitute positions mean positions that can be held by substitute employees for a certain period of time during which the employees who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. PRC Interim Provisions on Labour Dispatch further provides that the number of the dispatched workers of an employer must not exceeds 10% of its total workforce, and the total workforce of an employer must refer to the sum of the number of the workers who have executed labour contracts with the employer and the number of workers who are dispatched to the employer.

Laws and regulations relating to intellectual property

The Copyright Law

China has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organisation in December 2001. The Copyright Law of the PRC (2010 Revision) (《中华人民共和国著作权法 (2010年修订)》) (the “**Copyright Law**”) and its related implementing regulations, promulgated in 2002 and amended in 2013 provides that Chinese citizens, legal persons, or other organisations shall, whether published or not, enjoy copyright in their works, which include, among other things, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilisation and material civilisation and promote the development and prosperity of Chinese culture.

The Trademark Law

Trademarks are protected by the Trademark Law of the PRC (2019 Revision) (《中华人民共和国商标法》2019年修订)) which was promulgated on 23 August 1982 and subsequently amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 respectively, as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council on 3 August 2002 and further amended on 29 April 2014 (《中华人民共和国商标法实施条例》 (2014年修订)). In the

GOVERNMENT REGULATIONS

PRC, registered trademarks include commodity trademarks, service trademarks, collective trademarks and certification trademarks. The trademark office under the State Administration for Market Regulation of the PRC (the “**SAMR**”) handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term.

Domain Names

In September 2002, the China Internet Network Information Centre issued the Implementing Rules for Domain Name Registration (《中国互联网络信息中心域名注册实施细则》) setting forth detailed rules for registration of domain names, which was amended on 29 May 2012. The MIIT promulgated the Administrative Measures on Internet Domain Name (《互联网域名管理办法》) (the “**Domain Name Measures**”) on 24 August 2017, which became effective on 1 November 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

The Patent Law

According to the Patent Law of the PRC (2008 Revision) (《中华人民共和国专利法 (2008年修订)》) promulgated by the SCNPC, and its Implementation Rules (2010 Revision) (《中华人民共和国专利法实施细则(2010年修订)》) promulgated by the State Council, the State Intellectual Property Office of the PRC (which has been renamed as National Intellectual Property Administration) is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within the irrespective jurisdictions. The Patent Law of the PRC and its implementation rules provide for 20 types of patents, “invention”, “utility model” and “design”. Invention patents are valid for twenty years, while design patents and utility model patents are valid for 10 years, from the date of application. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper licence from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

HONG KONG

Our subsidiaries are required to comply with the laws of Hong Kong generally for the operation of the business of our Group in Hong Kong. The following are the principal laws and regulations that govern our business in Hong Kong.

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person carrying on any business shall make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. Business registration application shall be made to the Commissioner of Inland Revenue as soon as practicable after the prescribed business registration fee is paid. Then business registration certificate or branch registration certificate for the relevant business or the relevant branch shall be issued as the case may be.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (“Sale of Goods Ordinance”)

The Sale of Goods Ordinance is the main governing law in Hong Kong in relation to the sale of goods.

Section 15 of the Sale of Goods Ordinance provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description.

Section 16 of the Sale of Goods Ordinance provides that where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable

GOVERNMENT REGULATIONS

quality, except that there is no such condition (i) as regards to defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample.

Where any right, duty or liability would arise under a contract of sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)) be negative or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract.

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) ("Import and Export (Registration) Regulations")

Regulations 4 and 5 of the Import and Export (Registration) Regulations set out that every person who imports or exports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise an accurate and complete import or export declaration relating to such article using services provided by a specified body in accordance with the requirements that the Commissioner may specify. Every declaration shall be lodged within 14 days after the importation or exportation of the article to which it relates. Any person who fails or neglects to do so without any reasonable excuse shall be liable to (i) a fine of HK\$1,000 upon summary conviction; and (ii) a fine of HK\$100 in respect of everyday during his failure or neglect to lodge such declaration in that manner continues commencing from the day following the date of conviction. Regulations 4 and 5 also provide that any person who knowingly or recklessly lodges any declaration with the Commissioner that is inaccurate in any material particular shall be liable to a fine of HK\$10,000 upon summary conviction.

Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) ("Telecommunications Ordinance")

The Telecommunications Ordinance controls the licensing and control of telecommunications, telecommunications services and telecommunications apparatus and equipment in Hong Kong.

Pursuant to section 9 of the Telecommunications Ordinance, save as under and in accordance with a permit granted by the Communications Authority, no person shall import into Hong Kong or export therefrom any radiocommunications transmitting apparatus unless he is the holder of a licence authorising him to deal in the course of trade or business in such apparatus. Under section 21 of the Telecommunications Ordinance, any person who contravenes section 9 of the Telecommunications Ordinance shall be guilty of an offence and be liable on summary conviction to a fine of \$20,000 and imprisonment for 12 months.

Further, pursuant to section 8(1)(c) of the Telecommunications Ordinance, no person shall in Hong Kong or on board any ship, aircraft or space object that is registered or licensed in Hong Kong deal in the course of trade or business in apparatus or material for radiocommunications or in any component part of any such apparatus or in apparatus of any kind that generates and emits radio waves whether or not the apparatus is intended, or capable of being used, for radiocommunications unless with the appropriate licence granted or created by the Communications Authority. Under section 20 of the Telecommunications Ordinance, any person who contravenes section 8(1) of the Telecommunications Ordinance shall be guilty of an offence and be liable: (a) on summary conviction, to a fine of \$50,000 and imprisonment for two years; and (b) on conviction on indictment, to a fine of \$100,000 and imprisonment for five years.

The Telecommunications (Telecommunications Apparatus) (Exemption for Licensing) Order (Chapter 106Z of the Laws of Hong Kong) grants exemptions for licensing requirements under the Telecommunications Ordinance provided that, in the case where the apparatus is used or capable of being used other than as a mobile earth station, if the apparatus satisfies certain technical criteria and tolerates interference from other telecommunications apparatus or any telecommunications system authorised under the Telecommunications Ordinance.

MALAYSIA**Industrial Co-ordination Act 1975**

Pursuant to the Industrial Co-ordination Act 1975 and the Industrial Co-ordination (Exemption) Order 1976 (“ICA”), a person engaged in a manufacturing entity and with shareholders’ funds of RM2,500,000 and above and which engages 75 or more full-time employees must acquire a manufacturing licence issued by MITI.

The ICA defines “manufacturing activity” as the “making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”.

Factories and Machinery Act 1967 (“FMA”)

The Factories and Machinery Act 1967 provides for the control of factories with respect to matters relating to the safety, health and welfare of persons working in a factory and for matters connected therein. The FMA and the regulations enacted under it is the primary legislation regulating occupational, safety and health improvement in the manufacturing industry, apart from the Occupational Safety and Health Act 1994.

Under the FMA, our Group has a duty to maintain the requisite standards of safety of its factories and the requisite standards of safety, health and welfare of its factory workers. The FMA also includes provisions requiring the taking of precautions against fire, the proper maintenance of machinery, and the mandatory reporting of accidents and dangerous occurrences to the Inspector of Factories and Machineries. Additionally, every factory shall be kept in a clean state and effective provision must be made for securing and maintaining sufficient and suitable lighting.

The general penalty imposed upon the commission of an offence under the FMA or any regulation made thereunder is a fine not exceeding RM50,000 or to imprisonment for a term not exceeding one year or both.

Occupational Safety and Health Act 1994 (“OSHA”)

The OSHA was enacted to impose an obligation on employers to take proper steps to ensure the health, safety and welfare of persons at work, the protection of others against the risks to safety or health related to the activities of persons at work and for matters connected therewith.

The OSHA provides that it is the duty of every employer and every self-employed person to ensure the safety, health and welfare at work of all his employees in particular:

- the provision and maintenance of plants and systems of work that are, so far as is practicable, safe and without risks to health;
- the provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of all its employees;
- the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
- so far as is practicable, as regards any place of work under the control of the employer or self-employed person, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and
- the provision and maintenance of a working environment for his employees that is, so far as is practicable, safe, without risks to health, and adequate as regards facilities for welfare at work.

GOVERNMENT REGULATIONS

The employer has a duty to formulate a general safety and health policy for its employees at work and to bring the policy (and any revisions of it) to the notice of all of its employees. The employer is also under a duty under the OSHA to ensure, so far as is practicable, that other persons, not being its employees, who may be affected are not thereby exposed to risks to their safety or health from the conduct of their undertakings.

A person who breaches any of the abovementioned statutory duties as imposed by OSHA shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding two years or both.

An improvement notice for any non-compliance of the OSHA or a prohibition notice to an employer (if in general an activity is undertaken at the workplace that may create an immediate danger to life or property) may be issued by the Department of Occupational Safety and Health officer.

Non-compliance with such notice without reasonable excuse will result in an offence and on conviction, the employer is liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding five years or to both, and to a further fine of RM500 for each day during which the offence continues.

Dividend payments

Dividends paid to a shareholder of a Malaysian company are not subject to any withholding tax.

Employment

Minimum wages

Malaysia has implemented a minimum wage policy that raised the basic wages of all employees (except for domestic servants) to RM1,100 per month in Peninsular Malaysia under the Minimum Wages Order 2018.

Employment Provident Fund and SOCSO Contributions

Under the Employees Provident Fund Act 1991 (the “**EPF Act**”), a company is liable to pay contributions in respect of any person whom it has engaged to work under a contract of service or apprenticeship. The company must contribute within the stipulated period, which is on or before the 15th of the month following the wage month. All employees of a company, except for those excluded from the application of the EPF Act, are entitled to contributions that are not less than at the rate prescribed by the EPF Act.

Social security is provided for all employees under the Employees’ Social Security Act 1969 (the “**SOCSSO Act**”). It is mandatory for a company and its employees to contribute to the fund at the rate prescribed by the SOCSSO Act to the Social Security Organization.

Environmental protection

Scheduled Wastes

In Malaysia, the disposal of scheduled waste is governed by the Environmental Quality (Scheduled Wastes) Regulations 2005. The Environmental Quality (Scheduled Wastes) Regulations 2005 allows scheduled wastes to dispose of at prescribed premises only. Scheduled wastes shall be treated at prescribed premises only or on-site treatment facilities. Schedule wastes have to be properly stored, delivered to and received at prescribed premises for treatment and disposal.

SINGAPORE

Consumer Protection (Safety Requirements) Regulations (“CPS Regulations”)

The Singapore Consumer Protection (Safety Requirements) Registration Scheme (“**CPS Scheme**”), promulgated under the Consumer Protection (Trade Descriptions and Safety Requirements) Act (Chapter 53) of Singapore, safeguards consumers’ interests by ensuring household products

GOVERNMENT REGULATIONS

designated as controlled goods meet the specified safety standards. The CPS Scheme, administered by Enterprise Singapore as the safety authority ("**Safety Authority**") under the CPS Regulations, ensures compliance by industries on the registration of 33 categories of controlled goods. Registration of controlled goods under the CPS Regulations is based on certificates of conformity issued by designated third party conformity assessment bodies. All suppliers of controlled goods for consumers in Singapore must first be registered with the Safety Authority as registered suppliers. Registered suppliers are then required to register each model of controlled goods with the Safety Authority by way of certificates of conformity issued by designated conformity assessment bodies located in Singapore. Once the model has been registered with the Safety Authority and are affixed with the SAFETY Mark, the controlled goods can then be advertised and/or supplied in Singapore.

Under Regulation 4(1) of the CPS Regulations, no person shall, in the course of any trade or business, supply or advertise for the purpose of supplying any of the controlled goods in Singapore, unless the controlled goods are registered controlled goods conforming to the safety requirements specified by the Safety Authority for those goods and are affixed with the SAFETY Mark. Any person who contravenes the foregoing shall be guilty of an offence and the Safety Authority may require such person to effect a recall of the controlled goods and keep the Safety Authority informed of the progress of such recall, and take such steps as may be necessary to inform users of the controlled goods of the potential danger of such goods. A person who fails or neglects to effect a recall of the controlled good required by the Safety Authority shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$2,000 or to imprisonment for a term not exceeding 12 months or to both.

Our subsidiary, Aztech Technologies is a registered supplier of certain controlled goods with the Safety Authority.

Consumer Protection (Consumer Goods Safety Requirements) Regulations 2011 ("CGSR")

The CGSR requires all consumer goods ordinarily supplied for private use or consumption except for goods such as used or second-hand goods specifically excluded under CGSR to conform to the required safety standards.

The consumer goods covered by CGSR are classified into 2 categories:

- (i) Category 1: any consumer goods for which safety standards have been formulated or adopted and published by any of the following: International Organisation for Standardisation ("**ISO**"), International Electrotechnical Commission ("**IEC**"), European Committee for Standardisation or ASTM International.
- (ii) Category 2: any consumer goods other than Category 1 goods.

Category 1 goods shall conform to safety standards for such goods formulated or adopted and published by ISO and IEC, respectively; the European Committee for Standardisation; or ASTM International and the safety standards and requirements for such goods specified by the Safety Authority and published in its Consumer Protection (Consumer Goods Safety Requirements) Information Booklet.

Category 2 goods shall conform to the safety standards for such goods that have been formulated or adopted and published by any regional or national standards body.

Enterprise Singapore is appointed by the Ministry of Trade and Industry ("**MTI**") as the Safety Authority to administer the CGSR. As the Safety Authority, Enterprise Singapore has the power to investigate, stop the sale of, or ban unsafe general consumer goods from the market.

Under the CGSR, Enterprise Singapore may publicly declare any consumer goods to be unsafe and/or direct suppliers to (i) control or cease supply of such goods in Singapore; and (ii) inform users of the potential danger of the goods, if any of these consumer goods do not conform to the required safety standards.

It is an offence under the CGSR to supply any consumer goods as declared by Enterprise Singapore to be unsafe in Singapore in the course of trade or business. Any person who fails to comply with

GOVERNMENT REGULATIONS

Enterprise Singapore's direction to control or cease the supply of any consumer goods or fails to inform users of the consumer goods supplied by him of the potential danger of goods shall be guilty of an offence under the CGSR. The CGSR provides that any person guilty of an offence under CGSR shall be liable on conviction to pay a fine not exceeding S\$2,000 or to imprisonment for a term not exceeding 12 months or to both; and in the case of a second or subsequent offence, to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 2 year or to both.

Consumer Protection (Fair Trading) Act (Chapter 52A) of Singapore ("CPFTA")

The CPFTA protects consumers against unfair practices and give consumers additional rights in respect of goods that do not conform to contract. SPRING Singapore, a statutory board under the MTI is the administrating agency for the CPFTA and will have investigative and enforcement powers to take timely actions against recalcitrant retailers.

The CPFTA was amended on 1 September 2012 by the Consumer Protection (Fair Trading) (Amendment) Act 2012 to, amongst others, in relation to a contract of sale of goods, give buyers additional rights and remedies against the seller for non-conforming goods. The CPFTA will apply to a contract of sale of goods if the buyer deals as consumer, and the goods do not conform to the applicable contract at any time within the period of six (6) months starting after the date on which the goods were delivered to the buyer, and if the contract was made on or after 1 September 2012. Goods do not conform to a contract of sale of goods if there is, in relation to the goods, a breach of, an express term of the contract, the implied condition that the goods will correspond with the description or samples provided by the seller to the buyer, or the implied condition that the goods are of satisfactory quality or fitness for the purpose for which the goods were supplied.

Under the CPFTA, buyers will have a statutory right to demand the repair or replacement of non-conforming goods. The seller will have to repair or replace the non-conforming goods at the seller's own costs, within a reasonable period of time and without causing significant inconvenience to the buyer. If the seller fails to do so or if repair or replacement is impossible or disproportionately costly, buyers may instead require the seller to reduce the price paid for the goods or may reject the goods altogether and obtain a refund.

Sale of Goods Act (Chapter 393) of Singapore ("SGA")

The SGA is the main governing law in Singapore in relation to sale of goods. The SGA applies to any contract for the sale of goods. A contract of sale of goods is a contract by which the seller transfers or agrees to transfer the property in goods to the buyer for a money consideration called the price.

Section 13 of the SGA provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods will correspond with the description.

Section 14 of the SGA provides that where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract of satisfactory quality, except that there is no such condition (i) as regard defects specifically drawn to the buyer's attention before the contract is made; (ii) where the buyer examines the goods before the contract is made, as regards defects which the examination ought to reveal; or (iii) if the contract is a contract for sale by sample, which would have been apparent on a reasonable examination of the sample.

Telecommunications (Dealers) Regulations ("TDR")

Under Regulation 3 of the TDR (which is promulgated under the Telecommunications Act (Chapter 323) of Singapore ("TA")), a person who manufactures, imports, lets for hire, sells, or offers or possesses for sale any telecommunication equipment registered for sale under Regulation 20(6) of the TDR or telecommunication equipment set out in the First Schedule of the TDR ("**Telecommunication Equipment**") shall be deemed to have been granted a dealer's class licence for that purpose ("**Dealer's Class Licence**"). Aztech Technologies holds such Dealer's Class Licence.

Any holder of a Dealer's Class Licence who is carrying on any business or trade as a dealer (i.e. a person who manufactures, imports for sale, lets for hire, sells, or offers or possesses for sale any

GOVERNMENT REGULATIONS

equipment which is capable of being used for the purpose of telecommunication) shall, in turn, register with the Infocomm Media Development Authority (“**IMDA**”) each of the premises under his control or occupation where he manufactures, imports, lets for hire, sells or offers or possesses for sale any Telecommunication Equipment. A Dealer’s Class Licence shall remain valid unless it is cancelled in accordance with the terms of the TA or the TDR.

Any person who imports any telecommunication equipment (being any appliance, apparatus or accessory used or intended to be used for telecommunications) shall, before such equipment is imported, notify IMDA of the intended import and furnish such particulars in such form as may be determined by IMDA.

In addition, under Regulation 20 of the TDR, subject to certain exceptions, it shall be a condition of the Dealer’s Class Licence that the licensee shall not sell (a) any type of telecommunication equipment to be used for connection to any telecommunication system or equipment belonging to a telecommunication system licensee; or (b) any type of radio-communication equipment to be used in Singapore, unless the type of equipment has been approved for sale by way of registration with IMDA. Such registration is valid for five (5) years from the date of assignment of registration number. Registration may be renewed for periods of five (5) years at a time.

Telecommunications (Internal Wiring) Regulations 2005 (“TIWR”)

Under regulation 5 of the TIWR (which is promulgated under the TA), no person, other than a holder of a telecommunication wiring contractor’s class licence shall (i) act as a telecommunication wiring contractor, (ii) advertise, notify or state that he carries on or is willing to carry on the business of a telecommunication wiring contractor; or (iii) in any way hold himself out as ready to undertake for payment or other remuneration (whether monetary or otherwise) any of the functions of a telecommunication wiring contractor. A person shall be deemed to have been granted a telecommunication wiring contractor’s class licence if he has registered with IMDA. Such licence shall remain valid unless cancelled or suspended in accordance with the provisions of the TA or the TWIR. Aztech Technologies holds such licence.

Workplace Safety and Health Act (Chapter 354A) of Singapore (“WSHA”)

The WSHA governs the safety, health and welfare of persons at work in workplaces. Under WSHA every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work. More specific duties imposed by the Ministry of Manpower (“**MOM**”) on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations.

Any person guilty of an offence under the WSHA (but not including the relevant regulations) for which no penalty is expressly provided by the WSHA shall be liable on conviction:

- (a) in the case of a natural person, to a fine not exceeding S\$200,000 or to imprisonment for a term not exceeding two (2) years or to both; and
- (b) in the case of a body corporate, to a fine not exceeding S\$500,000,

and, if the contravention in respect of which he was so convicted continues after the conviction, he shall (subject to Section 52 of the WSHA) be guilty of a further offence and shall be liable to a fine:

- (i) in the case of a natural person, not exceeding S\$2,000 for every day or part thereof during which the offence continues after conviction; or
- (ii) in the case of a body corporate, not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction.

Work Injury Compensation Act (Chapter 354) of Singapore (“WICA”)

The WICA, regulated by MOM, applies to all employees (with the exception of those set out in the Fourth Schedule of the WICA) who have entered into or work under a contract of service or apprenticeship with an employer, whether (a) by way of manual labour or otherwise; (b) the contract is express or implied or is oral or in writing; and (c) the remuneration is calculated by time or by work done, and relates to the payment of compensation to employees for injury suffered in the course of their employment.

The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, his employer shall be liable to pay compensation in accordance with the provisions of the WICA. The amount of compensation under the WICA in respect of any personal injury of an employee caused by accident arising out of and in the course of his employment shall be computed in accordance with a fixed formula as set out in the Third Schedule of the WICA, subject to a maximum and minimum limit.

Employment Act (Chapter 91) of Singapore (“EA”)

The EA is administered by MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA.

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S\$4,500 a month and employees (other than workmen) who receive salaries not exceeding S\$2,600 a month. Section 38(8) of the EA provides that an employee is not allowed to work for more than 12 hours in any one (1) day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, Section 38(5) limits the extent of overtime work that an employee can perform to 72 hours a month.

Employers must seek the prior approval of the Commissioner for Labour (the “CL”) in writing for exemption if they require an employee or class of employees to work for more than 12 hours a day or more than 72 overtime hours a month. The CL may, after considering the operational needs of the employer and the health and safety of the employee or class of employees, by order in writing, exempt such employees from the overtime limits subject to such conditions as the CL thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where such employees are employed.

An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000, and for a second or subsequent offence to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

From 1 April 2016, all employers are required to make and keep employee records, give written records of key employment terms and give itemised payslips to employees covered by the EA.

Immigration Act (Chapter 133) and Employment of Foreign Manpower Act (Chapter 91A) of Singapore (“EFMA”)

The Immigration Act provides that no person, other than a citizen of Singapore, shall enter or attempt to enter Singapore unless, amongst others, he is in possession of a valid pass lawfully issued to him to enter Singapore.

The employment of foreign employees in Singapore is governed by the EFMA and regulated by MOM. In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign employee unless the foreign employee has obtained a valid work pass from MOM, which allows the foreign employee to work for the employer. A work pass includes the following: (a) employment pass, for foreign professionals, managers and executives earning at least S\$3,600 per month and who have acceptable qualifications; (b) S pass, for mid-level skilled staff who earn at least S\$2,300 per month and who meet the assessment criteria; and (c) work permit for semi-skilled foreign workers from approved source countries to work in certain sectors.

GOVERNMENT REGULATIONS

Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall:

- (a) be liable on conviction to a fine of not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and
- (b) on a second or subsequent conviction:
 - (i) in the case of an individual, with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one (1) month and not more than 12 months; or
 - (ii) in any other case, be punished with a fine of not less than S\$20,000 and not more than S\$60,000.

Subject to payment of the required levies, our Company and each of our subsidiaries in Singapore can hire up to 15.0% of its total workforce as S Pass holders and up to 40.0% of its total workforce as work permit holders. The maximum number of foreign workers we can hire is two-thirds the total number of local full time employees based on the average three (3) months' CPF contributions made by the relevant subsidiary, rounded down to the nearest whole number. Local full time employees are defined as Singaporeans and permanent residents who earn at least S\$1,100 per month, but exclude business owners of sole proprietorships and partnerships, and employees who receive CPF contributions from three (3) or more employers.

The Employment of Foreign Manpower (Work Passes) Regulations 2012 ("EFMR") requires the employers of work permit holders, to, among others:

- (a) upkeep and maintain the foreign employees and bear the costs of such upkeep and maintenance (unless otherwise specified in writing by the Controller of Immigration);
- (b) provide safe working conditions and take such measures as are necessary to ensure the safety and health of the foreign employees at work; and
- (c) provide acceptable accommodation for the foreign employees.

The EFMR also requires the employers of S Pass holders, to, among others:

- (a) pay not less than the fixed monthly salary due to the foreign employees for the month; and
- (b) be responsible for and bear the costs of the foreign employees' medical treatment in Singapore, subject to certain exceptions (unless agreed otherwise).

An employer of foreign workers is also subject to, amongst others, the provisions set out in the EA, the Immigration Act (Chapter 133) of Singapore and their respective regulations.

EXCHANGE CONTROLS

The following is a description of the exchange controls that exist in the jurisdictions in which our Group operates.

SINGAPORE

As at the date of this Prospectus, there are no exchange control restrictions in Singapore.

HONG KONG

As at the date of this Prospectus, there are no exchange control restrictions in Hong Kong.

PRC

The principal regulations governing foreign currency exchange in China are the Regulations on Foreign Exchange Administration of the PRC (《中华人民共和国外汇管理条例》). Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiaries.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《关于完善外商投资企业外汇资本金支付结汇管理有关业务操作问题的通知》) (the “**SAFE Circular 142**”), regulating the conversion by a foreign invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. Furthermore, SAFE promulgated Notice of the State Administration of Foreign Exchange on Issues concerning Further Clarifying and Regulating the Foreign Exchange Administration under Some Capital Accounts (《国家外汇管理局关于进一步明确和规范部分资本项目外汇业务管理有关问题的通知》) (the “**SAFE Circular 45**”) on 9 November 2011 in order to clarify the application of SAFE Circular 142. Under SAFE Circular 142 and Circular 45, the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of RMB capital may not be changed without SAFE’s approval, and RMB capital may not in any case be used to repay RMB loans if the proceeds of the loans have not been used.

To further reform the foreign exchange administration system in order to satisfy and facilitate the business and capital operations of foreign invested enterprises, SAFE issued the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas (《关于在部分地区开展外商投资企业外汇资本金结汇管理方式改革试点有关问题的通知》) in July 2014, which became effective on 4 August 2014. This circular suspends the application of SAFE Circular 142 in certain areas and allows a foreign-invested enterprise registered in these areas with a business scope including “investment” to use the RMB capital converted from foreign currency registered capital for equity investments within the PRC. SAFE released the Notice on the Reform of the Administration Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《关于改革外商投资企业外汇资本金结汇管理方式的通知》) (the “**SAFE Circular 19**”), in March 2015, which came into force and superseded SAFE Circular 142 on 1 June 2015. The SAFE Circular 19 allows foreign invested enterprises to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation and provides the procedures for foreign invested companies to use RMB converted from foreign currency-denominated capital for equity investment. Nevertheless, SAFE Circular 19 also reiterates the principle that RMB converted from foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope.

EXCHANGE CONTROLS

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment (《关于进一步改进和调整直接投资外汇管理政策的通知》), as amended in May 2015, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《关于印发<外国投资者境内直接投资外汇管理规定>及配套文件的通知》) in May 2013 and amended in October 2018, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《关于进一步简化和改进直接投资外汇管理政策的通知》) (the “**SAFE Circular 13**”), which became effective on June 1, 2015. Under SAFE Circular 13, the current foreign exchange procedures will be further simplified, and foreign exchange registrations of direct investment will be handled by the banks designated by the foreign exchange authority instead of SAFE and its branches. However, the foreign invested enterprises were still prohibited by SAFE Circular 13 to use the RMB converted from foreign currency-registered capital to extend entrustment loans, repay bank loans or inter-company loans.

In June 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《关于改革和规范资本项目结汇管理政策的通知》) (the “**SAFE Circular 16**”), which took effect on the same day. Compared to SAFE Circular 19, SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB obtained from foreign exchange settlement are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties). However, there still exists substantial uncertainties with respect to the interpretation and implementation of SAFE Circular 16 in practice. On 23 October 2019, SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (《国家外汇管理局关于进一步促进跨境贸易投资便利化的通知》) (the “**SAFE Circular 28**”), which took effect on the same day. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. Since SAFE Circular 28 was issued only recently, its interpretation and implementation in practice are still subject to substantial uncertainties.

MALAYSIA

There are foreign exchange policies in Malaysia which support the monitoring of capital flows in and out of Malaysia in order to preserve its financial and economic stability. The foreign exchange policies monitor and regulate both residents and non-residents. Subject to the Foreign Exchange Administration Notice No. 4 and the Foreign Exchange Administration Rules issued by the Bank Negara Malaysia, non-residents may freely repatriate any amount of funds from Malaysia, including, divestment proceeds, profits, dividends and any income arising from investment in Malaysia, subject to applicable reporting requirements and any withholding tax, provided that the repatriation is made in foreign currency.

Non-residents are also free to invest in any form of RM assets either as direct or portfolio investments. The investments can be funded through (a) conversion of foreign currency to RM with licensed onshore banks (excluding licensed international Islamic banks) or through an appointed overseas office of the licensed onshore bank's banking group, (b) foreign currency borrowings from the licensed onshore banks or (c) RM borrowing from licensed onshore banks (excluding licensed international Islamic banks) for real sector activities and for the purchase of residential and commercial properties in Malaysia except for the purchase of land only.

INTERESTED PERSON TRANSACTION

OVERVIEW

In general, transactions between our Group and any interested persons (namely, our Directors or any of our Controlling Shareholder or their respective Associates) are generally known as interested person transactions.

Save as disclosed below, none of our Directors, Controlling Shareholder or their respective Associates (each, an “**Interested Person**”) was or is interested in any material transaction undertaken by our Group during the Period Under Review and the period from 1 October 2020 to the Latest Practicable Date (collectively, the “**Relevant Period**”).

INTERESTED PERSONS

The following persons or companies are considered Interested Persons for the purpose of this section and the section entitled “Potential Conflicts of Interest” of this Prospectus.

Interested Person	Relationship with our Group
AGRP	: Our Controlling Shareholder, being a company in which AVS Investments has a shareholding interest of approximately 84.09% as at the Latest Practicable Date. AVS Investments is in turn wholly-owned by Mr. Michael Mun as at the Latest Practicable Date
AVS Investments	: An associate of Mr. Michael Mun, being a company that is wholly-owned by Mr. Michael Mun as at the Latest Practicable Date
AVS Printing	: An associate of Mr. Michael Mun, being a wholly-owned subsidiary of AVS Electronics Pte. Ltd., which Mr. Michael Mun, together with his immediate family, hold a shareholding interest of approximately 95.59% in aggregate as at the Latest Practicable Date
AVS Solutions	: An associate of Mr. Michael Mun, being a wholly-owned subsidiary of AVS Technologies Pte. Ltd., which Mr. Michael Mun, together with his immediate family, hold a shareholding interest of approximately 95.59% in aggregate as at the Latest Practicable Date
AVS Technologies	: An associate of Mr. Michael Mun, being a wholly-owned subsidiary of AVS Electronics Pte. Ltd., which Mr. Michael Mun, together with his immediate family, hold a shareholding interest of approximately 95.59% in aggregate as at the Latest Practicable Date
AZ Marine Offshore	: A wholly-owned subsidiary of AGRP
AZ United	: A wholly-owned subsidiary of AGRP
Hitemco	: A wholly-owned subsidiary of AGRP
Huuve	: A company in which AGRP has a 100% beneficial interest in
Kay Lee	: A former subsidiary of AGRP. On 1 November 2019, AGRP disposed of all its shareholding interest in Kay Lee to an independent third party. Kay Lee ceased to be an Interested Person with effect from 1 November 2019
Mr. Michael Mun	: Our Executive Chairman and CEO

INTERESTED PERSON TRANSACTION

PAST INTERESTED PERSON TRANSACTIONS

Advances from our Group to AGRP

Prior to the Capital Reduction Exercise, to facilitate effective funds management, our Controlling Shareholder, AGRP, performed the treasury function for our Group and other subsidiaries of AGRP. Under this arrangement, our Group had from time to time during the Relevant Period, transferred our excess funds in the form of unsecured, non-guaranteed and interest-free advances to AGRP for its custody and management. The amount of such advances from our Group to AGRP during the Relevant Period were as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Advances from our Group to AGRP	16,725	45,317	27,889	-	-

The largest amount of such advances outstanding during the Relevant Period (based on month-end balances) was approximately S\$49.70 million.

As at the Latest Practicable Date, all amounts due from AGRP to our Group have been fully settled through a combination of the Capital Reduction Exercise, declaration and payment of dividends and cash payment. Please refer to the section entitled "Capital Reduction" of this Prospectus for more details on the Capital Reduction Exercise. We do not intend to enter into similar transactions with AGRP following our Listing.

Our Directors are of the view that the above transactions were not on an arm's length basis and were not on normal commercial terms as no fee or interest was paid by AGRP for the advances. As all the advances have been fully settled, our Directors are of the view that they were not prejudicial to the interests of our Group and our minority Shareholders.

Advance from our Group to Huuve

During the Relevant Period, our Group had from time to time, provided unsecured, non-guaranteed and interest-free advances to Huuve for its working capital requirements. The amount of such advances from our Group to Huuve during the Relevant Period were as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Advances from our Group to Huuve	-	-	-	441	145

The largest amount of such advances outstanding during the Relevant Period (based on month-end balances) was approximately S\$586,000. The amount due from Huuve to our Group was fully repaid on 19 February 2021. We do not intend to enter into similar transactions with Huuve following our Listing.

Our Directors are of the view that the above transactions were not on an arm's length basis and were not on normal commercial terms as no fee or interest was paid by Huuve for the advances. As all the advances have been fully settled, our Directors are of the view that they were not prejudicial to the interests of our Group and our minority Shareholders.

Payment of administrative expenses by AGRP on behalf of our Group

During the Relevant Period, AGRP had from time to time made payment of business administrative expenses such as travel expenses incurred by our employees to third parties on behalf of our Group.

INTERESTED PERSON TRANSACTION

The amounts paid by AGRP on behalf of our Group during the Relevant Period are set out below.

	FY2017	FY2018	FY2019	9M2020	From 1 October 2020 to the Latest Practicable Date
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Aggregate amount paid on behalf of our Group by AGRP	1,025	228	1,702	11	-

As at the Latest Practicable Date, all amounts due from our Group to AGRP have been fully settled. Our Group does not intend to enter into similar transactions with AGRP following our Listing.

Our Directors are of view that the above transactions were not on an arm's length basis and were not on normal commercial terms as AGRP charged our Group at cost for all the amounts paid. As all amounts outstanding have been fully settled, and any potential interest arising out of the transactions would not have been material, our Directors are of the view that they were not prejudicial to the interests of our Group and our minority Shareholders.

Payment of employees' remuneration

During the Relevant Period, our Group had seconded certain management staff to Az United and Kay Lee to provide management oversight to these companies. As our Group, Az United and Kay Lee were subsidiaries of AGRP at that time, intra-group postings and the sharing of human resources assisted AGRP and its subsidiaries to save costs as a group.

The remuneration of these management staff seconded by our Group to Az United or Kay Lee were paid by the respective secondee company. While serving their secondment with Az United or Kay Lee, certain management staff continued to provide services to our Group at the same time. As the remuneration of these management staff were paid by either Az United or Kay Lee during the period of the secondment, Az United and Kay Lee in turn charged part of the costs to our Group for the provision of services by such management staff to our Group.

The amounts charged by Az United and Kay Lee to our Group during the Relevant Period for the provision of services to our Group by these management staff whose remuneration were paid by Az United and Kay Lee are set out below.

Aggregate amount charged to our Group by:	FY2017	FY2018	FY2019	9M2020	From 1 October 2020 to the Latest Practicable Date
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Az United	27	73	131	-	-
Kay Lee	551	485	384	-	-

During the Relevant Period, our Group had also assigned certain general workers to perform services for Az United and Kay Lee as and when they needed extra workers. The remuneration of these workers were paid by our Group, and our Group charged Az United and Kay Lee for the provision of services by these workers to them.

The amount charged by our Group to Az United and Kay Lee during the Relevant Period for the provision of services to Az United and Kay Lee by these general workers whose remuneration were paid by our Group are set out below.

Aggregate amount charged by our Group to:	FY2017	FY2018	FY2019	9M2020	From 1 October 2020 to the Latest Practicable Date
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Az United	-	58	16	-	-
Kay Lee	7	10	18	-	-

INTERESTED PERSON TRANSACTION

As at the Latest Practicable Date, all amounts due to/from our Group from/to Az United and Kay Lee under the abovementioned arrangements have been fully settled. As at the Latest Practicable Date, there is no secondment of employee by our Group to Az United or Kay Lee or assignment of employee to perform services for Az United or Kay Lee. Further, Kay Lee is no longer an Interested Person since 1 November 2019. Our Group does not intend to enter into similar transactions with Az United or Kay Lee following our Listing.

Our Directors are of view that the above transactions were not on an arm's length basis and were not on normal commercial terms as the employees' remuneration were charged by Az United and Kay Lee to our Group at cost and *vice versa*. As all amounts outstanding have been fully settled, and any potential interest arising out of the transactions would not have been material, our Directors are of the view that they were not prejudicial to the interests of our Group and our minority Shareholders.

Payment of employees' remuneration by AGRP on behalf of our Group

During the Relevant Period, AGRP had paid the remuneration of certain employees on behalf of our Group.

The amounts paid by AGRP on behalf of our Group during the Relevant Period are set out below.

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Aggregate amount of remuneration paid on behalf of our Group by AGRP	1,623	1,842	1,887	450	-

As at the Latest Practicable Date, the abovementioned arrangement has ceased and all amounts due from our Group to AGRP under this arrangement have been fully settled. Our Group does not intend to enter into similar transactions with AGRP following our Listing.

Our Directors are of view that the above transactions were not on an arm's length basis and were not on normal commercial terms as AGRP charged our Group at cost for all the amount paid by it on their behalf. As all amounts outstanding have been fully settled, and any potential interest arising out of the transactions would not have been material, our Directors are of the view that they were not prejudicial to the interests of our Group and our minority Shareholders.

Lease of office premises by AGRP to our Group

During the Relevant Period, our Group leased its office premises located at 31 Ubi Road 1, #01-05, Singapore 408694 from AGRP for a monthly rental of S\$27,180 (for FY2017) and S\$15,658.72 (for FY2018 and FY2019). AGRP, our Company and the landlord had entered in an agreement to novate the lease from AGRP to our Company with effect from 1 January 2020.

The rent paid by our Group for the lease of the office premises during the Relevant Period is as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Rental paid by our Group to AGRP	326	188	188	-	-

As AGRP charged our Group at cost for the rent apportioned to the space used by us and paid by it to an independent third party landlord, our Directors are of the view that the above transaction was entered into on an arm's length basis and on normal commercial terms, and accordingly, not prejudicial to the interests of our Group and our minority shareholders.

INTERESTED PERSON TRANSACTION

Sale of lighting products and appliances from our Group to Kay Lee

During the Relevant Period, our Group has, from time to time, sold lighting products and appliances to Kay Lee.

The aggregate value of such sales from our Group to Kay Lee during the Relevant Period are as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Aggregate sales by our Group to Kay Lee	1	-	-	-	-

Our Directors are of view that the abovementioned transactions were not carried out on an arm's length basis or on normal commercial terms. However, the value of the abovementioned transactions was insignificant. Accordingly, our Directors are of the view that the abovementioned transactions were not prejudicial to the interests of our Group and our minority Shareholders. Kay Lee is no longer an Interested Person since 1 November 2019.

Guarantees provided by AGRP for our Group's banking facilities

During the Relevant Period, AGRP had provided the following corporate guarantees to secure our Group's obligations under certain banking facilities.

<u>On behalf of</u>	<u>Recipient of guarantee</u>	<u>Largest amount guaranteed ('000)</u>	<u>Approximate amount of facilities secured by guarantee ('000)</u>
AZ E-Lite SG Aztech Technologies	United Overseas Bank Limited	US\$12,000 and S\$48,000 in total	S\$27,000 and US\$120,000 in total
AZ E-Lite SG	United Overseas Bank Limited	S\$40,000	S\$40,000
AZ E-Lite SG	United Overseas Bank Limited	US\$20,000	US\$20,000
AZ E-Lite SG AZ E-Lite HK	United Overseas Bank Limited	US\$20,000	US\$20,000
AZ E-Lite SG AZ E-Lite HK Aztech Technologies	United Overseas Bank Limited	US\$29,000	US\$29,000
Aztech Technologies	United Overseas Bank Limited	US\$3,000	S\$3,000
Aztech Technologies	Malayan Banking Berhad	S\$4,000	S\$917 and US\$2,000 in total
AZ E-Lite SG	Malayan Banking Berhad	S\$14,000	S\$14,000
Aztech Systems AZ E-Lite HK	United Overseas Bank Limited	US\$34,000	US\$34,000

All the above corporate guarantees provided by AGRP have been discharged as at the Latest Practicable Date.

As no consideration was paid by our Group to AGRP to procure the provision of the abovementioned corporate guarantees by AGRP, our Directors are of the view that the above transactions were not on

INTERESTED PERSON TRANSACTION

an arm's length basis and were not on normal commercial terms, but the provision of these guarantees by AGRP were not prejudicial to the interests of our Group and our minority Shareholders.

Payment of insurance premium by AGRP on behalf of our Group

During the Relevant Period, AGRP had maintained insurance policies in respect of group personal accident, comprehensive general liability and travel, which covered AGRP, our Group and AGRP's other subsidiaries and paid for the insurance premium in respect of these policies. Our Group has not made any claim under these policies during the Relevant Period. Please refer to the section entitled "General Information on our Group - Insurance" of this Prospectus for more details on the insurance policies maintained by AGRP.

The aggregate amount of insurance premium paid by AGRP in respect of such insurance policies during the Relevant Period are as follows:

	FY2017	FY2018	FY2019	9M2020	From 1 October 2020 to the Latest Practicable Date
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Aggregate amount of insurance premium paid on behalf of our Group by AGRP	120	134	123	-	-

For the avoidance of doubt, the insurance premium paid by AGRP as set out above includes the insurance premium paid by AGRP to cover other insured entities that are not part of our Group but are subsidiaries of AGRP. The insurance premium paid by AGRP for these entities have been included as the policies are purchased by AGRP on a group-wide basis and cover AGRP and its subsidiaries, including entities that are not part of our Group. As the policies were not purchased on a standalone entity basis, it is not possible to identify and separate out the premiums attributable to our Group.

In respect of group personal accident, group term life insurance and work injury compensation insurance, our Group has applied for its own insurance coverage with effect from 1 January 2020 and our Group's arrangement with AGRP in respect of such insurance policies has ceased with effect from the same date.

In respect of comprehensive general liability, industrial all risk and cargo transit insurance, our Group has applied for our own insurance coverage with effect from 1 May 2020 and our Group's arrangement with AGRP in respect of such insurance policies has ceased with effect from the same date.

In respect of travel insurance for employees, our Group has applied for our own insurance coverage with effect from 7 August 2020 and our Group's arrangement with AGRP in respect of such insurance policies has ceased with effect from the same date.

For each of the abovementioned arrangements between our Group and AGRP, our Directors are of the view that such arrangement was not on an arm's length basis and was not on normal commercial terms. However, as no consideration was paid by our Group to AGRP in respect of the abovementioned insurance policies, our Directors are of the view that such arrangement was not prejudicial to the interests of our Group and our minority Shareholders.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

Details of present and on-going transactions between our Group and Interested Persons for the Relevant Period are as follows:

Lease of warehouse from AZ Marine Offshore

During the Relevant Period, our Group leased a warehouse from AZ Marine Offshore for a monthly rental of S\$40,000. The tenure of the current lease is from 1 January 2020 until 30 November 2021 and our Group and AZ Marine Offshore had jointly commissioned an independent valuation from a licensed appraiser in Singapore ("Valuer") on 23 January 2020 to support the aforesaid rental. The Valuer is a member of the Singapore Institute of Surveyors and Valuers.

INTERESTED PERSON TRANSACTION

In the valuation report, the Valuer was of the opinion that the market rental value of the warehouse is in the region of S\$40,000 per month. The warehouse was valued on the basis of Market Rent as defined in the Singapore Institute of Surveyors & Valuers' Valuation Standards and Practice Guidelines (2015 Edition), and by using the "Comparison Method" whereby comparison is made with asking and committed rents of similar properties in the vicinity and/or in comparable locations (with adjustments made for differences in size, floor level, building specifications and age and condition, amongst other factors, before arriving at the value of the property)⁽¹⁾.

The rental paid by our Group for the lease of the warehouse during the Relevant Period is as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Aggregate rental paid to AZ Marine Offshore by our Group	480	480	480	360	180

As the rental amount for the lease is supported by an independent valuation, our Directors are of the view that the lease was entered into on an arm's length basis and on normal commercial terms, and is not prejudicial to the interests of our Group and our minority Shareholders.

We intend to continue to lease such premises from AZ Marine Offshore following our Listing. Such lease will be subject to the review procedures set out in the section entitled "Interested Person Transaction – Guidelines and Review Procedures for On-going and Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

Lease of manufacturing facilities from Huuve

During the Relevant Period, our Group entered into a tenancy agreement to lease the premises of our Group's manufacturing facilities in Malaysia at No. 8 and 10 Setia Business Park, Jalan Laman Setia, 81550 Johor Bahru, Malaysia, from Huuve for a monthly rent of RM50,000 for the period from 1 July 2019 to 30 June 2022.

On 15 January 2019, our Group entered into an addendum to the aforesaid tenancy agreement to revise the monthly rental to RM68,000, which is based on the rental set out in an independent valuation report obtained by Huuve on the same date from One Asia Property Consultants (KL) Sdn. Bhd. ("OAPC"), a registered valuer with the Board of Valuers, Appraisers, Estate Agents and Property Managers in Malaysia. Such revision applies retrospectively with effect from 1 July 2019.

In the valuation report, OAPC was of the opinion that the market rental value of the manufacturing facilities is in the region of RM68,000 per month in aggregate. OAPC applied the "Comparison Approach" which entails comparing the property with similar properties that were transacted. The characteristics, merits and demerits of these properties were noted and appropriate adjustments thereof were then made to arrive at the value of the properties⁽²⁾.

Notes:

- (1) The Valuer has not consented to the inclusion of extracts of the Valuer's report in this Prospectus for the purpose of Section 249 of the SFA and is therefore not liable for the relevant paragraph under Sections 253 and 254 of the SFA. The Directors have not verified the accuracy of the contents of the relevant paragraph but have ensured that the relevant paragraph has been accurately and correctly extracted from the Valuer's report and reproduced above in its proper form and context.
- (2) While OAPC has consented to be named in this Prospectus, OAPC has not consented to the inclusion of extracts of the OAPC's report in this Prospectus for the purpose of Section 249 of the SFA and is therefore not liable for the relevant paragraph under Sections 253 and 254 of the SFA. The Directors have not verified the accuracy of the contents of the relevant paragraph but have ensured that the relevant paragraph has been accurately and correctly extracted from OAPC's report and reproduced above in its proper form and context.

INTERESTED PERSON TRANSACTION

The rental paid by our Group for the lease of the manufacturing facilities during the Relevant Period is as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Aggregate rental paid to Huuve by IOT Manufacturing	-	-	139	198	110

As the rental amount for the lease is supported by an independent valuation, our Directors are of the view that such lease (taking into account the addendum) was entered into on an arm's length basis and on normal commercial terms and is not prejudicial to the interests of our Group and our minority Shareholders.

We intend to continue to lease such premises from Huuve following our Listing. Such lease will be subject to the review procedures set out in the section entitled "Interested Person Transaction – Guidelines and Review Procedures for On-going and Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

Lease of our Group's premises to AVS Printing

During the Relevant Period, our Group sub-leased part of its premises at 31 Ubi Road 1, #01-05, Singapore 408694 to AVS Printing for a monthly rental of S\$5,694.08 for the period from 1 January 2020 to 31 December 2020, and for a monthly rental of S\$5,409.38 for the period from 1 January 2021 to 31 December 2021.

The rental received by our Group for the sub-lease during the Relevant Period is as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Aggregate rental received by our Group from AVS Printing	-	-	-	51	25

Notwithstanding that our Group has not obtained an independent valuation report on the rental, our Directors are of the view that the rental and other terms and conditions of the lease were on an arm's length basis and on normal commercial terms, and were not prejudicial to the interests of our Group and our minority Shareholders because our Group is charging AVS Printing at cost for the rent apportioned to the space used by them and paid by our Group to an independent third party landlord.

We intend to continue to sub-lease such premises to AVS Printing following our Listing until such time we require additional space for our operations in Singapore. Such lease will be subject to the review procedures set out in the section entitled "Interested Person Transaction – Guidelines and Review Procedures for On-going and Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

Payment of insurance premium by AGRP for our Group

During the Relevant Period, AGRP had maintained insurance policies in respect of directors' and officers' liability and medical insurance, which covered AGRP, our Group and AGRP's other subsidiaries, and paid for the insurance premium in respect of these policies. Our Group has not made any claim under these policies during the Relevant Period. Please refer to the section entitled "General Information on our Group—Insurance" of this Prospectus for more details on the insurance policies maintained by AGRP.

INTERESTED PERSON TRANSACTION

The aggregate amount of insurance premium paid by AGRP in respect of such insurance policies during the Relevant Period are as follows:

	FY2017	FY2018	FY2019	9M2020	From 1 October 2020 to the Latest Practicable Date
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Aggregate amount of insurance premium paid on behalf of our Group by AGRP	22	15	12	12	-

In respect of directors' and officers' liability insurance, it is the intention of our Group to obtain its own directors' and officers' liability insurance following our Listing and with effect from 8 February 2022, upon which our Group's arrangements with AGRP in respect of such insurance will cease.

In respect of medical insurance for foreign employees, due to the small number of foreign employees employed by our Group, it is the intention of our Group not to obtain its own medical insurance for foreign employees but to continue to rely on the group insurance taken up AGRP following our Listing. Such transaction will be subject to the review procedures set out in the section entitled "Interested Person Transaction – Guidelines and Review Procedures for On-going and Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

For each of the abovementioned arrangements between our Group and AGRP, our Directors are of the view that such arrangements were not on an arm's length basis and were not on normal commercial terms. As no consideration was paid by our Group to AGRP in respect of the abovementioned insurance policies, our Directors are of the view that such arrangements are not prejudicial to the interests of our Group and our minority Shareholders.

Printing services provided by AVS Printing and AVS Solutions to our Group

During the Relevant Period, our Group has, from time to time, engaged AVS Printing and AVS Solutions to provide printing services.

The aggregate value of the printing services provided by AVS Printing and AVS Solutions during the Relevant Period is as follows:

Entity providing printing services	FY2017	FY2018	FY2019	9M2020	From 1 October 2020 to the Latest Practicable Date
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
AVS Printing	6	10	2	3	6
AVS Solutions	6	-	-	-	-

Our Directors are of view that the abovementioned transactions were carried out on an arm's length basis and on normal commercial terms as our Group obtained and compared fee quotes from other service providers. Accordingly, our Directors are of the view that the abovementioned transactions are not prejudicial to the interests of our Group and our minority Shareholders.

Our Group may, following our Listing, enter into transactions of the above nature with AVS Printing and AVS Solutions, and such transactions will be subject to the review procedures set out in the section entitled "Interested Person Transaction – Guidelines and Review Procedures for On-going and Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

Purchase of disposable face masks from AVS Technologies by our Group and the supply of mask material, equipment and equipment parts by our Group to AVS Technologies

Following the outbreak of the COVID-19 pandemic, the Singapore government has been encouraging Singapore companies to produce and sell disposable face masks with the aim to contain the virus. In support of the Singapore government's effort, AVS Technologies has started a production line to produce disposable face masks in Singapore. Our Group also wanted to support the effort to contain the virus by selling disposable face masks to our Group's customers.

INTERESTED PERSON TRANSACTION

During the Relevant Period, our Group has purchased disposable face masks from AVS Technologies for the purpose of reselling under our Group's brand.

The aggregate value of the purchases of disposable face masks from AVS Technologies during the Relevant Period is as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Aggregate value of purchase of disposal face masks from AVS Technologies by our Group	-	-	-	154	-

When our Group entered into the purchase agreement with AVS Technologies, it did not obtain or compare price quotes from other suppliers due to the worldwide shortage of disposal face mask. Nevertheless, in determining the price of these purchases, our Group takes into consideration, *inter alia*, the comparable selling prices and margins in the industry. When feasible, our Group will obtain price quotes from suppliers taking into account factors such as quality, certification and country of production.

During the Relevant Period, our Group has also supplied mask material, equipment and equipment parts to AVS Technologies.

The aggregate value of supply of mask material, equipment and equipment parts to AVS Technologies during the Relevant Period is as follows:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>9M2020</u>	<u>From 1 October 2020 to the Latest Practicable Date</u>
	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>	<u>(S\$'000)</u>
Aggregate value of supply of mask material equipment and equipment parts to AVS Technologies by our Group	-	-	-	309	-

Our Group supplies the mask material, equipment and equipment parts to AVS Technologies at cost without any mark-up. However, the sale of mask material, equipment and equipment parts to AVS Technologies is closely linked to the purchase of disposable face masks from AVS Technologies and such arrangement is common in the contract manufacturing business.

In view of the foregoing, our Directors are of the view that the abovementioned transactions with AVS Technologies were carried out on an arm's length basis and on normal commercial terms. Accordingly, our Directors are of the view that such transactions are not prejudicial to the interests of our Group and our minority Shareholders.

Our Group may, following our Listing, enter into transactions of the above nature with AVS Technologies, and such transactions will be subject to our Group's review procedures set out in the section entitled "Interested Person Transaction – Guidelines and Review Procedures for On-going and Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

Sub-licensing of intellectual property rights licensed to AGRP to our Group

As at the Latest Practicable Date, AGRP had entered into licence agreements with two (2) licensors in relation to certain intellectual property rights which are used in connection with our Group's businesses. One of the licence agreements relates to the right to modify a driver software provider by the licensor ("**Licence A**"), while the other licence agreement relates to the use of certain patents of the licensor used in production of some of our LED lighting products ("**Licence B**"). Under the terms of

INTERESTED PERSON TRANSACTION

the licence agreement for Licence A, AGRP may sub-license the right to modify the driver to any party including a non-related third party. Under the terms of the licence agreement for Licence B, AGRP may only sub-license the use of patents to a subsidiary.

Our Group had on 10 February 2021, entered into two (2) sub-licensing agreements with AGRP pursuant to which AGRP has agreed to sub-license the above-mentioned intellectual property rights to our Group under the same terms as the respective licence agreements. Under the sub-licensing agreement with AGRP, any license fee paid or to be paid by our Group to the licensor will be made through AGRP. AGRP does not charge our Group any premium or mark-up for the sub-licensing. The license fees paid by our Group for the use of the licenses under the sub-licensing arrangements during the Relevant Period is as follows:

	FY2017	FY2018	FY2019	9M2020	From 1 October 2020 to the Latest Practicable Date
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Aggregate amount of sub-licensing fees paid to AGRP by our Group	-	90	90	30	26

The terms of the sub-licensing agreements are the same as those in the respective main licence agreements and such sub-licensing agreements will terminate if the main licence agreements are terminated. The main licence agreement for Licence A may be terminated by the owner by giving 90 days' notice and the main licence agreement for Licence B may be only terminated by the owner if the licensee is in breach of the main licence agreement. As at the Latest Practicable Date, our Company is in the process of seeking consents from the two (2) licensors to novate the relevant licence agreements from AGRP to our Company or to enter into new licence agreements with them, following which the respective sub-licensing agreements with AGRP will be terminated.

Our Directors are of the view that the sub-licensing under these sub-licensing agreements were not made on an arm's length basis and were not on normal commercial terms. However, as AGRP merely acted as a procedural intermediary between the licensors and our Group due to historical reasons, our Directors are of the view that the sub-licensing is not prejudicial to the interests of our Group and our minority shareholders since our Group does not pay any premium or mark-up for the sub-licensing. In addition, as our Group is not materially dependent on these intellectual property rights for its operations, there will be no material impact to our Group's operation if the licences are revoked by the respective licensors.

The aforementioned transactions will be subject to our Group's review procedures set out in the section entitled "Interested Person Transaction – Guidelines and Review Procedures for On-going and Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

GUIDELINES AND REVIEW PROCEDURES FOR ON-GOING AND FUTURE INTERESTED PERSON TRANSACTIONS

Our Audit Committee is responsible for ensuring that any interested person transactions entered into by our Group are entered into on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of our Group and our minority Shareholders. In particular, our Audit Committee shall ensure that relevant terms and conditions are not more favourable to the interested person than if such transaction was entered into with an unrelated third party so as to ensure that our Group is not disadvantaged by reason of transacting with the interested person rather than a third party.

All future interested person transactions will be properly documented and submitted to our Audit Committee for periodic review on a quarterly basis. We will maintain a register to record all interested person transactions and the basis on which they are entered into. The annual internal audit plan shall incorporate a review of all interested person transactions entered into by our Group.

INTERESTED PERSON TRANSACTION

We have implemented the following procedures to ensure that all interested person transactions are undertaken on an arm's length basis and on normal commercial terms:

- (a) when purchasing any products or engaging any services from an interested person, two (2) other quotations from non-interested persons will be obtained for comparison. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two (2) other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, requirements, specifications, delivery time and track record will be taken into consideration;
- (b) when selling any non-retail products or supplying any non-retail services which are to an interested person, the price or fee and terms of two (2) other completed transactions of a similar nature with non-interested persons will be used as comparison. The price or fee for the supply of products or services shall not be lower than the lowest price or fee of the two (2) other completed transactions with non-interested persons;
- (c) when selling any retail products or supplying any retail services which are to an interested person, the price or fee and terms shall be the same as other retail customers. The general discount price or fee for the supply of products or services given to other non-interested customers may be given to an interested person;
- (d) in the case of renting properties from or to an interested person, appropriate steps will be taken to ensure that the rent is commensurate with the prevailing market rates, including adopting measures such as making relevant inquiries with landlords of similar properties and/or obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). The amount payable shall be based on the most competitive market rental rate of similar properties in terms of size, suitability for purpose and location, based on the results of the relevant inquiries;
- (e) where it is not possible to compare against the terms of other transactions with unrelated third parties, the matter will be referred to our Audit Committee (with the appropriate abstention of any Audit Committee member who has an interest in the transaction), and our Audit Committee will determine whether the transaction price and/or terms offered by or to the interested person are fair and reasonable and, if they are undertaken on arm's length basis and on normal commercial terms, in accordance with our usual business practices and policies; and
- (f) in addition, we shall monitor all interested person transactions entered into by us and categorise these transactions as follows:
 - (i) a Category 1 interested person transaction (either individually or as a part of a series or as aggregated with other transactions involving the same interested person during the same financial year) is one where the value or aggregate value thereof is equal to or in excess of 3.0% of the latest audited NTA of our Group;
 - (ii) a Category 2 interested person transaction (either individually or as a part of a series or as aggregated with other transactions involving the same interested person during the same financial year) is one where the value or aggregate value thereof is below 3.0% of the latest audited NTA of our Group.

All Category 1 interested person transactions must be approved by our Audit Committee prior to entry whereas Category 2 interested person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a quarterly basis by our Audit Committee; and

Our Audit Committee can then recommend any changes to the above procedures to cater for such situations in the future, if necessary.

Interested person transactions, if any, will be reviewed by our Audit Committee and our Directors at least quarterly to ensure that they are carried out at arm's length and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account.

INTERESTED PERSON TRANSACTION

Our Audit Committee and our Directors shall also review the internal audit reports to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. In addition, our Audit Committee will include the review of interested person transactions as part of its standard procedures while examining the adequacy of our internal controls.

Our Audit Committee and our Directors will also ensure that all disclosures, approvals and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

Our Audit Committee and our Directors shall have overall responsibility for the determination of the review procedures with the authority to sub-delegate to individuals or committees within our Company, as they deem appropriate.

In the event that a member of our Directors or a member of our Audit Committee (where applicable) is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

Our Group will comply with the provisions of Chapter 9 of the Listing Manual in respect of all interested person transactions and where required under the Listing Manual or by any act or law, we shall seek the approval of our shareholders for such interested person transactions.

POTENTIAL CONFLICTS OF INTERESTS

INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS OR THEIR ASSOCIATES

In general, a conflict of interest situation arises when any of our Directors, Controlling Shareholders or their respective Associates carries on or has any interest in any other corporation carrying on the same business or dealing in similar products or services as our Group.

None of our Directors, Controlling Shareholders, and/or any of their Associates is involved in the management of any company or entity involved in a similar or related business as our Group.

Save as disclosed in this section and the sections entitled “Interested Person Transaction” and “Directors, Executive Officers, Legal Representatives and Employees” of this Prospectus, as well as personal investments (whether directly or through nominees) in (a) in any company or entity quoted on any securities exchange (not exceeding 5.0% shareholding interest), or (b) private equity and/or venture capital funds managed on a discretionary basis, none of our Directors, Controlling Shareholders or any of their respective Associates has any interest, whether direct or indirect, in:

- (i) any transactions to which our Company or any of our subsidiaries was or is a party;
- (ii) any company or entity carrying on the same business or dealing in similar products or services as our Group;
- (iii) any company or entity that is our customer or supplier of goods and services; and
- (iv) any existing contract or arrangement which was or is significant in relation to the business of our Group.

Deed of Non-Competition from AGRP and Mr. Michael Mun

Mr. Michael Mun, our Executive Chairman and CEO, is the sole shareholder of AVS Investments, which in turn holds approximately 84.09% of the shares in our Controlling Shareholder, AGRP, as at the Latest Practicable Date.

Mr. Michael Mun is also currently the Chairman and Group CEO of AGRP and also holds directorships in the other subsidiaries of AGRP (other than those held in our Group). To mitigate any potential conflicts of interests between AGRP’s group of companies (other than our Group) (the “**AGRP Group**”) and our Group, each of AGRP and Mr. Michael Mun has entered into a non-competition deed with our Company.

The non-competition deed entered into between AGRP and our Company provides that AGRP shall not, and shall procure that its directors and Associates which are not a member of our Group do not, without the prior written consent of our Company, during the period that AGRP remains as a Controlling Shareholder:

- (i) directly or indirectly carry on (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, unit holder or in any other capacity) any business similar to or competitive with the business of our Group. For the avoidance of doubt, the foregoing restriction shall not apply to any interests in quoted or listed equity securities which do not exceed 5% of the total amount of the issued securities in that class for the time;
- (ii) solicit or persuade, or attempt to solicit or persuade, any person or corporation which is a supplier, customer or client of the Group to cease doing or reduce the amount of business with our Group; and/or
- (iii) either on its own account or for any other person, directly or indirectly, solicit, or endeavour to entice away from our Group any person who to its knowledge is an officer, manager or employee of our Group whether or not such person would commit a breach of its contract of employment by reason of leaving such employment.

The non-competition deed entered into between Mr. Michael Mun and our Company provides that save for his existing interests and directorship in AGRP, Mr. Michael Mun shall not and shall procure that his

POTENTIAL CONFLICTS OF INTERESTS

Associates do not, without the prior written consent of our Company, during the period that he and/or any of his Associates remain as a Director and/or a Controlling Shareholder:

- (i) directly or indirectly carry on (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, unit holder or in any other capacity) any business similar to or competitive with the business of our Group. For the avoidance of doubt, the foregoing restriction shall not apply to any interests in quoted or listed equity securities which do not exceed 5% of the total amount of the issued securities in that class for the time;
- (ii) solicit or persuade, or attempt to solicit or persuade, any person or corporation which is a supplier, customer or client of our Group to cease doing or reduce the amount of business with our Group; and/or
- (iii) either on his own account or for any other person, directly or indirectly, solicit, or endeavour to entice away from our Group any person who to his knowledge is an officer, manager or employee of our Group whether or not such person would commit a breach of his contract of employment by reason of leaving such employment.

No cross-appointment

As at the Latest Practicable Date, AGRP and all its subsidiaries (other than AZ Marine Offshore and our Group) are investment holding companies with no operating businesses. Save for Mr. Michael Mun who will retain his position and directorships in AGRP and its subsidiaries, none of our Executive Directors or Executive Officers will hold any appointment in AGRP or its subsidiaries which are not part of our Group upon Listing. In addition, none of Mr. Michael Mun's Associates who are involved in the business of our Group are or will be involved in AGRP and its subsidiaries (other than our Group). AZ Marine Offshore is in the business of providing ship repair and ship supply support services and is managed by its own management team. None of our Executive Directors (including Mr. Michael Mun) or Executive Officers are involved in the day-to-day management of AZ Marine Offshore.

While Mr. Michael Mun, Mr. Jeremy Mun and Mr. Ivan Mun are currently directors of AVS Investments, AVS Investments is an investment holding company which holds shares in AGRP and has no business or operations. AVS Investments has not entered into any transaction with our Group. Each of Mr. Jeremy Mun and Mr. Ivan Mun, in their respective employment agreements with our Company, has undertaken that he shall not directly or indirectly carry on (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, unit holder or in any other capacity) any business similar to or competitive with the business of our Group. In view of the foregoing, our Directors are of the view that there will not be any potential conflicts of interests arising from Mr. Jeremy Mun and Mr. Ivan Mun being a director of AVS Investments.

Investment in a customer of our Group

Our Controlling Shareholder, AGRP, has on 15 May 2019 invested US\$550,000 under a "simple agreement for future equity" in Wynd, a customer of our Group. Under the same agreement, each of our Executive Chairman and CEO, Mr. Michael Mun, our Executive Director and COO, Mr. Jeremy Mun, and certain of our Executive Officers, Mr. Daniel Oh and Ms. Pavani Nagarajah, has also invested US\$10,000 in Wynd.

Under the abovementioned agreement, AGRP, Mr. Michael Mun, Mr. Jeremy Mun, Mr. Daniel Oh and Ms. Pavani Nagarajah have provided the investment by way of a convertible loan and will not receive any shares or voting rights in Wynd until the investment is converted into equity. Conversion of the loan will only take place under certain circumstances such as a listing or trade sale of Wynd and it is not expected that AGRP, Mr. Michael Mun, Mr. Jeremy Mun, Mr. Daniel Oh and Ms. Pavani Nagarajah will receive more than 5% of the shares in Wynd upon such conversion. None of Mr. Michael Mun, Mr. Jeremy Mun, Mr. Daniel Oh and Ms. Pavani Nagarajah has any executive role in Wynd pursuant to the investment and each of Mr. Michael Mun, Mr. Jeremy Mun, Mr. Daniel Oh and Ms. Pavani Nagarajah has given an undertaking not to take on any executive role in Wynd. As at the Latest Practicable Date, none of AGRP, Mr. Michael Mun, Mr. Jeremy Mun, Mr. Daniel Oh and Ms. Pavani Nagarajah has any shares or voting rights in Wynd.

POTENTIAL CONFLICTS OF INTERESTS

None of the current directors and shareholders of Wynd are related to our Directors, Substantial Shareholders or Executive Officers. We did not record any revenue from Wynd in FY2017 and FY2018 and our revenue from Wynd in each of FY2019 and 9M2020 was less than S\$1.0 million.

In view that none of Mr. Michael Mun, Mr. Jeremy Mun, Mr. Daniel Oh and Ms. Pavani Nagarajah has any executive role in Wynd and that they will each only be a financial investor in Wynd and has each undertaken not to take on an executive role in Wynd, and given that Wynd is not a major customer of our Group, our Directors are of the view that there will not be any potential conflicts of interests arising from the investment by AGRP, Mr. Michael Mun, Mr. Jeremy Mun, Mr. Daniel Oh and Ms. Pavani Nagarajah in Wynd.

INTERESTS OF EXPERTS

None of the experts named in this Prospectus:

- (i) is employed on a contingent basis by our Company or our subsidiaries;
- (ii) has a material interest, whether direct or indirect, in our Shares or in the shares of our subsidiaries; or
- (iii) has a material economic interest, whether direct or indirect, in our Company, including having an interest in the success of the Invitation.

INTERESTS OF THE JOINT ISSUE MANAGERS AND THE JOINT GLOBAL COORDINATORS, BOOKRUNNERS AND UNDERWRITERS

In the reasonable opinion of our Directors, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters do not have a material relationship with our Company save for the following:

- (i) UOB and Maybank Kim Eng are the Joint Issue Managers and UOB, Maybank Kim Eng and DBS are the Joint Global Coordinators, Bookrunners and Underwriters; and
- (ii) UOB, its subsidiaries, associated companies and/or affiliates (the “**UOB Group Companies**”) may in the ordinary course of business, extend credit facilities or engage in commercial banking, investment banking, private banking, securities trading, asset and fund management, research, insurance and/or advisory services with any member of our Group, their respective affiliate and/or our Shareholders, and may receive a fee in respect thereof. In addition, in the ordinary course of its business, any member of the UOB Group Companies may at any time offer or provide services to or engage in any transactions (on its own account or otherwise) with any member of our Group, their respective affiliates, our Shareholders or any other entity or other person, and may receive a fee in respect thereof. This may include, but is not limited to, holding long or short positions in securities issued by member of our Group and their respective affiliates, and trading or otherwise effecting transactions, for its own account or the accounts of its customers, in debt or equity (or related derivative instruments) of any member of our Group and their respective affiliates;
- (iii) Maybank Kim Eng, its subsidiaries, associated companies and/or affiliates (the “**Maybank Kim Eng Group Companies**”) may in the ordinary course of business, extend credit facilities or engage in commercial banking, investment banking, private banking, securities trading, asset and fund management, research, insurance and/or advisory services with any member of our Group, their respective affiliate and/or our Shareholders, and may receive a fee in respect thereof. In addition, in the ordinary course of its business, any member of the Maybank Kim Eng Group Companies may at any time offer or provide services to or engage in any transactions (on its own account or otherwise) with any member of our Group, their respective affiliates, our Shareholders or any other entity or other person, and may receive a fee in respect thereof. This may include, but is not limited to, holding long or short positions in securities issued by member of our Group and their respective affiliates, and trading or otherwise effecting transactions, for its own account or the accounts of its customers, in debt

POTENTIAL CONFLICTS OF INTERESTS

or equity (or related derivative instruments) of any member of our Group and their respective affiliates; and

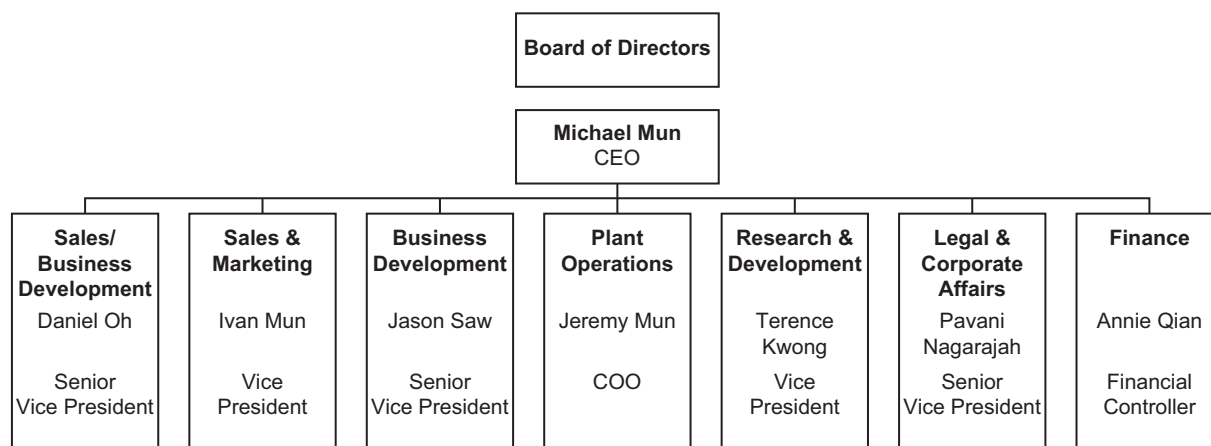
- (iv) DBS, its subsidiaries, associated companies and/or affiliates (the “**DBS Group Companies**”) may in the ordinary course of business, extend credit facilities or engage in commercial banking, investment banking, private banking, securities trading, asset and fund management, research, insurance and/or advisory services with any member of our Group, their respective affiliate and/or our Shareholders, and may receive a fee in respect thereof. In addition, in the ordinary course of its business, any member of the DBS Group Companies may at any time offer or provide services to or engage in any transactions (on its own account or otherwise) with any member of our Group, their respective affiliates, our Shareholders or any other entity or other person, and may receive a fee in respect thereof. This may include, but is not limited to, holding long or short positions in securities issued by member of our Group and their respective affiliates, and trading or otherwise effecting transactions, for its own account or the accounts of its customers, in debt or equity (or related derivative instruments) of any member of our Group and their respective affiliates.

Please refer to the section entitled “Plan of Distribution – Management and Underwriting Agreement” of this Prospectus for further details on our management and underwriting arrangements.

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

MANAGEMENT REPORTING STRUCTURE

Our management reporting structure as at the Latest Practicable Date is set out below:



DIRECTORS

Our Directors are entrusted with the responsibility for the overall management of our Group. The particulars of our Directors as at the date of this Prospectus are set out below:

<u>Name</u>	<u>Age</u>	<u>Designation</u>
Mr. Michael Mun	71	Executive Chairman and CEO
Mr. Jeremy Mun	45	Executive Director and COO
Mr. TS Tan	66	Lead Independent Director
Mr. Larry Tan	62	Independent Director
Mr. Christopher Huang	35	Independent Director

The correspondence address of all our Directors is c/o 31 Ubi Road 1, #01-05, Singapore 408694.

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of our Directors is set out below:

Mr. Michael Mun is the founder of our Group. He is our Executive Chairman and CEO and was appointed to our Board on 27 May 2009. Mr. Michael Mun is responsible for identifying and implementing Group-wide business growth strategies and overseeing all aspects of our Group's growth and operating functions. Mr. Michael Mun has more than 40 years of experience in the electronics industry and began his career in 1975 with the Singapore office of Rank O'Connors, a British consumer electronics distributor before founding our Group. He later spearheaded efforts to transform our Group from a PC manufacturer to a multi-disciplinary business manufacturing, designing and selling IoT Devices and Data-communication products, LED lighting products and other electrical products.

Mr. Michael Mun is the father of Mr. Jeremy Mun, our Executive Director and COO, and Mr. Ivan Mun, our Vice President of Sales and Marketing.

Mr. Jeremy Mun is currently our Executive Director and COO and was appointed to our Board on 8 August 2017. Mr. Jeremy Mun has been with our Group since 2002 and was previously involved in the product development and sale activities of our Group's LED lighting business before taking on the position of COO. He is responsible for the day-to-day operation and management of our business. In particular, he oversees our manufacturing facilities in the PRC and Malaysia.

Mr. Jeremy Mun obtained a Bachelor of Science in Management from the University of London in 2000.

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

Mr. Jeremy Mun is the son of Mr. Michael Mun, our Executive Chairman and CEO, and the sibling of Mr. Ivan Mun, our Group's Vice President of Sales and Marketing.

Mr. TS Tan is our Lead Independent Director and was appointed to our Board on 19 February 2021. Mr. TS Tan currently serves as an independent non-executive director of NASDAQ-listed 02Micro International Ltd and is a member of its audit committee. He has been chairman of such committee since November 2010. In addition, he serves as an executive director of Teleios SC Pte. Ltd., a boutique executive search firm. Mr. TS Tan is a veteran in the electronics industry with over 30 years of experience. His previous appointments include senior managing director of Advanced Micro Devices (Singapore) Pte Ltd, where he managed the business' Singapore and regional operations.

Mr. TS Tan has also held directorships in non-profit organisations, having served as vice chairman of the board of directors of The Helping Hand, a halfway house for the rehabilitation of ex-drug addicts, from 2015 to 2019. He was also a non-executive director of Bizlink Centre Singapore Ltd, a non-profit organization that provides sheltered workshop and employment placement services for disadvantaged and disabled people, from 1999 to 2013, and the chairman of its board from 2001 to 2010.

Mr. TS Tan obtained a Bachelor in Electrical Engineering in 1978 and a Master of Science in Industrial Engineering in 1986 from the National University of Singapore. He is a Fellow of the Singapore Human Resource Institute and a member of the Singapore Institute of Directors.

Mr. Larry Tan is our Independent Director and was appointed to our Board on 19 February 2021. Mr. Larry Tan is currently a retiree and was previously the Asia President of Texas Instruments Singapore Private Limited, a position he held from July 2007 up to his retirement in July 2018. Mr. Larry Tan started his career in 1979 in Texas Instruments Singapore Private Limited as a process engineer in its memory product division, and held a few other portfolios later as engineering manager, manufacturing manager and site quality and reliability manager. He subsequently assumed the role of vice president of marketing in the Asia Pacific sales and marketing division in 1991, and held the position of vice president of sales from 1993.

Mr. Larry Tan obtained a Bachelor of Science with Honours Class I (Mechanical Engineering) from the University of Birmingham in 1979 and subsequently, a Master of Business Administration from Brunel University in 1997.

Mr. Christopher Huang is our Independent Director and was appointed to our Board on 19 February 2021. Mr. Christopher Huang is currently the managing director of CHP Law LLC and advises on various areas of law, with a focus on the legal and tax aspects of cross border commercial transactions, including transfer pricing.

Mr. Christopher Huang started his career as an accountant at Hastings Deering Australia Limited. He has also worked as a business manager at Adcomp Technology Pte Ltd, as a tax associate in the transfer pricing department of PricewaterhouseCoopers and as a tax lawyer at VoskampLawyers.

Mr. Christopher Huang joined Colin Ng & Partners LLP (now known as CNPLaw LLP) in April 2015, and was made a partner in 2018. At Colin Ng & Partners LLP, he headed its tax practice group, and CNP Tax and Advisory Pte Ltd prior to founding CHP Law LLC in April 2019.

Mr. Christopher Huang graduated from the University of Queensland (Australia) in 2011 with a dual degree in law (LL.B.) and commerce (B.Com).

Nominating Committee's view on Mr. Michael Mun's executive directorship in AGRP

Mr. Michael Mun, our Executive Chairman and CEO, is currently the Chairman and Group CEO of AGRP and also holds directorships in the other subsidiaries of AGRP (other than those held in our Group). Following our Listing, it is the intention of Mr. Michael Mun to retain such positions and directorships, as AGRP remains a public company with active public shareholders who look towards Mr. Michael Mun's leadership of AGRP and its subsidiaries. Further, as Mr. Michael Mun is the controlling shareholder of AGRP, Mr. Michael Mun intends to retain his executive position in AGRP, so as to remain accountable to the minority shareholders of AGRP.

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

Notwithstanding that Mr. Michael Mun will be holding executive roles in both AGRP and our Company, Mr. Michael Mun is fully aware of the commitment required of him in his role as our Executive Chairman and CEO and has confirmed that he will be able to devote sufficient time and resources to discharge his duties as our Executive Chairman and CEO, for the following reasons:

- (a) Mr. Michael Mun is the founder of AGRP and has been the Chairman and Group CEO of AGRP since 2009, whereby he has been responsible for the overall strategy and direction and involved in all key aspects of the operations and business of AGRP, which includes those of our Group. During this time, he has been able to devote sufficient time to manage each of the businesses of AGL Group and as such, do not expect any change to his ability, or encounter any difficulty, to continue to do so following the Listing;
- (b) The day-to-day operations of the businesses of the AGRP Group (other than that of our Group) are managed by its own management teams, and as such, it is envisaged that Mr. Michael Mun will not be required to devote substantial amount of time to undertake his duties as the Chairman and Group CEO of AGRP. Further, it is intended for Mr. Mun Weng Hoe (Wen Yonghao), one of Mr. Michael Mun's sons, to be appointed as an executive director of AGRP and to manage matters relating to AGRP moving forward; and
- (c) Mr. Michael Mun is ably supported by Mr. Jeremy Mun, our Executive Director and COO, and a team of experienced Executive Officers, in the running of our Group's businesses. This management team is highly familiar with our Group's business and has vast experience in their respective fields of expertise, several of whom have also been with our Group for more than 10 years.

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

- (a) Potential conflicts of interests between the AGRP Group (other than that of our Group) and our Group will be mitigated through the entry into a non-competition deed between AGRP and our Company, details of which are set out in the section entitled "Potential Conflicts of Interests – Interests of Directors, Controlling Shareholders or their Associates" in this Prospectus;
- (b) Mr. Michael Mun, in his personal capacity, will also be subject to a non-competition restriction under the service agreement entered into between him and our Company; and
- (c) As an additional safeguard, Mr. Michael Mun has also entered into a separate non-compete agreement with our Company, details of which are set out in the section entitled "Potential Conflicts of Interests" in this Prospectus.

Following the Listing, the Nominating Committee will conduct an annual review of the performance of Mr. Michael Mun, including whether Mr. Michael Mun is able to and has been adequately carrying out his duties as our Executive Chairman and CEO, and make such recommendations to our Board as appropriate.

Nominating Committee's view on the independence of Mr. TS Tan

Having reviewed and considered the credentials and independence of Mr. TS Tan, the Nominating Committee and the Board have determined that Mr. TS Tan be considered independent notwithstanding that he was previously an independent director, a member of the audit committee and chairman of the remuneration committee of AGRP from 19 January 2015 to 31 May 2017, and a non-executive director of AGRP (after AGRP's delisting) from 15 August 2017 to 31 December 2019, as Mr. TS Tan has confirmed that, other than his appointments in AGRP as disclosed above, neither he nor his immediate family: (a) holds an interest of 5% or more in the voting shares of our Company;

(b) has been employed by our Company or its related corporations in the current or any of the last three (3) financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively; (c) has provided to or received from our Company or any of our subsidiaries significant payments or material services for the current or immediate past financial year; (d) has been a substantial shareholder of or a partner in or an executive officer of or a director of any organisation which has provided to or received from our Company or our subsidiaries significant payments or material services in the current or immediate past financial year; or (e) is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of any substantial shareholder of our Company in relation to the corporate affairs of our Company, in the current or immediate past financial year; or (f) has been involved in any situation which would affect his independence in our Company.

Based on the above and having considered whether or not Mr. TS Tan's past directorship in AGRP will affect his independence, the Nominating Committee and our Directors are of the view that he should be considered an Independent Director on our Directors in accordance with Rule 210(5) of the Listing Manual and Guideline 2.1 of the Code.

Nominating Committee's view on the independence of Mr. Christopher Huang

Having reviewed and considered the credentials and independence of Mr. Christopher Huang, the Nominating Committee and the Board have determined that Mr. Christopher Huang be considered independent notwithstanding that from time to time since 2019, our Group has engaged CHP Law LLC (which Mr Christopher Huang is a managing director of) to provide general legal advice and also to assist in the preparation process for our Listing. CHP Law LLC had previously advised AGRP on corporate matters such as advice on Singapore's Personal Data Protection Act. In relation to the Listing, the nature of CHP Law LLC's assistance is the attachment of one of its lawyers to our Company to assist our legal department in collating information and documents for external legal counsels and coordinating and facilitating their legal due diligence process. For the avoidance of doubt, CHP Law LLC is not advising AGRP or our Company on the Listing or any issues arising during the process. Following our Listing, it is currently envisaged that our Group will continue to engage the services of CHP Law LLC.

The total fees paid to CHP Law LLC for such professional services in FY2019 was S\$30,239.97 (exclusive of tax and disbursements). The fees paid to CHP Law LLC for such professional fees in FY2020 is S\$31,740.69 (exclusive of tax).

Mr. Christopher Huang is not the engagement partner involved in the provision of professional services by CHP Law LLC to our Group and the fees charged by CHP Law LLC to our Group were on an arm's length basis and were based on normal commercial terms. Mr Christopher Huang will also abstain from and will not be involved in any decision of our Directors in relation to any transactions or dealings of our Group with CHP Law LLC.

In addition, AGRP had also from time to time in the past, engaged CNPLaw LLP (formerly known as Colin Ng & Partners LLP), for the provision of professional legal services. CNPLaw LLP was established by Mr. Colin Ng Teck Sim, who is the father of Mr. Christopher Huang and also a former independent director of AGRP from October 1993 to April 2015. Mr. Colin Ng Teck Sim is no longer a partner of CNPLaw LLP. Mr. Christopher Huang was not the engagement partner involved in the provision of such professional legal services to AGRP when he was a lawyer at CNPLaw LLP.

Mr. Christopher Huang has confirmed that neither he nor his immediate family has been employed by our Company or its related corporations in the current or any of the last three (3) financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively.

Based on the above and having considered whether or not the professional services rendered by CHP Law LLC to our Group will affect Mr. Christopher Huang's independence, the Nominating Committee and our Directors are of the view that he should be considered an Independent Director on our Directors in accordance with Rule 210(5) of the Listing Manual and Guideline 2.1 of the Code.

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

The list of present and past directorships of each Director over the last five (5) years up to the Latest Practicable Date, excluding those held in our Company, is set out below:

<u>Name</u>	<u>Present directorships</u>	<u>Past directorships</u>
Mr. Michael Mun	<p>Our Group AZ E-Lite HK AZ E-Lite SG Aztech Dongguan Aztech Innovation Aztech Systems Aztech Technologies IOT Manufacturing</p> <p>Other companies AZ Evergreen Pte. Ltd. AVS Investments AVS Printing AVS Solutions Sdn. Bhd. AVS Technologies AZ Carnation Pte. Ltd. AZ Iris Pte. Ltd. AZ Ivy Pte. Ltd. AZ Lavender Pte. Ltd. AZ Lily Pte. Ltd. AZ Marigold Pte. Ltd. AZ Marine Pte. Ltd. AZ Marine Offshore AZ Marine Shipping Pte. Ltd. AZ Materials Pte. Ltd. AZ Orchid Pte. Ltd. AZ Peony Pte. Ltd. AZ Rose Pte. Ltd. AZ Sakura Pte. Ltd. AZ Sunflower Pte. Ltd. AZ Tulip Pte. Ltd. AZ United Azfin Semiconductors Pte Ltd AGRP Aztech Systems GmbH Biden Marine Pte. Ltd. Hitemco Huuve Shiro Corporation (HK) Ltd Shiro Corporation Pte. Ltd.</p>	<p>Our Group Shenzhen Aztech Trading Company Ltd (深圳快捷达贸易有限公司) (Wound up)</p> <p>Other companies AVS Holding Pte. Ltd. AVS Projects Pte. Ltd. (Struck off) AZ Marine Logistics Pte. Ltd. Kay Lee Kay Lee Gourmet Pte. Ltd. Kay Lee Tasty Pte. Ltd.</p>
Mr. Jeremy Mun	<p>Our Group AZ E-Lite HK AZ E-Lite SG Aztech Dongguan Aztech Systems Aztech Technologies IOT Manufacturing AZ E-Lite JJS</p> <p>Other companies AVS Electronics Pte. Ltd. AVS Investments</p>	<p>Our Group -</p> <p>Other companies AVS Projects Pte. Ltd. (Struck off) AZ Marine Logistics Pte. Ltd. Kay Lee AZ Evergreen Pte. Ltd. AGRP AVS Holding Pte. Ltd.</p>

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

<u>Name</u>	<u>Present directorships</u>	<u>Past directorships</u>
	AVS Printing AVS Solutions Sdn. Bhd. AVS Technologies	AZ Carnation Pte. Ltd. AZ Iris Pte. Ltd. AZ Ivy Pte. Ltd. AZ Lavender Pte. Ltd. AZ Lily Pte. Ltd. AZ Marigold Pte. Ltd. AZ Marine Pte. Ltd. AZ Materials Pte. Ltd. AZ Orchid Pte. Ltd. AZ Peony Pte. Ltd. AZ Rose Pte. Ltd. AZ Sakura Pte. Ltd. AZ Sunflower Pte. Ltd. AZ Tulip Pte. Ltd. AZ United Azfin Semiconductors Pte Ltd Biden Marine Pte. Ltd. Hitemco Shiro Corporation (HK) Ltd Shiro Corporation Pte. Ltd.
Mr. TS Tan	Our Group -	Our Group -
	Other companies 02Micro International Ltd Teleios SC Pte. Ltd.	Other companies 02 Micro Pte Ltd (Struck off) AGRP The Helping Hand (a society registered under the Societies Act, (Chapter 311) of Singapore)
Mr. Larry Tan	Our Group -	Our Group -
	Other companies -	Other companies National Semiconductor Pte Ltd (Struck off) Texas Instruments Singapore (Pte) Limited
Mr. Christopher Huang	Our Group -	Our Group -
	Other companies CHP Law LLC Digital Crest Global Pte Ltd Fund Asia Pte. Ltd. Fund Singapore Pte. Ltd.	Other companies Van Ameyde APAC Holding Pte Ltd

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

EXECUTIVE OFFICERS

Our day-to-day operations are entrusted to our Executive Directors who are assisted by an experienced and qualified team of Executive Officers. The particulars of our Executive Officers are set out below:

Name	Age	Position
Ms. Annie Qian	47	Financial Controller
Ms. Pavani Nagarajah	58	Senior Vice President - Legal and Corporate Affairs
Mr. Daniel Oh	53	Senior Vice President – Sales/Business Development
Mr. Jason Saw	53	Senior Vice President – Business Development
Mr. Terence Kwong	44	Vice President – Research and Development
Mr. Ivan Mun	39	Vice President – Sales and Marketing

The correspondence address of all our Executive Officers is c/o 31 Ubi Road 1, #01-05, Singapore 408694.

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of our Executive Officers are set out below:

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

Ms. Annie Qian obtained a Bachelor of Science in Applied Accounting from Oxford Brookes University in 2008, and is a member of the Institute of Singapore Chartered Accountants.

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

Ms. Pavani Nagarajah obtained a Bachelor of Laws from the National University of Singapore in 1987.

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

Mr. Daniel Oh obtained a Diploma in Electrical Engineering from Singapore Polytechnic in 1989 and an Advance Diploma in Management Studies from the Singapore Institute of Management in 1999.

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

Mr. Jason Saw obtained a Diploma in Electronic Engineering from Ngee Ann Polytechnic in 1988.

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

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

Mr. Terence Kwong obtained a Bachelor of Engineering in Electronic Engineering from the City University of Hong Kong in 2004.

Mr. Ivan Mun is our Vice President of Sales and Marketing. He oversees the business development activities of our Group's IoT Devices and LED lighting products divisions for the Singapore market. He is also responsible for the marketing activities of our Group. Mr. Ivan Mun has been with our Group for 15 years and was previously involved in our Group's sales activities in Hong Kong and the PRC in relation to electronic products.

Mr. Ivan Mun obtained a Master of Business Administration from Murdoch University in 2016.

Mr. Ivan Mun is the son of Mr. Michael Mun, our Executive Chairman and CEO, and the sibling of Mr. Jeremy Mun, our Executive Director and COO.

Save for Mr. Ivan Mun, who is currently a director of our subsidiary, Aztech Innovation, and also a director of AVS Investments, none of our Executive Officers holds or has held any directorship in the last five (5) years up to the Latest Practicable Date.

There is no arrangement or understanding with a Substantial Shareholder, customer, or supplier of our Company or other person, pursuant to which any of our Directors or Executive Officers was selected as a Director or Executive Officer of our Company.

Save as disclosed in this Prospectus, none of our Directors or Executive Officers has any family relationships with one another, or with our Substantial Shareholders.

None of our Independent Directors sits on the board of any of our subsidiaries. Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our Directors or Substantial Shareholders.

Save for Mr. Michael Mun, Mr. Jeremy Mun and Mr. TS Tan, our Directors do not have prior experience as directors of public listed companies in Singapore. However, they have been briefed by Virtus Law LLP, the Solicitors to the Invitation and Legal Adviser to our Company on Singapore Law, on the roles and responsibilities of a director of a public listed company in Singapore. In accordance with Practice Note 2.3 of the Listing Manual, our Directors (save for Mr. Michael Mun, Mr. Jeremy Mun and Mr. TS Tan) will attend the prescribed mandatory training as specified under Schedule 1 of Practice Note 2.3 of the Listing Manual by the end of the first anniversary of our Listing.

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

DIRECTORS AND AUDITORS OF OUR GROUP

The directors and auditors of our Group's principal subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Name of directors</u>	<u>Name of auditors</u>
Aztech Dongguan	1) Mr. Michael Mun 2) Mr. Jeremy Mun 3) Ms. Annie Qian	BDO Limited, Hong Kong
Aztech Systems	1) Mr. Michael Mun 2) Mr. Jeremy Mun	BDO Limited, Hong Kong
Aztech Technologies	1) Mr. Michael Mun 2) Mr. Jeremy Mun	BDO LLP, Singapore
AZ E-Lite HK	1) Mr. Michael Mun 2) Mr. Jeremy Mun	BDO Limited, Hong Kong
AZ E-Lite SG	1) Mr. Michael Mun 2) Mr. Jeremy Mun	BDO LLP, Singapore
IOT Manufacturing	1) Mr. Michael Mun 2) Mr. Jeremy Mun 3) Mr. Lee Thiam Seong 4) Ms. Aziah Binti Mohd Zain	BDO PLT, Malaysia

LEGAL REPRESENTATIVES

The legal representative of each of our PRC-incorporated subsidiaries is as follows:

<u>PRC-incorporated subsidiary</u>	<u>Name of legal representative</u>	<u>Position(s) held by the legal representative in the subsidiary</u>
Aztech Dongguan	Mr. Michael Mun	Chairman of the board of directors of Aztech Dongguan
AZ E-Lite JJS	Mr. Jeremy Mun	Director of AZ E-Lite JJS

Please refer to the section entitled "Corporate Governance – Legal Representative" of this Prospectus for further details in relation to the legal representatives of our PRC-incorporated subsidiaries.

EMPLOYEES

The breakdown of the number of full-time employees of our Group as at 31 December 2018, 31 December 2019 and 31 December 2020 segmented by function are as follows:

<u>Function</u>	<u>As at 31 December 2018</u>	<u>As at 31 December 2019</u>	<u>As at 31 December 2020</u>
Sales & Marketing	44	40	40
R&D	70	72	141
Corporate Services	69	62	62
Manufacturing	791	630	667
Supply Chain Management	123	92	94
Finance	20	22	19
Total	1,117	918	1,023

The number of employees performing sales & marketing functions decreased from 44 as at 31 December 2018 to 40 as at 31 December 2020 principally because of a lack in profile fit of candidates and a re-designation of responsibilities within the organisation so that the current employees would carry out multiple tasks leading to a lower demand for manpower.

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

The number of employees performing R&D functions increased from 70 as at 31 December 2018 to 141 as at 31 December 2020 principally because of an increase in projects taken on by our Group which require R&D capabilities.

The number of employees performing corporate services functions decreased from 69 as at 31 December 2018 to 62 as at 31 December 2020 principally because (i) of re-designation of responsibilities within the organisation so that the current employees would carry out multiple tasks leading to a lower demand for manpower; and (ii) software enhancement to streamline corporate services processes.

The number of employees performing manufacturing functions decreased from 791 as at 31 December 2018 to 667 as at 31 December 2020 principally because of (i) the automation of manual processes; and (ii) the conversion of some employees to temporary contract workers.

The number of employees performing supply chain management functions decreased from 123 as at 31 December 2018 to 94 as at 31 December 2020 principally because (i) of re-designation of responsibilities within the organisation so that the current employees would carry out multiple tasks leading to a lower demand for manpower; and (ii) software enhancement to streamline supply chain management processes.

The number of employees performing finance functions decreased from 20 as at 31 December 2018 to 19 as at 31 December 2020 principally because of software enhancement to streamline our accounting processes.

The geographical distribution of our Group's full time employees as at 31 December 2018, 31 December 2019 and 31 December 2020 is as follows:

Country	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
Singapore	56	58	53
Hong Kong	28	25	29
PRC	1,033	789	736
Malaysia	0	46	205
Total	1,117	918	1,023

Our employees are not unionised. The relationship and cooperation between the management and staff have been good and is expected to continue to remain so in the future. There has not been any incidence of work stoppages or labour disputes which affected our operations.

We do not experience any significant seasonal fluctuations in our number of employees. As at 31 December 2020, our Group had 2,068 temporary employees and the average number of temporary employees employed by our Group in FY2020 was 1,662. The temporary employees are contract workers employed by our Group to cater for any increase in demand for production. Such contract arrangements give our Group more flexibility in managing our manpower resources and allow us to reduce our fixed manpower costs during the months where production demand is low. Some of our temporary employees are employed under a labour dispatch arrangement. Our PRC Legal Adviser has reviewed the labour dispatch agreements entered into by Aztech Dongguan and the relevant dispatch agents and has confirmed that the labour dispatch agreements reviewed do not violate the PRC Interim Provisions on Labour Dispatch.

REMUNERATION

The remuneration paid to our Directors (which includes salary, contributions to CPD, benefits-in-kind, directors' fees and bonuses) in remuneration bands⁽¹⁾ for services rendered to our Group during FY2019 and FY2020 (being the two (2) most recent completed financial years) and as estimated for FY2021 and the remuneration paid to our Executive Officers (which includes salary, contributions to CPD, benefits-in-kind, directors' fees and bonuses) for services rendered to our Group in remuneration

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

bands of S\$250,000 during FY2019 and FY2020 (being the two (2) most recent completed financial years) and as estimated for FY2021 are set out below:

<u>Names</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021 (estimated)</u>
Directors			
Mr. Michael Mun ⁽⁴⁾	Band E ⁽²⁾	Band D ⁽²⁾	Band D
Mr. Jeremy Mun ⁽⁵⁾	Band C ⁽²⁾	Band B ⁽²⁾	Band B
Mr. TS Tan ⁽⁶⁾	Band A ⁽³⁾	-	Band A
Mr. Larry Tan	-	-	Band A
Mr. Christopher Huang	-	-	Band A

Notes:

- (1) Band A: Remuneration from S\$1 to S\$250,000 per annum.
Band B: Remuneration from S\$250,001 to S\$500,000 per annum.
Band C: Remuneration from S\$500,001 to S\$750,000 per annum.
Band D: Remuneration from S\$2,250,001 to S\$2,500,000 per annum.
Band E: Remuneration from S\$2,500,001 to S\$2,750,000 per annum.
- (2) These remuneration were partly paid by AGRP and partly paid by our Group.
- (3) Mr. TS Tan's remuneration in FY2019 was fully paid by AGRP.
- (4) Mr. Michael Mun's remuneration in bands of S\$50,000 is further disclosed as follows:
FY2019: S\$2,500,001 to S\$2,550,000
FY2020: S\$2,450,001 to S\$2,500,000
FY2021 (estimated): S\$2,400,001 to S\$2,450,000
- (5) Mr. Jeremy Mun's remuneration in bands of S\$50,000 is further disclosed as follows:
FY2019: S\$500,001 to S\$550,000
FY2020: S\$400,001 to S\$450,000
FY2021 (estimated): S\$450,001 to S\$500,000
- (6) Mr. TS Tan's remuneration in FY2019 comprised only director's fees of S\$30,000. Mr. TS Tan resigned as a director of AGRP with effect from 31 December 2019.

<u>Names</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021 (estimated)</u>
Executive Officers (other than the Directors)			
Mr. Terence Kwong	Band A	Band A	Band A
Mr. Ivan Mun ⁽²⁾	Band B	Band B	Band B
Mr. Daniel Oh	Band B	Band B	Band B
Ms. Pavani Nagarajah	Band B	Band B	Band B
Ms. Annie Qian	Band A	Band A	Band A
Mr. Jason Saw	Band A	Band A	Band A

Notes:

- (1) Band A: Remuneration up to S\$250,000 per annum.
Band B: Remuneration from S\$250,001 to S\$500,000 per annum.
- (2) Mr. Ivan Mun's remuneration in bands of S\$50,000 is further disclosed as follows:
FY2019: S\$250,001 to S\$300,000
FY2020: S\$250,001 to S\$300,000
FY2021 (estimated): S\$250,001 to S\$300,000

Our Directors are of the view that given the highly competitive conditions of our Group's industry and in order not to hamper our Group's ability to retain and nurture our Group's talent pool, it is in the best interest of our Company not to fully disclose the exact remuneration of each of the Executive Officers.

The aggregate remuneration of the top five (5) key management personnel of our Group for FY2020 was S\$1,409,750.86.

DIRECTORS, EXECUTIVE OFFICERS, LEGAL REPRESENTATIVES AND EMPLOYEES

Save as described in the section entitled “Directors, Executive Officers, Legal Representatives and Employees – Service Agreements” of this Prospectus, as at the date of this Prospectus, we do not have in place any formal bonus or profit-sharing plan or any other profit-linked agreement or arrangement with any of our employees and bonus is expected to be paid on a discretionary basis.

Save for the ESOS, no remuneration was paid or is to be paid in the form of share options to any of our Directors, Executive Officers or employees.

Save for the PSP, no remuneration was paid or is to be paid in the form of Shares to any of our Directors, Executive Officers or employees.

As at the Latest Practicable Date, save as required for compliance with the applicable laws of Singapore, Hong Kong, Malaysia and the PRC and save in respect of the Retirement Incentive Plan (as detailed below), we have not set aside or accrued any amounts to provide for pension, retirement or similar benefits for our employees.

Related Employees

As at the Latest Practicable Date, other than our Directors and Executive Officers whose relationships with one another and/or our Substantial Shareholders have been disclosed in the sections entitled, “Directors, Executive Officers, Legal Representatives and Employees” and “Shareholders” of this Prospectus, we have one (1) other employee who is related to our Directors, Executive Officers and/or Substantial Shareholders. Ms. Huang Xiaolin is the spouse of our Vice President of Sales and Marketing, Mr. Ivan Mun and holds the position of Manager, Procurement and Logistics at Aztech Technologies. Save as disclosed above, as at the date of this Prospectus, none of our employees are related to our Directors, Executive Officers and/or Substantial Shareholders.

The remuneration (including salary, contributions to CPF, benefits-in-kind, directors’ fees and bonuses), paid to Ms. Huang Xiaolin in each of FY2019 and FY2020 (being the two (2) most recent completed financial years) was between S\$50,000 to S\$100,000 per annum. The basis in determining the remuneration of the related employee is the same as the basis of determining the remuneration of other unrelated employees.

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

In line with the Code, we will disclose in our annual report details of the remuneration of employees who are immediate family members of our Directors or our CEO, and whose remuneration exceeds S\$100,000 during each year in incremental bands of S\$100,000.

RETIREMENT INCENTIVE PLAN

We have adopted a retirement incentive plan known as the ‘Long-Term Retirement Incentive Plan’ (the “**Retirement Incentive Plan**”), which was approved by AGRP by way of written resolutions, passed on 30 December 2019.

The Retirement Incentive Plan is an incentive scheme which provides eligible participants with cash pay-outs after they reach a certain age. The Retirement Incentive Plan forms an integral component of our compensation plan and has been designed primarily to reward employees whose services are essential to the growth and performance of our Group.

As at the Latest Practicable Date, S\$888,706 has been provided for by our Company in respect of the Retirement Incentive Plan.

Objectives of the Retirement Incentive Plan

The objectives of the Retirement Incentive Plan are as follows:

- (a) to improve our Company's ability to retain key management staff on a long-term basis;
- (b) to attract talent at the key management level; and
- (c) to motivate and incentivise employee performance.

Participants of the Retirement Incentive Plan

Our Executive Chairman and CEO, Mr. Michael Mun, our Executive Director and COO, Mr. Jeremy Mun, our Executive Officers and such other full-time employees of our Group as may be nominated by our CEO from time to time (the "**Qualifying Persons**") shall, subject to the written approval of our Board, be eligible to participate in the Retirement Incentive Plan. For the avoidance of doubt, Qualifying Persons shall not include our non-executive Directors.

Summary of the Retirement Incentive Plan

We set out a summary of the rules of the Retirement Incentive Plan below.

Entitlement to a cash pay-out

All Qualifying Persons shall be entitled to receive a one-time cash payout (the "**LTRP Payout**") when they are 62 years old (or such other minimum retirement age as may be prescribed by applicable laws in Singapore from time to time) (the "**Minimum Retirement Age**"), the amount of which will be determined in accordance with the following:

- (a) In the case of a Qualifying Person who, as at 2019, have been appointed by our Company, the amount accruing as part of the LTRP Payout for each year shall be determined as follows:

For 2019, the applicable formula shall be: $2\% \times 12 \text{ months' base salary paid in 2019} \times \text{full years of service (as at 31 Dec 2019)}$.

For 2020 and each subsequent year, the applicable formula shall be: $2\% \times 12 \text{ months' base salary paid in the relevant year (prorated, where applicable)}$, save that no amount shall accrue during a year if our Group's profit after tax for that particular year is less than S\$5 million.

- (b) In the case of a Qualifying Person who is newly hired or promoted from 2020 onwards, the amount accruing as part of the LTRP Payout for each year from 2020 onwards shall be determined based on the following formula: $2\% \times 12 \text{ months' base salary paid in the relevant year (prorated, where applicable)}$, save that no amount shall accrue during a year if our Group's profit after tax for that particular year is less than S\$5 million.

For the avoidance of doubt, a Qualifying Person's entitlement to receive the LTRP Payout will automatically vest when that Qualifying Person reaches the Minimum Retirement Age. The amount of the LTRP Payout will accumulate, without any accrued interest, over the applicable period until withdrawn at the election of the Qualifying Person after reaching the Minimum Retirement Age. If a Qualifying Person continues to work for our Group after reaching the Minimum Retirement Age, that Qualifying Person can elect to: (i) withdraw his or her LTRP Payout; or (ii) defer such withdrawal to a later date. If the Qualifying Person elects to withdraw the LTRP Payout, the Retirement Incentive Plan shall automatically terminate with respect to that Qualifying Person and that Qualifying Person shall no longer be entitled to receive any further amounts under the Retirement Incentive Plan. If the Qualifying Person elects to defer the withdrawal to a later date, the Qualifying Person will continue to be entitled to receive further amounts under the Retirement Incentive Plan.

Payment of the LTRP Payout

Upon a Qualifying Person giving notice in writing to our Company that his or her entitlement to the LTRP Payout has vested and that he or she intends to withdraw the LTRP Payout, the LTRP Payout

may, at such Qualifying Person's election, be paid out in instalments over a 3-year period or in one lump sum.

Forfeiture of the LTRP Payout

If a Qualifying Person's employment ceases for any reason before that Qualifying Person is entitled to the LTRP Payout:

- (a) the Retirement Incentive Plan will cease to apply with immediate effect with respect to that Qualifying Person; and
- (b) the Qualifying Person shall be deemed to have forfeited his or her entitlement to receive the LTRP Payout, provided that our Board reserves the right to waive such forfeiture (in whole or in respect of any part thereof) on compassionate grounds or for any other reason(s) that our Board deems appropriate.

If an insolvency event occurs in relation to our Company, the Retirement Incentive Plan will be cancelled immediately, and all LTRP Payouts that have not vested at that point in time will automatically be deemed to have been forfeited. For the avoidance of doubt, any LTRP Payouts that have vested at that point in time will not be affected by such cancellation.

Variation of the Retirement Incentive Plan

Our Company reserves the right to, from time to time, adjust the terms and conditions of the Retirement Incentive Plan as it deems advisable in its sole discretion, having regard to our Company's growth plans and profitability.

Financial effects of the Retirement Incentive Plan

LTRP Payouts that have not vested are recorded as a long-term provision in the financial statements of our Group, while LTRP Payouts that have vested are recorded as a short-term provision in the financial statements of our Group. Such provisions will be recognised as an expense in the relevant financial year during which the employees have rendered their service and will be utilised upon the actual LTRP Payout.

SUMMARY OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

AZTECH EMPLOYEE SHARE OPTION SCHEME

On 18 February 2021, our Shareholders approved a share based incentive plan known as the Aztech Employee Share Option Scheme (the “**ESOS**”), the rules of which are set out in “Appendix E – Rules of the Aztech Employee Share Option Scheme” to this Prospectus. As at the Latest Practicable Date, no Options have been granted under the ESOS. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual.

Objectives of the ESOS

The ESOS is primarily a share incentive scheme. It recognises the fact that the services of our employees and Directors are important to the success and continued well-being of our Group. Implementation of the ESOS will enable our Group to give recognition to the contributions made by such persons. At the same time, it will give participants an opportunity to have a real and personal direct interest in our Group and will also help to achieve the following positive objectives:

- to motivate the participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;
- to retain key employees whose contributions are essential to the long-term growth and profitability of our Group;
- to instill loyalty to, and reinforce a stronger identification by participants with the long-term prosperity of, our Group;

- to attract potential employees with relevant skills to contribute to our Group and to create value for our Shareholders; and
- to align the interests of employees with the interests of our Shareholders.

Summary of the ESOS

A summary of the rules of the ESOS is set out as follows:

1. Participants of the ESOS

The following persons shall be eligible to participate in the ESOS at the absolute discretion of the Remuneration Committee:

- (a) Group Employees and Directors who have attained the age of twenty-one (21) years and who are not undischarged bankrupts; and
- (b) Controlling Shareholders or their Associates who qualify under paragraph (a) above, provided that their participation in the ESOS is specially approved by independent Shareholders in a separate resolution for each such person.

2. Administration of the ESOS

The ESOS shall be administered by our Remuneration Committee in its absolute discretion with such powers and duties as are conferred on it by our Board. The Remuneration Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the ESOS) for the implementation and administration of the ESOS as it thinks fit.

A member of our Remuneration Committee who is also a participant of the ESOS must not be involved in its deliberation in respect of option(s) granted or to be granted to him.

3. Size of the ESOS

The aggregate number of Shares over which our Remuneration Committee may grant options on any date, when added to:

- (a) the number of Shares issued and issuable in respect of all Options;
- (b) the aggregate number of Shares issued or issuable in respect of any other share schemes of our Company, including any Awards; and
- (c) the number of treasury shares delivered in respect of the options granted under all other share-based incentive schemes of our Company (if any),

shall not exceed 15.0% of the issued Shares (excluding treasury shares) of our Company on the date preceding the date of grant.

The aggregate number of Shares over which our Remuneration Committee may grant Options to the Controlling Shareholders and their Associates under the ESOS shall not exceed 25.0% of the Shares available under the ESOS, provided always that the number of Shares available to each Controlling Shareholder or each of his Associates shall not exceed 10.0% of the Shares available under the ESOS.

Our Company believes that the 15.0% limit gives our Company sufficient flexibility to decide the number of Shares to offer to its existing and new employees. The number of eligible participants is expected to grow over the years. Our Company, in line with its goals of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants, will increase as a result. If the number of Options available under the ESOS is limited, our Company may only be able to grant a small number of Options

to each eligible participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of Options to offer to new employees as well as to existing ones. The number of Options offered must also be significant enough to serve as a meaningful reward for contributions to our Group. However, it does not necessarily mean that our Remuneration Committee will definitely issue the Options up to the prescribed limit. Our Remuneration Committee shall exercise its discretion in deciding the number of Options to be granted to each participant which will depend on the performance and value of the participant to our Group.

4. Maximum entitlement

The aggregate number of Shares in respect of which Options may be offered to a participant shall be determined at the discretion of our Remuneration Committee, which shall take into account, where applicable, criteria such as rank, past performance, years of service and potential contribution of the participant.

5. Grant of Options

Under the rules of the ESOS, there are no fixed periods for the grant of Options. As such, offers of the grant of Options may be made at any time from time to time at the discretion of our Remuneration Committee when the ESOS is in force, except that no offer of grant of Option(s) shall be made during the period of one (1) month immediately preceding the date of announcement of our Company's half year and full-year results. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers to grant Options may only be made on or after the second market day after the date on which such announcement is released.

6. Acceptance of Options

The grant of Options may be accepted within 30 days from the date of the offer. The grantee may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the grantee shall accept the offer in multiples of 1,000 Shares.

If a grant of an Option is not accepted, such offer shall, upon the expiry of the 30 days' period, automatically lapse and shall forthwith be deemed to be null and void and be of no effect.

7. Exercise price

The exercise price for each Share in respect of which an Option is exercisable shall be determined by our Remuneration Committee, in its absolute discretion, on the date of grant, at:

- (a) a price equal to the average of the last dealt prices for a Share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive market days immediately prior to the relevant date of grant, provided always that in the case of a market day on which the Shares of our Company were not traded on the SGX-ST, the last dealt price for Shares on such market day shall be deemed to be the last dealt price of the Shares on the immediately preceding market day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices (the "**Market Price**") (the "**Market Price Option**"); or
- (b) a price which is set at a discount to the Market Price (the "**Incentive Option**"), provided that:
 - (i) the maximum discount shall not exceed 20.0% of the Market Price (or such other percentage or amount as may be determined by our Remuneration Committee and permitted by the SGX-ST); and
 - (ii) the Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

8. Exercise period

Market Price Options may only be exercised after the first anniversary of the date of grant of such Options. Incentive Options may only be exercised after the second anniversary of the date of grant of such Options.

Where the Options are granted to a participant other than Non-Executive Directors:

- (a) in the case of a Market Price Option, the Option shall be exercised before the tenth (10th) anniversary of the relevant date of grant of that Option or such earlier date as may be determined by our Remuneration Committee; and
- (b) in the case of an Incentive Option, the Option shall be exercised before the tenth (10th) anniversary of the relevant date of grant of that Option or such earlier date as may be determined by our Remuneration Committee.

Where the Options are granted to Non-Executive Directors:

- (a) in the case of a Market Price Option, the Option shall be exercised before the fifth (5th) anniversary of the relevant Date of Grant of that Option or such earlier date as may be determined by the Committee; and
- (b) in the case of an Incentive Option, the Option shall be exercised before the fifth (5th) anniversary of the relevant Date of Grant of that Option or such earlier date as may be determined by the Committee

9. Termination of Options

Provisions for the lapsing and termination of Options apply in certain circumstances including the following:

- (a) the participant ceasing to be in the employment of our Company or any of the companies within our Group for any reason whatsoever (other than as specified in paragraphs (e) or (f) below);
- (b) upon the bankruptcy of the participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Option;
- (c) in the event of misconduct on the part of the participant as determined by our Remuneration Committee in its absolute discretion;
- (d) an order or an effective resolution is passed for the winding-up of our Company on the basis of its insolvency;
- (e) the participant ceases to be employed by our Group by reason of his:
 - (1) ill health, injury or disability (in each case, as certified by a medical practitioner approved by our Remuneration Committee);
 - (2) redundancy;
 - (3) retirement at or after a normal retirement age;
 - (4) retirement before that age with the consent of our Remuneration Committee;
 - (5) any other reason approved in writing by our Remuneration Committee; or
- (f) the participant ceases to be employed by our Group by reason of the entity by which he is principally employed ceasing to be a company within our Group or the undertaking or part of the undertaking of such entity being transferred otherwise than to another company within our Group;

- (g) a participant who is also a Director ceases to be a Director for any reason (other than by reason of his resignation);
- (h) the death of the participant.

Upon the occurrence of any of the events specified in paragraphs (a), (b), (c) and (d) above, an Option then held by a participant shall, subject as provided in the rules of the ESOS and to the extent unexercised, immediately lapse and become null and void and the participant shall have no claim against our Company.

Upon the occurrence of any of the events specified in paragraphs (e), (f) and (g) above, the participant may, at the absolute discretion of our Remuneration Committee exercise any unexercised Option(s) within the relevant exercise period and upon the expiry of the relevant exercise period, the Option(s) remaining unexercised shall immediately lapse and become null and void.

Upon the occurrence of the event specified in paragraph (h), an Option then held by a participant may, at the absolute discretion of our Remuneration Committee, be exercised by the duly appointed legal personal representatives of the participant within the relevant exercise period and upon the expiry of such period, the Option(s) shall immediately lapse and become null and void.

10. Exercise of Options

Subject to any applicable law and compliance with our Constitution and the rules of the ESOS, our Company shall have the flexibility to deliver Shares to the participants upon the exercise of their Options by way of (i) an allotment or issuance of new Shares; (ii) the transfer of existing Shares, including any Shares acquired by our Company pursuant to a share purchase mandate and/or held by our Company as treasury shares; or (iii) subject to the prior approval of our Remuneration Committee and at our Remuneration Committee's absolute discretion, pay the equivalent value in cash (after deduction of any applicable taxes) to the participant in accordance with the rules of the ESOS, in lieu of issuing or delivering all or some of the Shares to be issued or delivered to the participant.

In determining whether to issue new Shares or to deliver existing Shares or to pay the equivalent value in cash to participants to settle the exercise of the Option, our Remuneration Committee shall have the right to take into account factors such as (but not limited to) the prevailing market price of the Shares, the cash position of our Company, the cost to our Company of issuing new Shares or purchasing existing Shares or paying the equivalent value in cash.

The financial effects of the above methods are discussed below.

Shares issued and allotted or treasury shares which are transferred upon the exercise of an Option shall be subject to all provisions of the Constitution of our Company and shall rank *pari passu* in all respects with the then existing issued Shares in the capital of our Company except for any dividends, rights (including voting rights), allotments or other distributions, the record date for which falls prior to the date of issue or transfer (as the case may be) of the said Shares.

11. Duration of the ESOS

The ESOS shall continue to be in force at the discretion of our Remuneration Committee, subject to a maximum period of ten (10) years, commencing on the date on which the ESOS is adopted by Shareholders at a general meeting. Subject to compliance with any applicable laws and regulations in Singapore, the ESOS may be continued beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

12. Abstention from voting

Shareholders who are eligible to participate in the ESOS are to abstain from voting on any shareholders' resolution relating to the ESOS.

Rationale for Participation by our Executive Directors and Group Employees in the ESOS

The extension of the ESOS to our Executive Directors and Group Employees allows us to have a fair and equitable system to reward our Executive Directors and Group Employees who have made and who continue to make significant contributions to the long-term growth of our Group.

We believe that the grant of Options to our Executive Directors and Group Employees will enable us to attract, retain and incentivise such persons to produce higher standards of performance, encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services and motivate participants generally to contribute towards the long-term growth of our Group.

Rationale for Participation by our Non-Executive Directors (including Independent Directors) in the ESOS

Although our Non-Executive Directors are not involved in the day-to-day running of our Group's operations, they play an invaluable role in furthering the business interests of our Group by contributing their experience and expertise. The participation by Non-Executive Directors in the ESOS will provide our Company with a further avenue to acknowledge and recognise their services and contributions to our Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment. For instance, the Non-Executive Directors may bring strategic or other value to our Company which may be difficult to quantify in monetary terms. The grant of Options to Non-Executive Directors will allow our Company to attract and retain experienced and qualified persons from different professional backgrounds to join our Company as Non-Executive Directors, and to motivate existing Non-Executive Directors to take extra efforts to promote the interests of our Company and/or our Group.

Rationale for Participation of Controlling Shareholders or their Associates in the ESOS

An employee who is a Controlling Shareholder or its Associate shall be eligible to participate in the ESOS if (a) his/her participation in the ESOS; and (b) the actual number and terms of the Options to be granted shall have been approved by independent Shareholders in separate resolutions for each such person. Such Controlling Shareholder or Associate shall abstain from voting on the resolution in relation to his participation in the ESOS, the actual number and terms of Options to be granted and the grant of Options to him.

One of the main objectives of the ESOS is to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group. The objectives of the ESOS apply equally to our employees who are our Controlling Shareholders and their Associates. Our view is that all deserving and eligible participants should be motivated. We recognise that their participation in the ESOS will serve not only as recognition of their valuable contributions to our Group but also give them a stake in the future performance of our Group which will motivate them to continue to achieve and maintain a high level of performance which is vital to the success of our Group.

Adjustment Events under the ESOS

If a variation in the issued share capital of our Company (whether by way of a bonus issue or rights issue, cancellation, capital reduction, subdivision, consolidation, distribution or conversion or otherwise howsoever) shall take place, then our Remuneration Committee may determine whether:

- (i) the exercise price of the Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or
- (ii) the class and/or number of Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or
- (iii) the class and/or number of Shares in respect of which additional Options may be granted to Option holders,

may be adjusted and if so, the manner in which the Remuneration Committee may determine to be appropriate, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable. No such adjustment shall be made (a) if as a result, the participant receives a benefit that a Shareholder does not receive; and (b) unless our Remuneration Committee after considering all relevant circumstances considers it equitable to do so.

The following shall not be regarded as a circumstance requiring adjustment:

- (a) the issue of securities as consideration for an acquisition of any assets by our Company;
- (b) a private placement of securities;
- (c) the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares, in accordance with the Listing Manual, undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by the Shareholders (including any renewal of such mandate) is in force;
- (d) an issue of Shares or securities convertible into or with rights to acquire or subscribe for Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business; and
- (e) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by our Company.

Grant of Options with discounted exercise price

The ability to offer Options to participants of the ESOS with exercise price set at a discount to the prevailing market prices of the Shares will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit all Shareholders when these are eventually reflected through share price appreciation. The ESOS will also serve to recruit new employees whose contributions are important to the long-term growth and profitability of our Group. Discounted options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered options at a discount as only participants who have made outstanding contributions to the success and development of our Group would be granted options at a discount.

Our Remuneration Committee will have the absolute discretion to grant options where the acquisition price is discounted, to determine the level of discount (subject to a maximum discount of 20.0% of the Market Price) and the grantees to whom, and the options to which, such discount in the acquisition price will apply provided that our Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

In deciding whether to give a discount and the quantum of such discount (subject to the aforesaid limit), our Remuneration Committee shall be at liberty to take into consideration such criteria as our Remuneration Committee may, in its absolute discretion, deem appropriate, including but not limited to the performance of our Group, the years of service and the individual performance of the participant, the contribution of the participant to the success and development of our Company and/or our Group and the prevailing market conditions.

Financial Effects of the ESOS

The ESOS will increase our issued share capital to the extent of the new Options Shares that will be allotted pursuant to the exercise of Options. Under the SFRS(I) 2, the fair value of employee services received in exchange for the grant of the Options would be recognised as an expense. For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each Option granted at the grant date and the number of Options vested by vesting date, with a corresponding increase in equity.

Before the end of the vesting period, at each balance sheet date, the entity revises its estimates of the number of Options that are expected to vest by the vesting date and recognises the impact of this revision in the income statement with a corresponding adjustment to equity. After the vesting date, no adjustment to the income statement would be made. The proceeds net of any directly attributable transaction costs are credited to the share capital when the options are exercised.

During the vesting period, the consolidated earnings per share would be reduced by both the expense recognised and the potential ordinary shares to be issued under the ESOS. When the Options are exercised, the NTA will be increased by the amount of cash received for exercise of the Options. On a per share basis, the effect is accretive if the acquisition price is above the NTA per share but dilutive otherwise.

There will be no cash outlay expended by us at the time of grant of such Options as compared to the payment of cash bonuses. However, as Shareholders may be aware, any Options granted to subscribe for new shares (whether the exercise price is set at the market price of the Shares at the date of grant or otherwise) have a fair value at the time of grant. The fair value of an Option is an estimate of the amount that a willing buyer would pay a willing seller for the Option on the grant date. Options are granted to participants at a nominal consideration of S\$1.00. Insofar as such Options are granted at a consideration that is less than their fair value at the time of grant, there will be a cost to our Company in that we will receive from the participant upon the grant of the Option a consideration that is less than the fair value of the Option.

The following sets out the financial effects of the ESOS:

(a) Share capital

The ESOS will result in an increase in our Company's issued share capital when new Shares are allotted to participants. The number of new Shares allotted will depend on, *inter alia*, the size of the Options granted under the ESOS. Whether and when the Options granted under the ESOS will be exercised will depend on the exercise price of the Options, when the Options will vest as well as the prevailing trading price of the Shares. In any case, the ESOS provides that the aggregate number of Shares over which our Remuneration Committee may grant options on any date, when added to:

- (i) the number of Shares issued and issuable in respect of all Options;
- (ii) the aggregate number of Shares issued or issuable in respect of any other share schemes of our Company, including any Awards; and
- (iii) the number of treasury shares delivered in respect of the options granted under all other share-based incentive schemes of our Company (if any),

shall not exceed 15.0% of the issued Shares (excluding treasury shares) of our Company on the date preceding the date of grant. If instead of allotting new Shares to participants, existing Shares are transferred to participants, the ESOS will have no impact on our Company's issued share capital.

(b) NTA

As described in paragraph (c) below on EPS, the grant of options will be recognised as an expense, the amount of which will be computed in accordance with SFRS(I) 2. When new Shares are allotted pursuant to the exercise of options, there would be no effect on the NTA due to the offsetting effect of expenses recognised and the increase in share capital. However, if instead of allotting new Shares to participants, existing Shares are purchased for transfer to participants, the NTA would be impacted by the cost of the Shares purchased.

(c) EPS

Without taking into account earnings that may be derived by our Company from the use of the proceeds from the allotment of new Shares pursuant to the exercise of options granted under the ESOS, any new Shares allotted pursuant to any exercise of the options will have a dilutive impact on our Company's EPS.

(d) Dilutive impact

The issuance of new Shares under the ESOS will have a dilutive impact on our consolidated EPS.

Disclosure in Annual Reports

Our Company will make such disclosures in our annual report for so long as the ESOS continues in operation as from time to time required by the Listing Manual including the names of the participants granted Options, the number of Options granted, the number of new Shares issued to the participants.

SUMMARY OF THE AZTECH PERFORMANCE SHARE PLAN

AZTECH PERFORMANCE SHARE PLAN

On 18 February 2021, our Shareholders approved a share incentive scheme known as the Aztech Performance Share Plan (the “**PSP**”), the rules of which are set out in “Appendix F – Rules of the Aztech Performance Share Plan” to this Prospectus. As at the Latest Practicable Date, no Awards have been granted under the PSP. The PSP complies with the relevant rules as set out in Chapter 8 of the Listing Manual.

Objectives of the PSP

The PSP is a share incentive scheme which will allow our Company, *inter alia*, to target specific performance objectives and to provide an incentive for participants to achieve these targets. Unlike the Options granted under the ESOS, the PSP is designed to reward eligible participants with Awards comprising fully paid Shares, or the equivalent in cash or a combination of both. The reason for having the PSP in addition to the ESOS is to give our Company greater flexibility in structuring the compensation packages of eligible participants and providing an additional tool to motivate and retain staff members through the offering of compensation packages that are market competitive.

Our Directors believe that the PSP will incentivise Participants to excel in their performance and encourage greater dedication and loyalty to our Company and also help to achieve the following positive objectives:

- to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;
- to retain key employees whose contributions are essential to the long-term growth and profitability of our Group;
- to instil loyalty to, and reinforce a stronger identification by participants with the long-term prosperity of, our Group;
- to attract potential employees with relevant skills to contribute to our Group and to create value for Shareholders; and
- to align the interests of participants with the interests of Shareholders.

Summary of the PSP

A summary of the rules of the PSP is set out as follows:

1. Participants of the PSP

The following persons shall be eligible to participate in the PSP at the absolute discretion of the Remuneration Committee:

- (a) Group Employees and Directors who have attained the age of twenty-one (21) years and who are not undischarged bankrupts; and

- (b) Controlling Shareholders or their Associates who qualify under paragraph (a) above, provided that their participation in the PSP is specially approved by independent Shareholders in a separate resolution for each such person.

2. Administration

The PSP shall be administered by our Remuneration Committee in its absolute discretion with such powers and duties as are conferred on it by our Board provided that a member of our Remuneration Committee who is also a participant of the PSP must not be involved in the deliberations in respect of Awards to be granted to him in compliance with the requirements of the Listing Manual.

Our Remuneration Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the PSP) for the implementation and administration of the PSP and/or to give effect to the provisions of the PSP, as they may, in their absolute discretion, think fit.

3. Size of the PSP

In order to reduce the dilutive impact of the PSP, the aggregate number of Award Shares which may be issued or transferred pursuant to Awards, when added to:

- (a) the number of Award Shares issued or issuable in respect of all other Awards granted under the PSP;
- (b) the aggregate number of Shares issued or issuable in respect of any other share schemes of our Company, including the ESOS; and
- (c) the number of treasury shares delivered in respect of the options granted under all other share-based incentive schemes of our Company (if any),

shall not exceed 15.0% of the issued Shares (excluding treasury shares) of our Company on the date preceding the relevant date of which the Award was granted.

The aggregate number of Award Shares available to the Controlling Shareholders and their Associates under the PSP shall not exceed 25.0% of the Shares available under the PSP, provided always that the number of Award Shares available to each Controlling Shareholder or each of his Associates shall not exceed 10.0% of the Award Shares available under the PSP.

However, it does not necessarily mean that our Remuneration Committee will definitely issue the Award Shares up to the prescribed limit. Our Remuneration Committee shall exercise its discretion in deciding the number of Award Shares to be granted to each participant which will depend on the performance and value of the participant to our Group.

4. Maximum entitlements

The number of Award Shares which are the subject of each Award to be granted to a participant in accordance with the PSP shall be determined at the absolute discretion of our Remuneration Committee, which shall take account criteria such as, *inter alia*, rank, scope of responsibilities, performance, years of service and potential for future development and the extent of effort and resourcefulness with which the performance target(s) may be achieved within the performance period. The performance targets will be set by our Remuneration Committee depending on each individual participant's job scope and responsibilities.

In addition to the performance targets, in relation to each Award, our Remuneration Committee shall have the discretion to prescribe a vesting period of between one (1) to ten (10) years depending on the importance of the individual participant to the long-term growth of our Group and such other conditions as our Remuneration Committee may determine.

5. Grant of Awards

Our Remuneration Committee may grant Awards to participants in its absolute discretion, at any time during the period when the PSP is in force. A letter confirming the Award and specifying, among others, the number of Award Shares, the prescribed performance target(s) and the performance period during which the prescribed performance target(s) are to be satisfied, will be sent to each participant as soon as is reasonably practicable after making an Award.

Our Remuneration Committee shall decide, in relation to an Award:

- (a) the participant;
- (b) the date on which the Award is to be granted;
- (c) the performance period;
- (d) the number of Award Shares which are the subject of an Award;
- (e) the performance target(s) which shall be set according to the specific roles of each participant, and which may differ from participant to participant;
- (f) the schedule setting out the extent to which Award Shares which are the subject of that Award shall be released on the performance target(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period; and
- (g) any other condition which our Remuneration Committee may determine in relation to that Award.

Participants are not required to pay for the grant of Awards.

6. Termination of Awards

Provisions for the lapsing and termination of Awards apply in certain circumstances including the following:

- (a) the participant ceasing to be in the employment of our Company or any of the companies within our Group for any reason whatsoever (other than as specified in paragraph (e) below);
- (b) upon the bankruptcy of the participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of an Award;
- (c) in the event of misconduct on the part of the participant as determined by our Remuneration Committee in its absolute discretion;
- (d) in the event of an order being made or a resolution passed for the winding up of our Company on the basis, or by reason, of its insolvency;
- (e) the participant ceases to be employed by our Group by reason of his:
 - (1) ill health, injury or disability (in each case, evidenced to the satisfaction of our Remuneration Committee);
 - (2) redundancy;
 - (3) retirement at or after a normal retirement age;
 - (4) retirement before that age with the consent of our Remuneration Committee;
 - (5) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company of our Group;

- (f) a participant who is a Director ceases to be a Non-Executive Director or Independent Director for any reason;
- (g) the death of the participant; or
- (h) any other event approved by our Remuneration Committee.

Upon the occurrence of any of the events specified in paragraphs (a), (b), (c) and (d) above, an Award shall, to the extent not yet released, immediately lapse without any claim whatsoever against our Company.

Upon the occurrence of any of the events specified in paragraphs (e), (f), (g) and (h) above, our Remuneration Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to vest some or all of the Award Shares which are the subject of any Award or to preserve all or part of any Award until the end of the performance period and subject to the provisions of the PSP. In exercising its discretion, our Remuneration Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that participant and the extent to which the performance target(s) has been satisfied.

7. Release of Awards

As soon as reasonably practicable after the end of each performance period, our Remuneration Committee shall review the performance target(s) specified in respect of that Award and determine whether they have been satisfied and, if so, the extent to which they have been satisfied (whether fully or partially) and the number of Award Shares to be released. If our Remuneration Committee determines in its sole discretion that the performance target(s) has not been satisfied or if the relevant participant has not continued to be an employee of our Group from the date of grant of the Award up to the end of the relevant performance period that Award shall lapse and be of no value.

Our Remuneration Committee shall have the discretion to determine whether the performance target(s) has been satisfied (whether fully or partially) or exceeded and in making any such determination, our Remuneration Committee shall have the right to make reference to the audited results of our Group or our Company, as the case may be, to take into account such factors as our Remuneration Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if our Remuneration Committee decides that a changed performance target would be a fairer measure of performance.

Subject to any applicable law and compliance with our Constitution and the rules of the PSP, our Company shall have the flexibility to deliver Award Shares to participants upon vesting of their Awards by way of (i) an allotment or issuance of new Shares; (ii) the transfer of existing Shares, including any Shares acquired by our Company pursuant to a share purchase mandate and/or held by our Company as treasury shares; or (iii) subject to the prior approval of our Remuneration Committee and at our Remuneration Committee's absolute discretion, pay the equivalent value in cash (after deduction of any applicable taxes) to the participant in accordance with the rules of the PSP, in lieu of issuing or delivering all or some of the Award Shares to be issued or delivered to the participant.

In determining whether to issue new Shares or to deliver existing Shares or to pay the equivalent value in cash to participants upon the vesting of the Awards, our Remuneration Committee shall have the right to take into account factors such as (but not limited to) the prevailing market price of the Shares, the cash position of our Company, the cost to our Company of issuing new Shares or purchasing existing Shares or paying the equivalent value in cash.

The financial effects of the above methods are discussed below.

Award Shares issued and allotted or treasury shares which are transferred on the release of an Award shall be subject to all provisions of the Constitution of our Company and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or before the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

8. Duration of the PSP

The PSP shall continue in operation at the discretion of our Remuneration Committee for a maximum period of ten (10) years commencing on the date on which the PSP is adopted by our Company in general meeting, provided that the PSP may continue beyond the above stipulated period with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Rationale for Participation by our Executive Directors and Group Employees in the PSP

The extension of the PSP to our Executive Directors and Group Employees allows us to have a fair and equitable system to reward our Executive Directors and Group Employees who have made and who continue to make significant contributions to the long-term growth of our Group.

We believe that the grant of Awards to our Executive Directors and Group Employees will enable us to attract, retain and incentivise such persons to produce higher standards of performance, encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services and motivate participants generally to contribute towards the long-term growth of our Group.

Rationale for Participation by our Non-Executive Directors (including Independent Directors) in the PSP

Although our Non-Executive Directors are not involved in the day-to-day running of our Group's operations, they play an invaluable role in furthering the business interests of our Group by contributing their experience and expertise. The participation by Non-Executive Directors in the PSP will provide our Company with a further avenue to acknowledge and recognise their services and contributions to our Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment. For instance, the Non-Executive Directors may bring strategic or other value to our Company which may be difficult to quantify in monetary terms. The grant of Awards to Non-Executive Directors will allow our Company to attract and retain experienced and qualified persons from different professional backgrounds to join our Company as Non-Executive Directors, and to motivate existing Non-Executive Directors to take extra efforts to promote the interests of our Company and/or our Group.

Rationale for Participation of Controlling Shareholders or their Associates in the PSP

An employee who is a Controlling Shareholder or its Associate shall be eligible to participate in the PSP if (a) his/her participation in the PSP; and (b) the actual number and terms of the Awards to be granted shall have been approved by independent Shareholders in separate resolutions for each such person. Such Controlling Shareholder or Associate shall abstain from voting on the resolution in relation to his participation in the PSP, the actual number and terms of Awards to be granted and the grant of Awards to him.

One of the main objectives of the PSP is to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group. The objectives of the PSP apply equally to our employees who are our Controlling Shareholders and their Associates. Our view is that all deserving and eligible participants should be motivated. We recognise that their participation in the PSP will serve not only as recognition of their valuable contributions to our Group but also give them a stake in the future performance of our Group which will motivate them to continue to achieve and maintain a high level of performance which is vital to the success of our Group.

Adjustment Events under the PSP

If a variation in the issued and ordinary share capital of our Company (whether by way of a bonus issue, rights issue, capital reduction, subdivision, consolidation of Shares, distribution or otherwise) shall take place then:

- (a) the class and/or number of Award Shares which are subject of Awards to the extent not yet vested and the rights attached thereto; and/or
- (b) the class and/or number of Award Shares in respect of which future Awards may be granted under the PSP,

shall be adjusted in such manner as our Remuneration Committee may determine at its own discretion to be appropriate. However, (a) the adjustment must be made in such a way that a participant will not receive a benefit that a Shareholder does not receive; (b) any adjustment (except in relation to a bonus issue) must be confirmed in writing by our Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

Unless our Remuneration Committee considers an adjustment to be appropriate, the following events shall not normally be regarded as a circumstance requiring adjustment:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force;
- (c) the issue of Shares or other securities convertible into or with rights to acquire or subscribe for Shares to our Directors or our employees pursuant to any share-based incentive scheme approved by Shareholders in general meeting, including the ESOS and the PSP;
- (d) an issue of Shares or securities convertible into or with rights to acquire or subscribe for Shares in any such case in consideration or part consideration for the acquisition of any other securities, assets or business; or
- (e) any issue of Shares arising from the exercise of any warrants, or the conversion of any convertible securities issued by our Company.

Financial Effects of the PSP

The PSP is considered a share-based payment that falls under SFRS(I) 2 where participants will receive Shares and the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the income statement over the period between the grant date and the vesting date of an Award. The fair value per share of the Awards granted will be determined using an option pricing model. The significant inputs into the option pricing model will include, *inter alia*, the share price as at the date of grant of the Award, the risk free interest rate, the vesting period, volatility of the share and dividend yield. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to the reserve account. Before the end of the vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the equity. After the vesting date, no adjustment to the charge to the income statement is made.

The amount charged to the income statement also depends on whether or not the performance target attached to an Award is measured by reference to the market price of the Shares. This is known as a

market condition. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Award granted at the grant date, and no adjustments to the amounts charged to the income statement are made whether or not the market condition is met. However, if the performance target is not a market condition, the fair value per share of the Awards granted at the grant date is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment by our Financial Controller at that date of whether the non-market conditions would be met to enable the Awards to vest. Thus, where the vesting conditions do not include a market condition, there would be no cumulative charge to the income statement if the Awards do not ultimately vest.

The following sets out the financial effects of the PSP:

(a) Share capital

The PSP will result in an increase in our Company's issued share capital when new Shares are allotted to participants. The number of new Shares allotted will depend on, *inter alia*, the size of the Awards granted under the PSP. In any case, the PSP provides that the aggregate number of Award Shares which may be issued or transferred pursuant to Awards, when added to:

- (i) the number of Award Shares issued or issuable in respect of all other Awards granted under the PSP;
- (ii) the aggregate number of Shares issued or issuable in respect of any other share schemes of our Company, including the ESOS; and
- (iii) the number of treasury shares delivered in respect of the options granted under all other share-based incentive schemes of our Company (if any),

shall not exceed 15.0% of the issued Shares (excluding treasury shares) of our Company on the date preceding the relevant date of which the Award was granted. If instead of allotting new Shares to participants, existing Shares are transferred to participants, the PSP will have no impact on our Company's issued share capital.

(b) NTA

As described in paragraph (c) below on EPS, the PSP is likely to result in a charge to our Company's income statement over the period from the grant date to the vesting date of the Awards, the amount of which will be computed in accordance with SFRS(I) 2. When new Shares are allotted pursuant to the release of Awards, there would be no effect on the NTA due to the offsetting effect of expenses recognised and the increase in share capital. However, if instead of allotting new Shares to participants, existing Shares are purchased for transfer to participants, the NTA would be impacted by the cost of the Shares purchased. It should be noted that the delivery of Shares to participants under the PSP will generally be contingent upon the eligible participants meeting prescribed performance targets and conditions.

(c) EPS

The PSP is likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with SFRS(I) 2.

It should again be noted that the delivery of Shares to participants of the PSP will generally be contingent upon the participants meeting the prescribed performance targets and conditions.

(d) Dilutive impact

The issuance of new Shares under the PSP will have a dilutive impact on our consolidated EPS.

Disclosure in Annual Reports

Our Company will make such disclosures in our annual report for so long as the PSP continues in operation as from time to time required by the Listing Manual including the names of the participants granted Awards, the number of Awards granted, the number of new Shares issued to the participants.

SERVICE AGREEMENTS

On 1 January 2021, our Company entered into a Service Agreement with (i) our Executive Chairman and CEO, Mr. Michael Mun and (ii) our Executive Director and COO, Mr. Jeremy Mun.

The Service Agreements are for an initial period of three (3) years (the “**Initial Term**”) commencing with effect from the date of our Listing (the “**Effective Date**”), and shall automatically continue thereafter, unless otherwise agreed in writing between the parties to the respective Service Agreement or terminated in accordance with the respective Service Agreement.

The parties may terminate the respective Service Agreement by either party giving not less than twelve months’ notice in writing to the other, or payment of twelve months’ salary in-lieu of notice to the other party. Our Company may also terminate the Service Agreements immediately without notice upon the occurrence of certain events such as the Director acting in breach of the respective Service Agreement, serious misconduct, bankruptcy or if the executive is disqualified from being a director under the Companies Act. For termination under these grounds, no compensation or liability shall be payable or incurred by our Company to the Director.

The remuneration of each of Mr. Michael Mun and Mr. Jeremy Mun comprise (i) a base salary, (ii) a fixed bonus of three (3) months’ salary per annum, (iii) an annual profit sharing arrangement calculated based on our Group’s audited consolidated profit after tax for the relevant financial year that is subject to review from time to time by our Remuneration Committee, (iv) a discretionary bonus that may be awarded from time to time based on the recommendation of the Remuneration Committee and subject to the approval of the Board, and (v) any other allowances recommended by the Remuneration Committee and approved by the Board. Each of Mr. Michael Mun and Mr. Jeremy Mun is also entitled to benefits such as a car and health insurance in accordance with prevailing policies of our Company.

Each of the Service Agreement also contains non-compete provisions that apply for the duration of the respective Service Agreement and for one (1) year following the termination of employment with our Group and prohibits, *inter alia*, the relevant employee directly or indirectly carrying on or otherwise being concerned with or interested in any business similar to or competitive with the business of our Group, other than interests in quoted or listed equity securities which do not exceed 5% of the total amount of the issued securities in that class for the time.

Each of Mr. Michael Mun and Mr. Jeremy Mun may also, if our Remuneration Committee in its absolute discretion deems fit, be entitled to participate in such retirement scheme, share option scheme or performance share plan as may be implemented by our Company after obtaining shareholders’ approval, if applicable, upon the terms and conditions of such retirement scheme, share option scheme or performance share plan and subject to the rules of the SGX-ST.

Had the Service Agreements been in place with effect from 1 January 2019, our profit before income tax for FY2019 would have been approximately S\$53.8 million instead of approximately S\$54.8 million.

Save as disclosed above, there are no existing or proposed service agreements between our Company, our subsidiaries and any of our Directors. There are no existing or proposed service agreements entered or to be entered into by our Directors with our Company or any of our subsidiaries which provide for benefits upon termination of employment.

CORPORATE GOVERNANCE

Corporate governance refers to the processes and structure by which the business and affairs of a company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability. Good corporate governance therefore embodies both enterprise (performance) and accountability (conformance).

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders, and will use best efforts to implement the good practices recommended in the Code. Our Board of Directors has established three committees: (a) the Audit Committee, (b) the Nominating Committee and (c) the Remuneration Committee.

We have five (5) Directors on our Board of Directors, of whom three (3) are Independent Directors. Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors and/or Substantial Shareholders. Our Independent Directors are also not related to our other Directors and/or Substantial Shareholders.

We have appointed Mr. TS Tan as our Lead Independent Director. As the Lead Independent Director, he is the contact person for Shareholders in situations where there are concerns or issues which communication with our CEO and Executive Directors has failed to resolve or where such communication is inappropriate. Mr TS. Tan will also take the lead in ensuring compliance with the Code.

Our Directors are of the view that given the current board composition and based on the above, our Directors are independent and further that no individual or small group of individuals dominate the Board's decision-making process.

Legal Representative

As at the Latest Practicable Date, our Executive Chairman and CEO, Mr. Michael Mun, is the legal representative of our PRC-incorporated subsidiary, Aztech Dongguan. In accordance with applicable PRC laws, our legal representative for the PRC-incorporated subsidiary has the following powers:

- (a) to act as representative of the PRC-incorporated subsidiary; and
- (b) to execute contracts on behalf of the PRC-incorporated subsidiary, with or without the company seal.

As at the Latest Practicable Date, our Director, Mr. Jeremy Mun, is the legal representative of our PRC-incorporated subsidiary, AZ E-Lite JJS. In accordance with applicable PRC laws, our legal representative for the PRC-incorporated subsidiary has the following powers:

- (a) to act as representative of the PRC-incorporated subsidiary; and
- (b) to execute contracts on behalf of the PRC-incorporated subsidiary, with or without the company seal.

Under PRC laws, the legal representative shall be appointed and removed in accordance with the articles of association of the company, and the legal representative shall be either the chairman of the board (or the executive director in case no board is formed in the company), or the general manager of the company. The change of legal representative shall be registered with the competent authorities. Further, the chairman of the board or the executive director shall be appointed by the shareholders and the general manager shall be appointed by the board or the executive director. Therefore, the legal representative can be appointed and removed by the shareholders or through the appointed board or executive director, with or without the legal representative's consent.

Based on the above and the articles of association of each of our PRC-incorporated subsidiaries, each of their respective shareholders shall be able to, either directly or indirectly, control the appointment and dismissal of their respective legal representatives.

CORPORATE GOVERNANCE

Considering the impact in the event that a legal representative represents any of our PRC-incorporated subsidiaries without having obtained prior authorisation, our Group has implemented the following measures in respect of each of our PRC-incorporated subsidiaries:

- (a) the documents which are required to be registered with the relevant authorities to effect a change of legal representative have been executed and affixed with the company stamp (where necessary) and left undated and kept in escrow with our Company's secretary in Singapore;
- (b) relevant resolutions by the directors and shareholder of each of our PRC-incorporated subsidiaries as well as a letter of power of attorney by Mr. Michael Mun, which grants to our Company's Directors, the authority to take into custody all necessary company stamps and licences, and carry out the duties as the new legal representative such that the business operations are not disrupted, have been executed and affixed with the company stamp (where necessary) and left undated and will be kept in escrow with our Company's secretary in Singapore;
- (c) the implementation of internal control systems to ensure that payments require proper approvals and there is prior authorisation as to delegation of authority;
- (d) the implementation of measures to protect the company's corporate seal, finance seal, legal representative seal and cheque books;
- (e) segregation of cash management duties, including receipts and payment procedures;
- (f) the maintenance of a register in relation to the legal representatives of each of our PRC-incorporated subsidiaries reflecting all other appointments and/or business interests (e.g. directorships, sole proprietorships, partnerships, or shareholdings above 5.0%) of the legal representative outside of our Group;
- (g) an undertaking from the legal representative to seek the approval of the key executive officers of our Company prior to assuming any executive roles outside of our Group; and
- (h) our Company will ensure that controls are put in place so that physical access to the original copies of the business licences of each of our PRC-incorporated subsidiaries will be controlled by employees not related to the legal representative.

In view of the above, our Directors are of the opinion that there are adequate processes and procedures in place to safeguard against the risk of any of the legal representatives of our PRC-incorporated subsidiaries taking any unauthorised action in the future. We will monitor and periodically review the processes and procedures in relation to the appointment and removal of the legal representatives of each of our PRC-incorporated subsidiaries to ensure their effectiveness and robustness.

Audit Committee

Our Audit Committee comprises our Independent Directors, Mr. TS Tan, Mr. Larry Tan and Mr. Christopher Huang. The Chairman of our Audit Committee is Mr. TS Tan.

After our Listing, our Executive Directors and Executive Officers will manage the business and operations of our Group. The Audit Committee will assist our Board of Directors with regards to discharging its responsibility to safeguard our Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls with an overall objective to ensure that our management has created and maintained an effective control environment in our Group.

Our Audit Committee shall meet, at least once every six (6) months to perform, *inter alia*, the following functions:

- (a) assist the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing, internal controls and financial practices of our Group;

CORPORATE GOVERNANCE

- (b) review and report to the Board significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;
- (c) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of our system of internal controls, audit reports, their management letters and our management's response, and the results of audits compiled by our internal and external auditors, and will review at regular intervals with the management the implementation by our Group of the internal control recommendations made by our internal and external auditors;
- (d) review the periodic consolidated financial statements and any formal announcements relating to our Group's financial performance before submission to our Directors for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, compliance with accounting standards, compliance with the Listing Manual and any other statutory and regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of our management, where necessary, before submission to our Directors for approval;
- (e) review the assurance from our Executive Chairman and CEO and our Financial Controller on the financial records and financial statements of our Group;
- (f) review the external auditors' audit plan and audit reports (including assessing and reporting to the Board the quality of the work carried out and the basis of such assessment, and evaluating the performance of the external auditors), and the external auditors' evaluation of the system of internal accounting controls, with the external auditors, as well as the assistance given by management to the external auditors;
- (g) ensure co-ordination between the external and internal auditors and the management and reviewing the assistance given by the management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);
- (h) review and report to the Board, at least annually, the risk profile of the Group, the effectiveness and adequacy of our internal control and risk management procedures addressing financial, operational, information technology and compliance risks (including the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board), and discuss issues and concerns, if any, arising from the internal audits;
- (i) review and discuss with our external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on our Group's results of operations, financial performance or financial position and our management's response;
- (j) review the adequacy and effectiveness of our Group's risk management and internal audit function and ensuring that a clear reporting structure is in place between the Audit Committee and the internal auditors;
- (k) ensure that the internal audit function is adequately resourced and staffed with persons with the relevant qualification and experience, and that the internal auditors comply with the standards set by nationally or internationally recognised professional bodies;
- (l) ensure that the internal audit function has unfettered access to all our Group's documents, records, properties and personnel, including the Audit Committee, and has appropriate standing within our Group;
- (m) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced *via* SGXNET;

CORPORATE GOVERNANCE

- (n) review and approve hedging policies implemented by our Group and conduct periodic review of such policies, including review of foreign exchange transactions and hedging policies and procedures;
- (o) review the co-operation given by our management to our internal and external auditors, where applicable;
- (p) review the independence and objectivity of the internal and external auditors as well as consider the appointment or re-appointment of the internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;
- (q) review and approve any interested person transactions falling within the scope of Chapter 9 of the Listing Manual and review procedures thereof;
- (r) review potential conflicts of interests (if any) and set out a framework to resolve or mitigate any potential conflicts of interests, including reviewing the adequacy of conflicts mitigating measures between AGRP and our Group;
- (s) review any actual or potential conflicts of interest that may involve our Directors as disclosed by them to the Board and exercising directors' fiduciary duties in this respect. Upon disclosure of an actual or potential conflict of interest by a Director, our Audit Committee will consider whether a conflict of interest does in fact exist. A Director who is a member of our Audit Committee will not participate in any proceedings of our Audit Committee in relation to the review of a conflict of interest relating to him. The review will include an examination of the nature of the conflict and such relevant supporting data, as our Audit Committee may deem reasonably necessary;
- (t) review the procedures by which employees of our Group may, in confidence, report to the chairman of our Audit Committee, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (u) review and monitor the measures our Group has put in place in respect of the legal representatives of our PRC-incorporated subsidiaries as set out in this Prospectus;
- (v) review regulatory compliance matters, at least on a quarterly basis, with a view to ensuring that adequate rectification measures are taken for past breaches as well as new initiatives implemented to mitigate and reduce the risks of future breaches;
- (w) assess the performance of our Financial Controller, for the relevant period, on an annual basis to determine his or her suitability of the position;
- (x) on an annual basis or any other period that our Audit Committee deems fit, ensure that trade receivables are stated at fair value and accurately recorded in the financial statements, and that credit policies are adhered to;
- (y) monitor the cash flows of our Group;
- (z) periodically review our Group's intellectual property protection policies to ensure that the policies and/or procedures are complied with, and adequate and effective for our Group's operations;
- (aa) review the process and procedures for our Group's resolution of the regulatory issues pertaining to the Dongguan Land and the buildings constructed on it, including the obtaining of the Rectification of Title Registration in respect of the buildings constructed on the Dongguan Land and the certificate of land use rights in respect of the Dongguan Land;
- (bb) review transactions falling within the scope of Chapter 10 of the Listing Manual, if any;
- (cc) undertake such other reviews and projects as may be requested by our Directors, and report to our Directors its findings from time to time on matters arising and requiring the attention of our Audit Committee; and

- (dd) undertake generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on our Group's results of operations or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

Following our Listing, our Audit Committee will continually review the effectiveness of the internal control procedures within our Group to ensure the adequacy and sufficiency of internal controls procedures within our Group. Our Company has engaged Nexia TS Risk Advisory Pte. Ltd. to carry out the internal audit function of our Group.

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

Suitability of the Financial Controller

Our Audit Committee, after having (i) conducted an interview with our Financial Controller, Ms. Annie Qian; (ii) considered her qualifications and past working experience (as set out in the section entitled "Directors, Executive Officers, Legal Representatives and Employees — Executive Officers" of this Prospectus); (iii) observed her abilities, familiarity and diligence in relation to the financial matters and information of our Group; (iv) noted the absence of negative feedback from our Auditors and Reporting Accountants and internal auditors; and (v) made all reasonable enquiries, is of the view that Ms. Annie Qian is suitable for the position of Financial Controller and to assume the roles and responsibilities expected of a chief financial officer of a company listed on the SGX-ST.

After making all reasonable enquiries, and to the best of the knowledge and belief of our Audit Committee, nothing has come to the attention of the members of our Audit Committee to cause them to believe that Ms. Annie Qian does not have the competence, character, integrity expected of a chief financial officer (or its equivalent rank) of a listed issuer.

Nominating Committee

The Nominating Committee comprises our Independent Directors, Mr. TS Tan, Mr. Larry Tan and Mr. Christopher Huang. The Chairman of our Nominating Committee is Mr. Christopher Huang.

Our Nominating Committee will be responsible for the following functions, *inter alia*:

- (a) reviewing and recommending the appointment of new Directors and Executive Officers and re-nomination of our Directors having regard to each Director's contribution, performance and ability to commit sufficient time, resources and attention to the affairs of our Group, and each Director's respective commitments outside our Group including his principal occupation and board representations on other companies, if any. Our Nominating Committee will conduct such reviews at least once a year, or more frequently as it deems fit;
- (b) determining annually, and as and when circumstances require, whether or not a Director is independent;
- (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- (d) developing a process for evaluating the performance of our Directors as a whole and its committees, and for assessing the contribution of each Director to the effectiveness of our Directors;

CORPORATE GOVERNANCE

- (e) reviewing our Directors' mix of skills, experience, core competencies and knowledge of our Group that our Directors requires to function competently and efficiently;
- (f) reviewing succession plans for our Executive Directors;
- (g) reviewing and making recommendations on our Board's diversity policy, including qualitative and measurable quantitative objectives (where appropriate) as well as reviewing and reporting to our Board on our Company's progress towards achieving such objectives;
- (h) reviewing the training and professional development programs for the Board;
- (i) reviewing and determining on an annual basis, and as and when circumstances require, if a Director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- (j) approving any proposed assumption of roles outside of our Group by a legal representative of our PRC-incorporated subsidiaries;
- (k) where a Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his or her duties as Director, taking into consideration the Director's number of listed company board representations and other principal commitments;
- (l) determining and recommending to the Board the maximum number of listed company board representations which any Director may hold and disclosing this in our Company's annual report; and
- (m) reviewing and approving the employment of persons related to our Directors or Substantial Shareholders and the proposed terms of their employment.

Each member of our Nominating Committee will not take part in determining his own re-nomination or independence and shall abstain from voting on any resolutions in respect of the assessment of his performance, independence or re-nomination as Director.

Our Nominating Committee will decide how our Directors' performance is to be evaluated and will propose objective performance criteria, subject to the approval of our Directors, which address how our Directors has enhanced long term Shareholders' value.

Nominating Committee's view of our Independent Directors

Our Nominating Committee, after having considered the following:

- (a) the principal occupation and commitments of our Independent Directors, including the number of listed company board representations that each of them has;
- (b) the attendance to date at board meetings of listed companies that each of our Independent Directors serves as independent directors;
- (c) the confirmations by our Independent Directors that they are able to devote sufficient time and attention to the matters of our Group;
- (d) the professional experience and expertise of our Independent Directors; and
- (e) the composition of our Directors,

is of the opinion that (i) each of our Independent Directors is individually and collectively able to commit sufficient time and resources to discharge their respective duties, and are suitable and possess the relevant experience to be appointed as Independent Directors of our Company; and (ii) our Independent Directors, as a whole, represent a strong and independent element on the Board which is able to exercise objective judgement on corporate affairs independently from the Controlling Shareholders.

Remuneration Committee

Our Remuneration Committee comprises our Independent Directors, Mr. TS Tan, Mr. Larry Tan and Mr. Christopher Huang. The Chairman of our Remuneration Committee is Mr. Larry Tan.

The role of our Remuneration Committee shall be to recommend to our Directors a framework of remuneration for our Directors and Executive Officers, and specific remuneration packages for each Executive Director. The quantum of the bonuses of our Executive Directors will be subject to the approval of our Remuneration Committee. The bonuses of our other Executive Officers will be determined solely by our Executive Chairman and CEO.

In addition, our Remuneration Committee will, *inter alia*:

- (a) ensure the remuneration policies and systems of our Group, as approved by the Board, support our Group's objectives and strategies, and are consistently administered and being adhered to within our Group;
- (b) in the case of service agreements, review our Group's obligations arising in the event of termination of the service agreements of our Executive Directors, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous;
- (c) propose, for adoption by the Board, measurable, appropriate and meaningful performance criteria to assist in the evaluation of the performance of our Directors and Executive Officers;
- (d) administer the ESOS in accordance with the rules of the ESOS and the Listing Manual, and recommending the same with such adjustments or modifications as it may deem necessary, to the Board, for endorsement;
- (e) administer the PSP in accordance with the rules of the PSP and the Listing Manual, and recommending the same with such adjustments or modifications as it may deem necessary, to the Board, for endorsement; and
- (f) oversee the administration of the Retirement Incentive Plan.

The Remuneration Committee's recommendations shall then be submitted for endorsement by our entire Board. The scope of responsibilities of our Remuneration Committee encompasses all aspects of remuneration, including but not limited to, our Directors' and Executive Officers' fees, salaries, allowances, bonuses, options and benefits in kind. Our Remuneration Committee shall also review the remuneration of senior management and employees related to our Directors, CEO or Substantial Shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibility. Our Remuneration Committee will also review and approve any bonuses, pay increments and/or promotions for these related employees.

Each member of our Remuneration Committee shall abstain from voting on any resolutions in respect of his or her remuneration package. If necessary, our Remuneration Committee shall seek expert advice on remuneration matters.

Board Practices

Our Directors are to be appointed by our Shareholders at a general meeting and an election of Directors takes place annually. Our Constitution provides that our Directors will consist of not less than two (2) but not more than ten Directors. None of our Directors are appointed for any fixed terms, but one-third (or the number nearest one third) of our Directors are required to retire at every annual general meeting of our Company. Further, all our Directors are required to retire from office at least once every three (3) years. Directors who retire are eligible to stand for re-election.

Further details on the appointment and retirement of Directors can be found in "Appendix D – Summary of Selected Regulations of the Constitution of our Company" to this Prospectus.

Policies

Our Directors have adopted or intend to adopt the following policies.

Policy relating to licences and permits

Our Directors have put in place internal control procedures to prevent future recurrence of non-compliance incidents in relation to requirements to obtain approvals, permits or licences. Our Group's legal department will oversee and monitor the implementation of these procedures.

These procedures will include and are not limited to the following:

- (a) our Directors will delegate to our Audit Committee to assist it in identifying, assessing and managing the risks associated with our Group's operations from time to time to ensure due compliance with laws and regulations applicable to our Group, overseeing the implementation of relevant internal control policies and reviewing the effectiveness of our Group's risk management and internal control system;
- (b) our Audit Committee will regularly review the licensing status of each member of our Group to ensure that licence renewals are carried out prior to the expiry of the licences, and consider whether there are any requirements to obtain new licences or permits material to our Group's business;
- (c) if our Group becomes aware of any possible requirements to obtain new licences or permits which are material to its business, our Audit Committee will assess such requirements and where required, our Group will take the necessary steps to apply for such licences and permits. In the event that there is any uncertainty as to whether new licences or permits which are material to our Group's business are required, our Group will seek professional advice;
- (d) our Group will retain qualified legal advisers post-Listing to advise our Group and provide training to the directors and senior management of our Group from time to time on the legal and regulatory requirements applicable in the jurisdictions in which our Group operates, including new jurisdictions where our Group is expanding its operations into; and
- (e) in relation to the acquisition of or leasing of any property:
 - i. before acquiring or leasing any property, in order to make an informed decision, our Group will seek legal advice to determine if the property is subject to any regulatory non-compliances or third party rights. The legal advisers will review the lease agreement in order to advise our Group on the relevant risks to ensure that it has adequate rights to claim against the landlord in the event of any regulatory non-compliances in respect of the leased property;
 - ii. our Group will prudently review the nature, designated usage and title certificates and seek expert advice, including internal control experts and legal counsel. For properties with regulatory non-compliances, our Group will only acquire or lease such properties if the regulatory non-compliances are remedied, or if confirmation letters from the competent authorities are obtained;
 - iii. our Group will commence operations only after the requisite acceptance inspection approval has been obtained from the relevant government authorities and the relevant applications to obtain all title certificates have been filed with and received by the relevant authorities; and
 - iv. our Group will also obtain all relevant planning and construction permits and approvals as required.

Conflicts of Interests Policy

Our Group has adopted a conflicts of interests policy to guide our employees in the identification and management of conflicts of interests. Conflicts of interests is defined broadly in the policy to refer to any situation where an employee has a personal interest that is sufficient to influence, or appears to

CORPORATE GOVERNANCE

influence, the objective exercise of his official duties. Pursuant to the policy, our employees are required to declare real or perceived conflicts of interests in accordance with documented procedures and to comply with the actions recommended by our management to address such conflicts.

All of our key management, including our Executive Directors and Executive Officers, are to complete annual conflicts of interests disclosures to our Directors.

Insider Trading Policy

Our Group has adopted an insider trading policy to preserve the reputation and integrity of our Group and our affiliates, and to promote compliance with the relevant requirements of, amongst others, the SFA. In accordance with the policy, any person who possesses material, non-public information relating to our Company, or any other publicly-traded company, including our customers and suppliers, obtained in the course of employment or by association with our Group, is considered an insider to such information. An insider may not buy or sell securities of our Company or communicate such information to a third party.

The insider trading policy shall include a restriction on the dealing in Shares during the period commencing one (1) month before the announcement of our Group's half year and full year financial statements.

Interested Person Transaction Policy

The Board shall establish internal control procedures for Interested Person Transactions. Please refer to the section entitled "Interested Person Transaction – Guidelines and Review Procedures for On-going and Future Interested Person Transactions" of this Prospectus.

Fraud and Whistleblowing Policy

Our Group is committed to maintaining high standards of honesty, openness and accountability and eliminating fraud and corruption in the conduct of our business.

Our Group takes all malpractice very seriously, whether it is committed by an employee, supplier, customer, competitor or contractor. As employees will usually be the first to know when someone inside or connected with our Group is doing something illegal, dishonest or improper, our Group has adopted a whistleblowing policy to alleviate any apprehension that employees may feel about voicing their concerns. Our Directors believes that it is in the interest of our Group to have prompt knowledge of such illegal, dishonest or improper activities.

As such, our Group has adopted a whistleblowing policy which will be disseminated to our employees, contractors, agents and consultants. Any information received will be examined carefully and if it has merit will be acted on. The whistleblower can be assured that our Group intends to protect our business and reputation.

Privacy Policy

In the course of our operations, our Group is required to collect and retain personal information of our customers. In line with the Personal Data Protection Act 2012 (No. 26 of 2012), our Group respects the right to privacy of our customers and has put in place a privacy policy to address how such information which can identify any individual is treated. Such personal information will be used in providing our service, and may also be used to improve our service and to notify individuals of opportunities which they may be interested in. No personal information is provided to third parties except where necessary to our business partners who assist us in the provision of our services to our customers.

DESCRIPTION OF OUR SHARES

The following statements are brief summaries of the rights and privileges of Shareholders conferred by the laws of Singapore and the Constitution of our Company. These statements summarise the material provisions of our Constitution and are qualified in entirety by reference to our Constitution and the Companies Act.

Ordinary Shares

There are no founders, management, deferred or unissued shares reserved for issue for any purpose. We have only one (1) class of shares, namely, our ordinary shares which have identical rights in all respects and rank equally with one another. All of the ordinary shares are in registered form. Our Company may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase its Shares. However, it may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of its own Shares.

New Shares

New Shares may only be issued with the prior approval in a general meeting of our Shareholders. The aggregate number of Shares to be issued pursuant to such approval may not exceed 50.0% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being, of which the aggregate number of shares to be issued other than on a *pro rata* basis to our Shareholders may not exceed 20.0% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being (the percentage of issued share capital being based on our issued Shares at the time such authority is given after adjusting for new Shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or sub-division of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier but any approval may be previously revoked or varied by our Company in general meeting. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Directors who may allot and issue the same with such rights and restrictions as it may think fit.

Shareholders

Only persons who are registered in the register of Shareholders of our Company and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. Our Company will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. Our Company may close the register of Shareholders for any time or times if it provides the SGX-ST at least 10 clear market days' notice. However, the register of Shareholders may not be closed for more than 30 days in aggregate in any calendar year. Our Company typically closes the register of Shareholders to determine Shareholders' entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of any stock exchange on which our Company is listed. Our Directors may decline to register any transfer of Shares which are not fully paid Shares, or Shares on which our Company has a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed.

Our Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as it may require. Our Company will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Directors may require.

DESCRIPTION OF OUR SHARES

General Meetings of Shareholders

Our Company is required to hold an annual general meeting every year. Our Directors may convene an extraordinary general meeting whenever they think fit and must do so if Shareholders representing not less than 10% of the total voting rights of all Shareholders request in writing that such a meeting be held. In addition, two (2) or more Shareholders holding not less than 10.0% of the issued share capital of our Company (excluding treasury shares) may call a meeting. Unless otherwise required by law or by our Constitution, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75.0% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to our Constitution, a change of the corporate name and a reduction in the share capital. Our Company must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to every Shareholder who has supplied our Company with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A Shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. A Shareholder who is a relevant intermediary (including a banking corporation licensed under the Banking Act, (Chapter 19) of Singapore, a person holding a capital markets services licence to provide custodial services under the SFA and the Central Provident Fund Board) may appoint more than two (2) proxies to attend, speak and vote at the same general meeting. Proxies need not be a Shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 72 hours before the general meeting. Except as otherwise provided in our Constitution, two (2) or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Constitution, on a show of hands, every Shareholder present in person and by proxy shall have one (1) vote (provided that in the case of a Shareholder who is represented by more than one (1) proxy (subject to the provisions of the Companies Act), only one (1) of the proxies as determined by that Shareholder or, failing such determination, by the chairman of the meeting in his sole discretion shall be entitled to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one (1) vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder or Shareholders present in person or by proxy and representing not less than 5% of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by not less than two (2) Shareholders present in person or by proxy and entitled to vote. In the case of an equality of vote, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

Our Company may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but it may not pay dividends in excess of the amount recommended by our Directors. Our Company must pay all dividends out of its profits. Our Directors may also declare an interim dividend without the approval of our Shareholders. All dividends are paid *pro rata* among our Shareholders in proportion to the amount paid up on each Share, unless the rights attaching to an issue of any Share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by our Company to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge our Company from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issues

Our Directors may, with approval by our Shareholders at a general meeting, capitalise any reserves or profits and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion

DESCRIPTION OF OUR SHARES

to their shareholdings. Our Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which our Company is listed.

Take-overs

Under the Singapore Take-over Code, issued by the Authority pursuant to Section 321 of the SFA, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% of the voting rights acquires additional voting shares representing more than 1.0% of the voting shares in any six (6) month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- a. the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- b. a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- c. a company with any of its pension funds and employee share schemes;
- d. a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- e. a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10% or more of the customer's equity share capital;
- f. directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- g. partners; and
- h. the following persons and entities:
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);

DESCRIPTION OF OUR SHARES

- (iv) any person who is accustomed to act in accordance with the instructions of (i);
- (v) companies controlled by any of (i), (ii), (iii) or (iv); and
- (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding six (6) months.

Liquidation or Other Return of Capital

If our Company is liquidated or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Constitution provides that, subject to the Companies Act, our Directors and officers shall be entitled to be indemnified by our Company against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgment is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. Our Company may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to our Company.

Limitations on Rights to Hold or Vote Shares

Except as described in “Voting Rights” and “Take-overs” above, there are no limitations imposed by Singapore law or by our Constitution on the rights of non-resident Shareholders to hold or vote in respect of our Shares.

Minority Rights

The rights of minority Shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any Shareholder of our Company, as they think fit to remedy any of the following situations:

- (a) our affairs are being conducted or the powers of our Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one (1) or more of our Shareholders; or
- (b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one (1) or more of our Shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in the name of, or on behalf of, our Company by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder's shares by our other Shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital;

DESCRIPTION OF OUR SHARES

- (e) provide that our Constitution be amended; or
- (f) provide that we be wound up.

TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. The summary below is based on laws, regulations, interpretations, rulings and decisions in effect as at the Latest Practicable Date. These laws, regulations, interpretations, rulings and decisions, however, may change at any time, and any change could be retrospective to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out herein.

The summary below is not intended to constitute a comprehensive or exhaustive description of the taxes mentioned herein nor of all the taxes that may be applicable or relevant to the subscription for, ownership and disposal of our Share.

Prospective investors should consult their own tax advisors and/or legal advisors regarding taxation in Singapore and other consequences of subscribing for, owning and disposing of our Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in this Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

Income Tax

Corporate Income Tax

Singapore imposes tax on a modified territorial basis i.e. income is subject to tax only when it is accrued in or derived from Singapore (i.e. Singapore-sourced) and when it is received in Singapore from outside Singapore (i.e. foreign-sourced income received or deemed received in Singapore). This applies to both resident and non-resident companies.

A company is regarded as a tax resident in Singapore if the control and management of the company's business is exercised in Singapore. In general, the location of the company's board of Directors meetings, during which strategic decisions are made, is a key factor in determining where the control and management is exercised.

A Singapore tax resident corporate taxpayer is subject to Singapore income tax on foreign-sourced income received or deemed received in Singapore, unless otherwise exempted. Foreign-sourced income in the form of branch profits, dividends and service fee income ("**specified foreign income**") received or deemed received in Singapore by a Singapore tax resident company are exempted from Singapore tax provided that the following qualifying conditions are met:

- (a) such income is subject to tax of a similar character to income tax under the law of the territory from which such income is received;
- (b) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15.0%; and
- (c) the Comptroller of Income Tax (the "**Comptroller**") is satisfied that the tax exemption would be beneficial to the corporate taxpayer.

A non-Singapore tax resident corporate taxpayer, subject to certain exceptions, is subject to Singapore income tax on income accruing in or derived from Singapore, and on foreign sourced income received or deemed received in Singapore.

The prevailing corporate income tax rate in Singapore is 17.0% with the first S\$200,000 of chargeable income of a company being partially exempt from tax as follows:

- (a) 75.0% of up to the first S\$10,000 of a company's chargeable income; and
- (b) 50.0% of up to the next S\$190,000 of a company's chargeable income.

The remaining chargeable income (after the above partial tax exemption) will be taxed at the prevailing corporate tax rate.

Individual Income tax

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accrued in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received by a Singapore tax resident individual is generally exempt from income tax in Singapore except for such income received through a partnership in Singapore. Certain Singapore-sourced investment income derived by individuals is also exempt from tax.

Currently, a Singapore tax resident individual is subject to tax at the progressive rates, ranging from 0% to 22.0%, after deductions of qualifying personal reliefs where applicable.

An individual is regarded as a tax resident in Singapore in a year of assessment, if in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

Dividend Distributions

Under the one-tier corporate tax system, the tax paid by a resident company is a final tax and the distributable profits of the company can be paid to shareholders as tax exempt (one-tier) dividends, regardless of the tax residence status or the legal form of the shareholders. However, foreign shareholders receiving tax exempt (one-tier) dividends are advised to consult their own tax advisors on the tax implications in their countries of residence.

Capital Gains Tax

Singapore currently does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes will not be taxable in Singapore if they are capital in nature.

On the other hand, where such gains or profits arise from activities which the Comptroller regards as the carrying on of a trade or business of dealing in shares in Singapore, such gains or profits will ordinarily be treated as income (rather than capital gains) and thus subject to Singapore income tax.

As the precise status of one Shareholder will vary from another, Shareholders are advised to consult their own professional advisers on the Singapore tax consequences that may apply to their individual circumstances.

Stamp Duty

There is no stamp duty payable on the subscription for, allotment or holding of our Shares.

Stamp duty is payable on the instrument of transfer of our Shares at the rate of 0.2% on the consideration for, or market value of our Shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty shall be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

Stamp duty is not applicable to electronic transfers of our shares through the scripless trading system operated by CDP.

Goods and Services Tax

The sale of our Shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply that is not subject to GST.

TAXATION

Where our Shares are sold by a GST-registered investor in the course of a business to a person belonging outside Singapore, and that person is outside Singapore when the sale is executed, the sale should generally, subject to satisfaction of certain conditions, be considered a taxable supply subject to GST at zero-rate. Subject to the normal rules for input tax recovery, any GST incurred by a GST-registered investor in the making of this supply in the course of or furtherance of a business carried on by him is recoverable from the Comptroller of GST as input tax.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 7.0%. Similar services rendered to an investor belonging outside Singapore is generally subject to GST at zero-rate, provided that the investor is outside Singapore when the services are performed and the services provided do not benefit any Singapore persons.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with purchase and sale of our Shares.

Estate Duty

Singapore estate duty has been abolished with effect from 15 February 2008.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on the SGX-ST, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of our Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, as amended from time to time.

CDP, a wholly-owned subsidiary of the Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its account holders and facilitates the clearance and settlement of securities transactions between account holders through electronic book-entry changes in the securities accounts maintained by such account holders with CDP.

Our Shares will be registered in the name of CDP or its nominees and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by CDP, rather than CDP itself, will be treated, under the Companies Act and our Constitution, as our members in respect of the number of our Shares credited to their respective Securities Accounts.

Persons holding our Shares in a securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with our Constitution. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares will be payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 (or such other amounts as our Directors may decide) will be payable to our share registrar for each share certificate issued, and stamp duty of S\$0.20 per S\$100.00 or part thereof of the last-transacted price where our Shares are withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of our Shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument of transfer with CDP. Transfer and settlements pursuant to on-exchange trades will be charged a fee of S\$30.00 and transfers and settlements pursuant to off-exchange rates will be charged a fee of 0.015% of the value of the transaction, subject to a minimum of S\$75.00

The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies, GST at the prevailing rate of 7.0% (or such other rate prevailing from time to time) or the current tax policies that may be in force in Singapore from time to time.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of our Shares sold and the buyer's Securities Account being credited with the number of our Shares acquired. No transfer stamp duty is currently payable for the transfer of our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.0325% of the transaction value. The clearing fee, instrument of transfer deposit fees and share withdrawal fee are subject to GST of 7.0% (or such other prevailing rate from time to time).

Dealings in our Shares will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a Depository Agent. The Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS, EXECUTIVE OFFICERS AND CONTROLLING SHAREHOLDERS

1. None of our Directors, Executive Officers or Controlling Shareholders:
 - (a) has at any time during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction 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 two (2) years from the date he ceased to be a partner;
 - (b) has at any time during the last 10 years, an application or a petition under any law of any jurisdiction 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 two (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;
 - (c) has any unsatisfied judgments against him;
 - (d) has even 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;
 - (e) has 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;
 - (f) at any time during the last 10 years, had judgment entered against him in any civil proceeding 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 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;
 - (g) has been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (h) has 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;
 - (i) 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;
 - (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (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;
 - (iii) any business trust which has been investigated for breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere;or

GENERAL AND STATUTORY INFORMATION

- (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 the period when he was so concerned with the entity or business trust; and
 - (k) has ever been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.
- 2. There is no shareholding qualification for Directors under our Constitution.
- 3. Save as disclosed in the sections entitled “Capital Reduction” and “Interested Person Transaction” of this Prospectus, no Director or expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or disposed of by or leased to us or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to us or any of our subsidiaries.
- 4. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.

SHARE CAPITAL

- 5. As at the Latest Practicable Date, there is only one (1) class of shares in the capital of our Company, being ordinary shares in the share capital of our Company. There is no founder, management or deferred share. Our existing Shares do not carry voting rights which are different from the Offer Shares. The rights and privileges attached to our Shares are stated in our Constitution.
- 6. Save as disclosed in the sections entitled “Share Capital” and “Capital Reduction” of this Prospectus, there are no changes in the share capital or the number and classes of shares of our Company or our subsidiaries within the three (3) years preceding the date of this Prospectus.
- 7. Save as disclosed in the sections entitled “Share Capital” and “Capital Reduction” of this Prospectus, no shares in, or debentures of, our Company or any of our subsidiaries has been issued, or are proposed to be issued, as fully or partly paid-up for cash, or for a consideration other than cash, during the last three (3) years preceding the date of this Prospectus.
- 8. Save for the Over-allotment Option and save as disclosed under the section entitled “Share Capital” of this Prospectus, as at the Latest Practicable Date, no person has been, or is entitled to be, given an option to subscribe for or purchase any shares in or debentures of our Company or any of our subsidiaries.

OUR CONSTITUTION

- 9. Our Company is registered in Singapore with the ACRA with a registration number 200909384G.
- 10. A summary of our Constitution relating to, *inter alia*, Directors’ powers to vote on contracts in which they are interested, Directors’ remuneration, Directors’ borrowing powers, Directors’ retirement, Directors’ share qualification, rights pertaining to shares, convening of general meetings and alteration of capital are set out in “Appendix D – Summary of Selected

GENERAL AND STATUTORY INFORMATION

Regulations of the Constitution of our Company” to this Prospectus. Our Constitution is available for inspection at our registered office in accordance with paragraph 30 in the section entitled “General and Statutory Information – Documents Available for Inspection” of this Prospectus.

MATERIAL CONTRACTS

11. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiaries within the two (2) years preceding the date of this Prospectus and are or may be material:
- (a) the Cornerstone Agreements in relation to the subscription for and/or purchase of the Cornerstone Shares by the Cornerstone Investors, details of which are set out in the section entitled “Shareholders – Cornerstone Investors” of this Prospectus;
 - (b) the Service Agreements, details of which are set out in the section entitled “Directors, Executive Officers, Legal Representatives and Employees – Service Agreements” of this Prospectus;
 - (c) the non-competition deeds entered into by each of AGRP and Mr. Michael Mun with our Company, details of which are set out in the section entitled “Potential Conflicts of Interests - Interests of Directors, Controlling Shareholders or their Associates” of this Prospectus; and
 - (d) the Management and Underwriting Agreement, details of which are set out in the section entitled “Plan of Distribution – Management and Underwriting Agreement” of this Prospectus.

LITIGATION

12. As at the Latest Practicable Date, neither our Company nor any member of our Group is engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had during the last 12 months before the date of this Prospectus, a material effect on our Group’s financial position or profitability.

MISCELLANEOUS

13. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two (2) years preceding the date of this Prospectus.
14. There has not been any public take-over offer by a third party in respect of our Shares, or by our Company in respect of shares of another corporation or units of a business trust, which has occurred between the date of incorporation of our Company and the Latest Practicable Date.
15. Save as disclosed in the section entitled “Plan of Distribution – Management and Underwriting Agreement” of this Prospectus, no commission, discount or brokerage has been paid or other special terms granted within the two (2) years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing for and/or purchasing or agreeing to subscribe for and/or purchase or procuring or agreeing to procure subscription for and/or purchase of any shares in or debentures of our Company or any of our subsidiaries.
16. No expert is employed on a contingent basis by our Company or any of our subsidiaries, or has a material interest, whether direct or indirect, in the shares of our Company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.
17. Application monies received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Receiving Bank. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.

GENERAL AND STATUTORY INFORMATION

18. Save as disclosed in the sections entitled “Risk Factors”, “Cautionary Note Regarding Forward-Looking Statements” and “Prospects, Business Strategies and Future Plans” of this Prospectus, the financial position and operations of our Group are not likely to be affected by any of the following:
- (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or any significant economic changes that may materially affect the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on revenues or operating income.
19. Save as disclosed in this Prospectus, our Directors are not aware of any event which has occurred between 1 October 2020 and the Latest Practicable Date, which may have a material effect on the financial position and results of operations of our Group or the financial information provided in this Prospectus.
20. Details of the auditors of our Company, including their name, address and their professional qualifications relating to any membership in a professional body for the Period Under Review are as follows:

Name and address	Professional body	Partner-in-charge/ Professional qualification
BDO LLP 600 North Bridge Road #23-01 Parkview Square Singapore 188778	Public Accountants and Chartered Accountants Singapore	Mr. Leong Hon Mun Peter (a practising member of the Institute of Singapore Chartered Accountants)

We currently have no intention of changing our auditors after the Listing.

CONSENTS

21. BDO LLP, the Auditors and Reporting Accountants, has given and has not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of, and all references to (a) their name; (b) the Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2017, 2018 and 2019 set out in Appendix A to this Prospectus; (c) the Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Period from 1 January 2020 to 30 September 2020 set out in Appendix B to this Prospectus; and (d) Independent Auditors’ Assurance Report and the Compilation of Unaudited Pro Forma Combined Consolidated Financial Information for the Financial Year Ended 31 December 2019 and the Financial Period from 1 January 2020 to 30 September 2020 set out in Appendix C to this Prospectus, in the form and context in which they are included in the Prospectus and to act in such capacity in relation to this Prospectus. The above reports were prepared for the purpose of inclusion in this Prospectus.
22. UOB and Maybank Kim Eng, named as the Joint Issue Managers, have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their names and references thereto in the form and context in which it is included in this Prospectus and to act in such capacity in relation to this Prospectus.
23. UOB, Maybank Kim Eng and DBS, named as the Joint Global Coordinators, Bookrunners and Underwriters, have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their names and references thereto in the form and context in which it is included in this Prospectus and to act in such capacity in relation to this Prospectus.

GENERAL AND STATUTORY INFORMATION

24. Virtus Law LLP, the Solicitors to the Invitation and Legal Adviser to our Company on Singapore Law, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its name and reference thereto in the form and context in which it is included in this Prospectus and to act in such capacity in relation to this Prospectus.
25. Shook Lin & Bok LLP, the Solicitors to the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its name and reference thereto in the form and context in which it is included in this Prospectus and to act in such capacity in relation to this Prospectus.
26. Frost & Sullivan, the Independent Market Research Consultant, is responsible for preparing the Independent Market Research Report and has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of all references to (a) its name, (b) write-ups, statements and reports attributable to it and (c) the Independent Market Research Report as set out in Appendix G to this Prospectus, in the form and context in which they are included in this Prospectus and to act in such capacity in relation to this Prospectus. The above-mentioned write-ups, statements and reports were prepared for the purpose of incorporation in this Prospectus.
27. The Share Registrar has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its name and reference thereto in the form and context in which it is included in this Prospectus and to act in such capacity in relation to this Prospectus.
28. Each of the Legal Adviser to our Company on PRC Law, the Legal Adviser to Aztech Dongguan as to PRC Law on land use rights and building rights in respect of certain land and buildings of Aztech Dongguan, the Legal Adviser to our Company on Hong Kong Law and the Legal Adviser to our Company on Malaysia Law have given, and have not withdrawn their written consents to the issue of this Prospectus with the inclusion herein of their names and their write-ups, statements and reports in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus. The above-mentioned write-ups, statements and reports were prepared for the purpose of incorporation in this Prospectus.
29. Each of the Solicitors to the Invitation and the Legal Adviser to our Company on Singapore Law, the Solicitors to the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, the Independent Market Research Consultant, the Share Registrar, the Legal Adviser to our Company on PRC Law, the Legal Adviser to Aztech Dongguan as to PRC Law on land use rights and building rights in respect of certain land and buildings of Aztech Dongguan, the Legal Adviser to our Company on Hong Kong Law and the Legal Adviser to our Company on Malaysia Law do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and each of them makes no representation regarding any statement in this Prospectus and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in, or omissions from, this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

30. The following documents or copies thereof may be inspected at our registered address during normal business hours for a period of six (6) months from the date of registration of this Prospectus by the Authority:
 - (a) the Constitution;
 - (b) the audited consolidated financial statements of our Group for FY2017, FY2018 and FY2019, the accompanying notes and the related audited reports as set out in Appendix A – Independent Auditors' Report and Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2017, 2018 and 2019 to this Prospectus;

GENERAL AND STATUTORY INFORMATION

- (c) the audited interim consolidated financial statements of our Group for 9M2020, the accompanying notes and the related audited report as set out in “Appendix B – Independent Auditors’ Report and Audited Consolidated Financial Statements for the Financial Period from 1 January 2020 to 30 September 2020” to this Prospectus;
- (d) the compilation of unaudited pro forma consolidated financial information of our Group for FY2019 and 9M2020, as set out in “Appendix C – Independent Auditors’ Assurance Report and the Compilation of Unaudited Pro Forma Consolidated Financial Information for the Financial Year Ended 31 December 2019 and the Financial Period from 1 January 2020 to 30 September 2020” to this Prospectus;
- (e) the material contracts referred to in the section entitled “General and Statutory Information – Material Contracts” of this Prospectus;
- (f) the letters of consent referred to in the section entitled “General and Statutory Information – Consents” of this Prospectus;
- (g) the Service Agreements referred to in the section entitled “Directors, Executive Officers, Legal Representatives, and Employees – Service Agreements” of this Prospectus;
- (h) the rules of the ESOS as set out in “Appendix E – Rules of the Aztech Employee Share Option Scheme” to this Prospectus;
- (i) the rules of the PSP as set out in “Appendix F – Rules of the Aztech Performance Share Plan” to this Prospectus;
- (j) the Independent Market Research Report as set out in “Appendix G – Independent Market Research Report” to this Prospectus; and
- (k) the legal opinion from Guanghe (Dongguan) Law Firm as set out in “Appendix H – Legal Opinion from Guanghe (Dongguan) Law Firm” to this Prospectus.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND VENDOR

Our Directors and the Vendor collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Group, the ESOS and the PSP, and our Directors and the Vendor are not aware of any facts the omission of which would make any statement in this Prospectus misleading. Where information in this Prospectus has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors and the Vendor has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Prospectus in its proper form and context.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 and 2019**

STATEMENT BY DIRECTORS

We, Michael Mun Hong Yew and Jeremy Mun Weng Hung, being two of the directors of Aztech Global Ltd. (the “Company”), do hereby state that, in the opinion of the Board of Directors,

- the accompanying consolidated financial statements together with notes thereon as set out on pages A-5 to A-77 are drawn up in accordance with the Singapore Financial Reporting Standards (International) so as to give a true and fair view of the consolidated financial position of the Company and its subsidiaries (the “Group”) as at 31 December 2017, 2018 and 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for each of the financial years ended on those dates; 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.

On behalf of the Board of Directors

Michael Mun Hong Yew
Director

Jeremy Mun Weng Hung
Director

Singapore
4 March 2021

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

**INDEPENDENT AUDITORS’ REPORT ON THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 and 2019**

4 March 2021

The Board of Directors
Aztech Global Ltd.
31 Ubi Road 1
#01-05
Singapore 408694

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Aztech Global Ltd. (the “Company”) and its subsidiaries (collectively the “Group”), which comprise the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the financial years ended 31 December 2017, 2018 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages A-5 to A-77.

In our opinion, the accompanying consolidated financial statements of the Group are properly drawn up in accordance with the 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 as at 31 December 2017, 2018 and 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for each of the financial years ended 31 December 2017, 2018 and 2019.

Basis for Opinion

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

Responsibilities of the Management and Directors for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 consolidated 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.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

**INDEPENDENT AUDITORS’ REPORT ON THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 and 2019**

Report on the audit of the consolidated financial statements (Continued)

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

**INDEPENDENT AUDITORS’ REPORT ON THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 and 2019**

Report on the audit of the consolidated financial statements (Continued)

Restriction on Distribution and Use

This report is made solely to you as a body for the inclusion in the Prospectus issued in relation to the proposed initial public offering of the shares of the Company in connection with the Company’s listing on the Singapore Exchange Securities Trading Limited.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore

Leong Hon Mun Peter
Partner-in-charge

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017, 2018 AND 2019**

	<u>Note</u>	<u>2017</u> \$'000	<u>2018</u> \$'000	<u>2019</u> \$'000
ASSETS				
Current assets				
Cash and cash equivalents	6	15,320	11,256	14,281
Trade receivables	7	99,761	72,966	96,728
Other receivables	8	13,869	45,926	5,429
Prepayments		379	844	442
Current income tax receivable		122	-	-
Other investments	9	3	-	-
Inventories	10	50,694	44,884	19,053
Total current assets		<u>180,148</u>	<u>175,876</u>	<u>135,933</u>
Non-current assets				
Other receivables	8	1,105	1,012	-
Property, plant and equipment	11	20,686	16,913	22,161
Intangible assets	12	3,686	4,123	2,617
Total non-current assets		<u>25,477</u>	<u>22,048</u>	<u>24,778</u>
Total assets		<u>205,625</u>	<u>197,924</u>	<u>160,711</u>

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017, 2018 AND 2019**

	<u>Note</u>	<u>2017</u> \$'000	<u>2018</u> \$'000	<u>2019</u> \$'000
LIABILITIES AND EQUITY				
Current liabilities				
Borrowings	13	50,532	12,276	10,401
Lease liabilities	14	1,778	1,986	2,963
Trade payables	15	102,514	96,403	87,199
Other payables	16	10,289	27,457	25,739
Provision for retirement benefit	17	-	-	594
Current income tax payable		338	2,093	8,374
Total current liabilities		165,451	140,215	135,270
Non-current liabilities				
Lease liabilities	14	2,953	1,333	2,220
Provision for retirement benefit	17	-	-	254
Deferred tax liabilities	18	268	268	268
Total non-current liabilities		3,221	1,601	2,742
Capital and reserves				
Share capital	19	68,468	68,468	15,468
Capital reserve	20	(4,670)	(4,670)	(4,670)
Foreign currency translation reserve	21	(4,823)	(5,678)	(6,963)
Statutory reserve	22	1,254	1,254	1,254
(Accumulated losses)/Retained profits		(23,276)	(3,266)	17,610
Total equity		36,953	56,108	22,699
Total liabilities and equity		205,625	197,924	160,711

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

	Note	2017	2018	2019
		\$'000	\$'000	\$'000
Revenue	23	377,154	346,822	428,825
Other income	24	1,386	719	759
Changes in inventories of finished goods and work in progress, and raw materials used		(292,811)	(262,688)	(306,957)
Employee benefits expense	25	(45,136)	(40,876)	(42,739)
Amortisation and depreciation expenses	29	(6,212)	(6,873)	(8,602)
Other operating expenses		(20,808)	(16,076)	(15,565)
Loss allowance of trade receivables		(1)	(726)	(500)
Investment revenue	29	68	70	43
Other gains and losses	26	(157)	3,105	436
Finance costs	27	(1,291)	(1,403)	(914)
Profit before income tax		12,192	22,074	54,786
Income tax expense	28	(1,134)	(2,064)	(7,614)
Profit for the financial year	29	11,058	20,010	47,172
Other comprehensive income:				
<i>Items that may be reclassified subsequently into profit or loss</i>				
Exchange differences on translation of foreign operations		483	(855)	(1,285)
Other comprehensive income for the financial year, net of tax		483	(855)	(1,285)
Total comprehensive income for the financial year		11,541	19,155	45,887
Profit attributable to owners of the parent		11,058	20,010	47,172
Total comprehensive income attributable to owners of the parent		11,541	19,155	45,887
Earnings per share				
Basic and diluted (cents)	30	1.79	3.23	7.62

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

	Share capital	Capital reserve	Foreign currency translation reserve	Statutory reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2017	68,468	(4,857)	(5,462)	1,254	(34,334)	25,069
<i>Total comprehensive income for the financial year</i>						
Profit for the financial year	-	-	-	-	11,058	11,058
Other comprehensive income for the financial year	-	-	483	-	-	483
Total	-	-	483	-	11,058	11,541
<i>Transactions with owners, recognised directly in equity</i>						
Effects of disposal of a subsidiary	-	187	156	-	-	343
Balance as at 31 December 2017	68,468	(4,670)	(4,823)	1,254	(23,276)	36,953
Balance as at 1 January 2018	68,468	(4,670)	(4,823)	1,254	(23,276)	36,953
<i>Total comprehensive income for the financial year</i>						
Profit for the financial year	-	-	-	-	20,010	20,010
Other comprehensive income for the financial year	-	-	(855)	-	-	(855)
Total	-	-	(855)	-	20,010	19,155
Balance as at 31 December 2018	68,468	(4,670)	(5,678)	1,254	(3,266)	56,108

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019 (Continued)

	Share capital	Capital reserve	Foreign currency translation reserve	Statutory reserve	(Accumulated losses)/ Retained profits	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2019	68,468	(4,670)	(5,678)	1,254	(3,266)	56,108
<i>Total comprehensive income for the financial year</i>						
Profit for the financial year	-	-	-	-	47,172	47,172
Other comprehensive income for the financial year	-	-	(1,285)	-	-	(1,285)
Total	-	-	(1,285)	-	47,172	45,887
<i>Transactions with owners, recognised directly in equity</i>						
Reduction of share capital (Note 19)	(53,000)	-	-	-	-	(53,000)
Dividend (Note 31)	-	-	-	-	(26,296)	(26,296)
	(53,000)	-	-	-	(26,296)	(79,296)
Balance as at 31 December 2019	15,468	(4,670)	(6,963)	1,254	17,610	22,699

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Operating activities			
Profit before income tax	12,192	22,074	54,786
Adjustments for:			
Amortisation of intangible assets	1,810	2,028	2,930
Depreciation of property, plant and equipment	4,402	4,845	5,672
Gain on disposal of derivative financial instruments	(814)	-	-
Gain on disposal of plant and equipment	-	(4)	(78)
Intangible assets written off	239	-	-
Interest expense	1,291	1,403	914
Interest income	(68)	(70)	(43)
Loss allowance for trade receivables	1	726	500
Loss on disposal of subsidiary	326	-	-
Net unrealised foreign exchange loss/(gain)	644	(269)	2,567
Plant and equipment written off	25	-	255
Provision for retirement benefit	-	-	848
Write-down for inventories obsolescence	913	1,795	2,130
Operating cash flows before movements in working capital	20,961	32,528	70,481
Trade receivables	(43,634)	26,069	(26,264)
Other receivables	(6,042)	(31,964)	(11,491)
Prepayments	766	(465)	402
Inventories	(18,833)	3,937	23,701
Trade payables	38,417	(6,111)	(11,205)
Other payables	(2,464)	17,168	(1,718)
Cash (used in)/from operations	(10,829)	41,162	43,906
Income tax paid	(684)	(187)	(1,333)
Interest paid	(1,291)	(1,403)	(914)
Net cash (used in)/from operating activities	(12,804)	39,572	41,659

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019

	2017	2018	2019
	\$'000	\$'000	\$'000
Investing activities			
Proceeds on disposal of plant and equipment	8	4	168
Purchase of plant and equipment	(7,073)	(1,393)	(6,532)
Addition of intangible assets	(2,262)	(2,422)	(1,435)
Cash inflow from disposal of a subsidiary, net of cash disposed	77	-	-
Interest received	68	70	43
Settlement of derivative financial instruments	(1,307)	-	-
Acquisition of other investments	(3)	-	-
Proceeds from disposal of other investments	-	3	-
Net cash used in investing activities	(10,492)	(3,738)	(7,756)
Financing activities			
Repayment of obligations under lease liabilities (Note A)	(967)	(1,288)	(3,133)
Proceeds from bank borrowings (Note A)	176,982	158,030	69,835
Repayment of bank borrowings (Note A)	(143,019)	(196,830)	(71,527)
Dividends	-	-	(26,296)
Net cash from/(used in) financing activities	32,996	(40,088)	(31,121)
Net change in cash and cash equivalents	9,700	(4,254)	2,782
Effects of exchange rate changes on the balance of cash held in foreign currencies	468	190	243
Cash and cash equivalents at beginning of the financial year	5,152	15,320	11,256
Cash and cash equivalents at end of the financial year (Note 6)	15,320	11,256	14,281

Note A Reconciliation of liabilities arising from financing activities

	Non cash changes					
	2016	Cash flows	Additions of property, plant and equipment under leases	VAT recoverable	Foreign exchange differences	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank borrowings	19,761	33,963	-	-	(3,192)	50,532
Lease liabilities	189	(967)	5,064	395	50	4,731

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019

Note A Reconciliation of liabilities arising from financing activities (Continued)

	2017	Cash flows	Non cash changes Foreign exchange differences	2018
	\$'000	\$'000	\$'000	\$'000
Bank borrowings	50,532	(38,800)	544	12,276
Lease liabilities	4,731	(1,288)	(124)	3,319

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

These consolidated financial statements have been prepared for inclusion in the Prospectus of Aztech Global Ltd. (the "Company") and its subsidiaries (the "Group") and were authorised for issue by the Directors of the Company on 4 March 2021.

1. General corporate information

1.1 Domicile and activities

The Company is a private limited company, incorporated and domiciled in Singapore with its principal place of business and registered office at 31, Ubi Road 1, #01-05, Singapore 408694. With effect from 13 February 2020, the name of the Company was changed from Aztech Electronics Pte. Ltd to Aztech Global Pte. Ltd. In connection with its conversion into a public company limited by shares, the Company changed its name from Aztech Global Pte. Ltd. to Aztech Global Ltd. on 19 February 2021. The registration number of the Company is 200909384G.

The immediate and ultimate holding company are Aztech Group Ltd. and AVS Investments Pte. Ltd. respectively, both of which are incorporated in Singapore.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 1.2 of the consolidated financial statements.

1.2 Details of subsidiaries

As at date of this report, the Company has the following subsidiaries:

<u>Name of company</u>	<u>Principal place of business</u>	<u>Principal activities</u>	<u>Effective equity interest</u>		
			<u>2017</u>	<u>2018</u>	<u>2019</u>
			%	%	%
Held by the Company					
Aztech Systems (Hong Kong) Limited	Hong Kong	Manufacture and sale of multicomcommunication products and computer peripherals	100	100	100
Aztech Technologies Pte. Ltd.	Singapore	Distribution and sale of multicomcommunication products and computer peripherals and design and manufacture of electrical and LED lights and lighting system installation	100	100	100
AZ E-Lite Pte. Ltd.	Singapore	Design and manufacture of electrical and LED lights and lighting system installation	100	100	100

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

1. General corporate information (Continued)

1.2 Details of subsidiaries (Continued)

<u>Name of company</u>	<u>Principal place of business</u>	<u>Principal activities</u>	<u>Effective equity interest</u>		
			<u>2017</u>	<u>2018</u>	<u>2019</u>
			<u>%</u>	<u>%</u>	<u>%</u>
Held by the Company (Continued)					
Aztech Innovation Pte. Ltd.	Singapore	Design, manufacture and wholesale of electrical and LED lights, fittings and parts	-	-	100
IOT Manufacturing Sdn. Bhd.	Malaysia	Manufacture and sale of multi-communication products, LED lights and plastic injection parts	-	-	100
Held by Aztech Systems (Hong Kong) Limited					
Aztech Communication Device (DG) Ltd	The People's Republic of China	Manufacture and sale of multi-communication products, LED lights and plastic injection parts	100	100	100
AZ E-Lite (HK) Limited	Hong Kong	Distribution and sale of electrical and LED lights and electronic and multicomunication products	100	100	100
Held by Aztech Communication Device (DG) Ltd					
Shenzhen Aztech Trading Company Ltd	The People's Republic of China	Research and development of multi-communication products and general trading	100	100	100
AZ E-Lite JJS Ltd	The People's Republic of China	Manufacture and sale of multi-communication products, LED lights and plastic injection parts	-	-	-

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

1. General corporate information (Continued)

1.2 Details of subsidiaries (Continued)

Incorporation of subsidiaries

IOT Manufacturing Sdn. Bhd.

On 7 December 2018, a Director incorporated IOT Manufacturing Sdn. Bhd. ("IOT") with issued and paid up share capital of Malaysian Ringgit ("RM") 1 (equivalent to approximately \$0.30) for one ordinary share.

On 12 February 2019, the Director transferred the ordinary share at RM1 (equivalent to approximately \$0.30) to the Company and IOT became a wholly-owned subsidiary of the Company.

Aztech Innovation Pte. Ltd.

On 27 December 2019, the Company incorporated a wholly-owned subsidiary, Aztech Innovation Pte. Ltd., in Singapore with an issued and paid up share capital of \$1.

AZ E-Lite JJS Ltd

On 17 March 2020, the Group incorporated a wholly-owned subsidiary, AZ E-Lite JJS Ltd, in the People's Republic of China with a capital contribution of Renminbi ("RMB") 30,000 (equivalent to approximately \$6,000).

Disposal of subsidiary

On 15 July 2017, the Company disposed of its entire interest in AZ-Technology Sdn. Bhd. to a third party for cash consideration of RM262,418 (equivalent to approximately \$84,000). The effects of the disposal as at the date of disposal resulted in loss of disposal of \$326,000, as disclosed in the Note 26 to the consolidated financial statements. The net proceed from the disposal of the subsidiary, net of cash was \$77,000.

Liquidation of subsidiary

On 27 March 2020, the Group applied for voluntary liquidation of its wholly owned subsidiary, Shenzhen Aztech Trading Company Ltd.. As at 30 September 2020, the liquidation process is pending for completion for certain procedures.

2. Basis of preparation of consolidated financial statements

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

2. Basis of preparation of consolidated financial statements (Continued)

These financial statements are the Group's first financial statements prepared in accordance with SFRS(I). The Group has previously prepared their financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). As required by SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, the Group has consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The financial statements of all companies within the Group for the financial years ended 31 December 2017, 2018 and 2019 covered by the consolidated financial statements were audited by the following firms of Chartered Accountants:

Name of company	Auditors	Financial year
Aztech Global Ltd.	BDO LLP, Singapore	Financial years ended 31 December 2017, 2018 and 2019
Aztech Technologies Pte. Ltd.	BDO LLP, Singapore	Financial years ended 31 December 2017, 2018 and 2019
AZ E-Lite Pte. Ltd.	BDO LLP, Singapore	Financial years ended 31 December 2017, 2018 and 2019
IOT Manufacturing Sdn. Bhd.	BDO PLT, Malaysia	Financial period from 7 December 2018 to 31 December 2019
Aztech Systems (Hong Kong) Limited	BDO Limited, Hong Kong	Financial years ended 31 December 2017, 2018 and 2019
Aztech Communication Device (DG) Ltd	BDO Limited, Hong Kong	Financial years ended 31 December 2017, 2018 and 2019
AZ E-Lite (HK) Limited	BDO Limited, Hong Kong	Financial years ended 31 December 2017, 2018 and 2019
Shenzhen Aztech Trading Company Ltd	BDO Limited, Hong Kong	Financial years ended 31 December 2017, 2018 and 2019

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

2. Basis of preparation of consolidated financial statements (Continued)

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

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

3. Summary of significant accounting policies

3.1 Changes in accounting policies

During the financial years ended 31 December 2017, 2018 and 2019, the Group adopted the new and revised SFRS(I)s that are relevant to its operations and effective for each financial year respectively. Changes to the Group's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective SFRS(I). The adoption of the new or revised SFRS(I) including related SFRS(I) Interpretations ("SFRS(I) INT") did not result in any substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the respective financial years, except as detailed below.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 is effective from annual periods beginning on or after 1 January 2018. The Group has applied SFRS(I) 9 retrospectively, with the initial application date of 1 January 2018 and elect not to restate the comparative information for the financial year beginning 1 January 2017. There is no material impact arising from the adoption of SFRS(I) 9 on the consolidated financial statements.

The accounting policy under SFRS(I) 9 is disclosed in Note 3.4 to the consolidated financial statements.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In addition, it also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.1 Changes in accounting policies (Continued)

***SFRS(I) 15 Revenue from Contracts with Customers* (Continued)**

The Group adopted SFRS(I) 15 using the full retrospective method. There is no impact arising from the adoption of SFRS(I) 15 on the consolidated financial statements.

The accounting policy under SFRS(I) 15 is disclosed in Note 3.12 to the consolidated financial statements.

SFRS(I) 16 Leases

SFRS(I) 16 is effective from annual periods beginning on or after 1 January 2019. SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be depreciated and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings, if any, as at 1 January 2019 (the "date of initial application"). The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;
- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.1 Changes in accounting policies (Continued)

SFRS(I) 16 Leases (Continued)

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to leasehold properties, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The incremental borrowing rate applied to lease liabilities on 1 January 2019 was ranged from 3.5% to 6.2% per annum.

As at 1 January 2019, the Group recognised right-of-use assets and lease liabilities amounted to \$2,886,000. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued payments. The Group chooses not to present the right-of-use assets separately on the face of consolidated statements of financial position and included these right-of-use assets within property, plant and equipment.

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 December 2018.

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitment as at 31 December 2018 can be reconciled as follows:

	\$'000
Operating lease commitment as at 31 December 2018 (Note 32)	631
Less: Effect of short-term and low value leases	(77)
Add: Effect of extension options reasonably certain to be exercised	2,491
	<u>3,045</u>
Effect of discounting using the incremental borrowing rate as at date of initial application	(159)
	<u>2,886</u>
Finance lease liabilities recognised as at 31 December 2018	3,319
Lease liabilities as at 1 January 2019	<u><u>6,205</u></u>

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.1 Changes in accounting policies (Continued)

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

SFRS(I) INT 23 provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Group to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying this interpretation as an adjustment to the opening retained earnings as at 1 January 2019. There is no material impact to the previously recognised income taxes and deferred taxes.

Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and Interpretations of SFRS(I) (“SFRS(I) INT”) issued but not yet effective

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning on 1 January 2020 and thereafter, and have not been early adopted:

- SFRS(I) 17 *Insurance Contracts*
- Amendments to SFRS(I) 16: *Covid-19-Related Rent Concessions*
- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current – Deferral of Effective Date*
- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Various (Amendments) Annual Improvements to SFRS(I) Standards

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.1 Changes in accounting policies (Continued)

**Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and
Interpretations of SFRS(I) (“SFRS(I) INT”) issued but not yet effective** (Continued)

Mandatory effective date deferred

- Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Management anticipates that the adoption of the above new SFRS(I), amendments to and interpretations of SFRS(I) will not have a material impact on the financial statements of the Group in the period of their initial adoption.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries made up to end of financial years ended 31 December 2017, 2018 and 2019. Control is achieved when the Company:

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

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

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

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

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.2 Basis of consolidation (Continued)

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

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

3.3 Business combinations

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

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

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.3 Business combinations (Continued)

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

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

3.4 Financial instruments

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

Financial assets

Accounting policy for financial assets prior to 1 January 2018

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: “available-for-sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Investments in unquoted debt security whose fair value cannot be reliably measured are measured at cost less impairment loss.

Loans and receivables

Trade and other receivables (excluding value added tax receivable) that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are initially measured at fair value, plus transaction costs, and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.4 Financial instruments (Continued)

Financial assets (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

For unquoted debt security that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in the subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.4 Financial instruments (Continued)

Financial assets (Continued)

Accounting policy for financial assets on or after 1 January 2018

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

Amortised cost

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

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

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

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.4 Financial instruments (Continued)

Financial assets (Continued)

Accounting policy for financial assets on or after 1 January 2018 (Continued)

***Amortised cost* (Continued)**

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

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 3.13).

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.4 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

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

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

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Group will reimburse the banks.

Derecognition of financial liabilities

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

3.5 Inventories

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

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

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

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

3.6 Property, plant and equipment

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.6 Property, plant and equipment (Continued)

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

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

Factory building	over the terms of lease, which are from 1.75% to 20%
Computer and office equipment	20% to 100%
Factory equipment	12.5% to 20%
Factory furniture and fittings	20%
Office furniture and fittings	20% to 33.33%
Research and development equipment and tools	20% to 33.33%
Software applications	20% to 100%
Motor vehicles	20% to 33.33%
Right-of-use assets	
Leasehold properties	29% to 50%
Motor vehicles	20% to 33.33%
Factory equipment	12.5% to 20%

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

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

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

Construction in-progress represents plant and equipment under construction, which is stated at cost. Cost comprises the direct costs incurred during the period of construction, installation and testing. Construction in-progress is reclassified to the appropriate category of plant and equipment when completed and ready for use. No depreciation is charged on construction-in-progress, as they are not yet ready for their intended use as at the end of the financial year.

Prior to 1 January 2019, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the short of the lease term and its useful life.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.7 Intangible assets

Internally-generated intangible assets - development expenditure

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

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

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

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

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

3.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.8 Impairment of non-financial assets (Continued)

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

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

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

3.9 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 that 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

3.10 Offsetting arrangements

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.11 Leases

The Group as lessee

Accounting policy for leases prior to 1 January 2019

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a lease liabilities. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3.13).

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting policy for leases on or after 1 January 2019

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

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

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

Initial measurement

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

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

- lease payments made at or before commencement of the lease;

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.11 Leases (Continued)

The Group as lessee (Continued)

Accounting policy for leases on or after 1 January 2019 (Continued)

***Initial measurement* (Continued)**

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

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

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset. (Refer to Note 3.6 for the estimated useful lives for right-of-use assets)

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 3.8 to the financial statements.

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

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with Group's general policy on borrowing costs (see Note 3.13).

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term and equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

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

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.11 Leases (Continued)

The Group as lessee (Continued)

Accounting policy for leases on or after 1 January 2019 (Continued)

***Subsequent measurement* (Continued)**

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

The Group as lessor

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Investment revenue".

3.12 Revenue recognition

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

Sale of electronics products

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

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.13 Borrowing costs

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

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

3.14 Retirement benefit obligations

Defined contribution plans

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

Other long-term service benefits

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

3.15 Employee leave entitlement

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

3.16 Government grants

Government grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures. Grants related to an asset may be presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.17 Income tax

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

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

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

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

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

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

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

3.18 Dividends

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.19 Foreign currency transactions and translation

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

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

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

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

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

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

3. Summary of significant accounting policies (Continued)

3.20 Cash and cash equivalents

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

3.21 Segment reporting

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that 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

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

Key sources of estimation uncertainty

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

Measurement of lease liabilities

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

Key sources of estimation uncertainty (Continued)

Measurement of lease liabilities (Continued)

The incremental borrowing rate applied to lease liabilities as at 31 December 2019 was ranged from 3.5% to 6.2% per annum. The carrying amount of lease liabilities measured by applying incremental borrowing rate as at 31 December 2019 was \$3,225,000. If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by \$21,000.

Amortisation of intangible assets

The Group amortises the intangible assets, using the straight-line method, over their estimated useful life. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's intangible assets. The carrying amount of the Group's intangible assets as at 31 December 2017, 2018 and 2019 were \$3,686,000, \$4,123,000 and \$2,617,000 respectively.

Loss allowance for impairment of trade receivables

Trade receivables

Management determines the expected loss arising from default for trade receivables, by categorising them based on their historical loss pattern, historical payment profile, adjusted with the geographical risk and credit risk profile of customer as appropriate to reflect current conditions and estimates of future economic conditions. Loss allowance of \$1,000, \$726,000 and \$500,000 was recognised in profit or loss for reporting periods ended 31 December 2017, 2018 and 2019 respectively.

Estimated write-down for inventories obsolescence

At the end of the reporting period, management carries out a review on a product-by-product and on an aging basis to make estimate for obsolete and slow-moving inventory items. The management estimates the net realisable value for such inventory items based primarily on the current market conditions. During the financial years ended 31 December 2017, 2018 and 2019, management has written down approximately \$913,000, \$1,795,000 and \$2,130,000 of its inventories to net realisable value. As at each reporting date, the carrying amount of inventories is \$50,694,000, \$44,884,000 and \$19,053,000 respectively.

Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment over their estimated useful lives, after taking into account their estimated residual value using the straight-line method. The estimated useful life reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the management's estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at 31 December 2017, 2018 and 2019, the carrying amount of property, plant and equipment is \$20,686,000, \$16,913,000 and \$22,161,000 respectively.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

5. Significant related party transactions

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

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

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Transaction with companies in which Directors have equity interests:			
Rendering of services	(1)	-	(5)
Receiving of services	819	768	898

Compensation of directors and key management personnel

The remuneration of Directors and other members of key management during the financial years ended 31 December 2017, 2018 and 2019 was as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<i>Directors of the Company</i>			
Short-term benefits	304	258	1,972
Post-employment benefits	13	14	679
	<u>317</u>	<u>272</u>	<u>2,651</u>
<i>Other key management personnel</i>			
Short-term benefits	451	855	1,321
Post-employment benefits	32	60	368
	<u>483</u>	<u>915</u>	<u>1,689</u>

6. Cash and cash equivalents

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash at bank available on demand	15,320	11,256	7,540
Short-term deposits	-	-	6,741
Cash and bank balances	<u>15,320</u>	<u>11,256</u>	<u>14,281</u>

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

6. Cash and cash equivalents (Continued)

In the financial year ended 31 December 2019, short-term deposits bear interest ranging from 1% to 2.6% per annum with tenures of 1 month.

As at 31 December 2017, 2018 and 2019, the Group's cash at bank amounting to \$426,000, \$140,000 and \$1,083,000 respectively, is subject to the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

7. Trade receivables

	2017	2018	2019
	\$'000	\$'000	\$'000
Third parties	99,761	73,697	97,749
Less: Loss allowance	-	(731)	(1,021)
	<u>99,761</u>	<u>72,966</u>	<u>96,728</u>

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

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

As at 31 December 2017, 2018 and 2019, total loss allowance for trade receivables amounts to \$Nil, \$731,000 and \$1,021,000 respectively. The Group does not hold any collateral over these balances.

Movements in the loss allowance for trade receivables:

	2017	2018	2019
	\$'000	\$'000	\$'000
Balance as at 1 January	2	-	731
Allowance during the financial year	1	726	500
Written off during the financial year	(3)	-	(202)
Exchange difference	-	5	(8)
Balance as at 31 December	<u>-</u>	<u>731</u>	<u>1,021</u>

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

7. Trade receivables (Continued)

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

	Current	1 - 30 days past due	31 - 60 days past due	More than 60 days past due	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
<i>Non-credit impaired</i>					
Expected loss rate (%)	0.9	2.6	2.8	3.2	
Gross carrying amount					
- Trade receivables	89,601	7,289	575	284	97,749
Less: Loss allowance	(809)	(187)	(16)	(9)	(1,021)
	88,792	7,102	559	275	96,728
Total loss allowance	809	187	16	9	1,021
2018					
<i>Credit impaired</i>					
Gross carrying amount					
- Trade receivables	-	-	70	132	202
Less: Loss allowance	-	-	(70)	(132)	(202)
	-	-	-	-	-
<i>Non-credit impaired</i>					
Expected loss rate (%)	0.6	1.8	2.2	2.3	
Gross carrying amount					
- Trade receivables	67,176	5,999	277	43	73,495
Less: Loss allowance	(411)	(111)	(6)	(1)	(529)
	66,765	5,888	271	42	72,966
Total loss allowance	411	111	76	133	731

In the financial year ended 31 December 2017, the impairment of trade receivables was assessed based on the incurred loss impairment model. The table below is an analysis of trade receivables as at 31 December 2017:

	2017
	\$'000
Not past due and not impaired	87,448
Past due but not impaired ⁽ⁱ⁾	12,313
Total trade receivables, net	99,761

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

7. Trade receivables (Continued)

(i) Aging of receivables that are past due but not impaired:

	2017
	\$'000
1 to 30 days	11,856
31 to 60 days	432
More than 60 days	25
	<u>12,313</u>

8. Other receivables

	2017	2018	2019
	\$'000	\$'000	\$'000
Other receivables			
- Non-related parties	365	92	186
- Immediate holding company	6,870	37,854	-
- Related corporation	2,166	2,166	-
Value added tax receivable	4,257	5,624	4,275
Deposits	211	190	287
Deposits for land use right	1,105	1,012	681
	<u>14,974</u>	<u>46,938</u>	<u>5,429</u>
Less:			
Non-current portion of deposits for land use right	(1,105)	(1,012)	-
	<u>13,869</u>	<u>45,926</u>	<u>5,429</u>

Other receivables from immediate holding company and related corporation are unsecured, interest free and repayable on demand.

Deposits for land use right related to an amount paid for a land use right which the Group had not yet obtained the land use right certificate from the relevant China government authorities. On 29 December 2019, the Group had signed letter of intent with a third party for the disposal of the land use right. The negotiations in relation to the disposal is pending due to travelling restrictions.

9. Other investments

	2017	2018	2019
	\$'000	\$'000	\$'000
Unquoted debt security at cost	3	-	-

In the financial year ended 31 December 2017, the unquoted debt security of the Group had a nominal value amounted to \$3,000 with coupon rate of 3.1% per annum. This financial asset was held at cost as the debt security did not have quoted market price in an active market and its fair values cannot be reliably measured. This unquoted debt security was disposed in the financial year ended 31 December 2018.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

10. Inventories

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Finished goods	12,219	12,744	3,270
Work-in-progress	5,831	5,749	3,328
Raw materials	32,644	26,391	12,455
	<u>50,694</u>	<u>44,884</u>	<u>19,053</u>

During the financial year ended 31 December 2017, 2018 and 2019, the cost of inventories recognised as expense and included in "changes in inventories of finished goods and work in progress, and raw materials used" amounted to \$288,759,000, \$260,990,000 and \$305,655,000 respectively.

As at 31 December 2017, 2018 and 2019, write-downs of inventories to net realisable value amounting to \$913,000, \$1,795,000 and \$2,130,000 respectively have been included in other operating expenses line item in profit or loss.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

11. Property, plant and equipment

	Factory buildings	Computer and office equipment	Factory equipment ⁽ⁱ⁾	Factory furniture and fittings	Office furniture and fittings	Research and development equipment and tools	Software applications	Motor vehicles ⁽ⁱ⁾	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost									
Balance as at 1 January 2017	8,349	1,749	34,557	2,810	334	491	789	2,032	51,111
Additions	-	41	11,385	709	2	-	-	-	12,137
Written off	-	(14)	(25)	-	(18)	(2)	-	-	(59)
Disposals	-	(26)	-	-	(14)	-	(6)	(21)	(67)
Transfer	-	(3)	11	-	-	(39)	-	-	(31)
Exchange difference	(633)	(47)	(3,314)	(271)	(6)	-	(48)	(67)	(4,386)
Balance as at 31 December 2017	7,716	1,700	42,614	3,248	298	450	735	1,944	58,705
Accumulated depreciation									
Balance as at 1 January 2017	(3,751)	(1,351)	(27,151)	(1,872)	(308)	(373)	(551)	(1,290)	(36,647)
Charge for the financial year	(328)	(141)	(3,137)	(389)	(12)	(51)	(84)	(260)	(4,402)
Written off	-	14	-	-	18	2	-	-	34
Disposals	-	21	-	-	12	-	5	21	59
Transfer	-	3	-	-	-	28	-	-	31
Exchange difference	303	40	2,286	175	8	-	39	55	2,906
Balance as at 31 December 2017	(3,776)	(1,414)	(28,002)	(2,086)	(282)	(394)	(591)	(1,474)	(38,019)
Carrying amount									
Balance as at 31 December 2017	3,940	286	14,612	1,162	16	56	144	470	20,686

⁽ⁱ⁾ Certain factory equipment and motor vehicles were purchased under leases (Note 14).

APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

11. Property, plant and equipment (Continued)

	Factory buildings	Computer and office equipment	Factory equipment	Factory furniture and fittings	Office furniture and fittings	Research and development equipment and tools	Software applications	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost									
Balance as at 1 January 2018	7,716	1,700	42,614	3,248	298	450	735	1,944	58,705
Additions	-	4	860	455	-	-	28	46	1,393
Written off	-	(411)	(1,419)	-	(39)	-	(34)	-	(1,903)
Disposals	-	(29)	-	-	(5)	-	-	(120)	(154)
Exchange difference	(270)	(21)	(1,155)	(135)	1	-	2	(1)	(1,579)
Balance as at 31 December 2018	7,446	1,243	40,900	3,568	255	450	731	1,869	56,462
Accumulated depreciation									
Balance as at 1 January 2018	(3,776)	(1,414)	(28,002)	(2,086)	(282)	(394)	(591)	(1,474)	(38,019)
Charge for the financial year	(307)	(123)	(3,548)	(499)	(4)	(39)	(67)	(258)	(4,845)
Written off	-	411	1,419	-	39	-	34	-	1,903
Disposals	-	29	-	-	5	-	-	120	154
Exchange difference	141	21	1,006	95	(6)	3	(2)	-	1,258
Balance as at 31 December 2018	(3,942)	(1,076)	(29,125)	(2,490)	(248)	(430)	(626)	(1,612)	(39,549)
Carrying amount									
Balance as at 31 December 2018	3,504	167	11,775	1,078	7	20	105	257	16,913

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

11. Property, plant and equipment (Continued)

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

11. Property, plant and equipment (Continued)

As at 31 December 2017, 2018 and 2019, the Group's application of the land use right certificates and property ownership certificates in respect of the factory buildings amounting to \$3,940,000, \$3,504,000 and \$3,120,000 respectively is still pending from the relevant China government authorities.

Included for the financial year ended 31 December 2018 are factory equipment and motor vehicles of \$4,925,000 and \$865,000 respectively that were acquired under finance lease. The carrying amount of factory equipment and motor vehicles acquired under finance lease as at 31 December 2018 amounted to \$3,796,000 and \$61,000 respectively. These assets have been reclassified to right-of-use assets as at 1 January 2019.

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

	Leasehold properties	Factory equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
Balance as at 1 January 2019	-	-	-	-
- Reclassified from property, plant and equipment	-	4,925	865	5,790
- Adoption of SFRS(I) 16 (Note 3.1)	2,886	-	-	2,886
Balance as at 1 January 2019 (restated)	2,886	4,925	865	8,676
Additions	1,642	-	985	2,627
Written off	(109)	-	-	(109)
Disposals	-	-	(543)	(543)
Exchange difference	-	(137)	-	(137)
Balance as at 31 December 2019	4,419	4,788	1,307	10,514
Accumulated depreciation				
Balance as at 1 January 2019	-	-	-	-
- Reclassified from property, plant and equipment	-	(1,129)	(804)	(1,933)
Balance as at 1 January 2019 (restated)	-	(1,129)	(804)	(1,933)
Charge for the financial year	(1,425)	(609)	(132)	(2,166)
Written off	109	-	-	109
Disposals	-	-	530	530
Exchange difference	14	48	-	62
Balance as at 31 December 2019	(1,302)	(1,690)	(406)	(3,398)
Carrying amount				
Balance as at 31 December 2019	3,117	3,098	901	7,116

As at 31 December 2017, 2018 and 2019, lease liabilities are secured by property, plant and equipment of the Group with the carrying values of \$4,484,000, \$3,857,000 and \$3,999,000 respectively.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

11. Property, plant and equipment (Continued)

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

	2017	2018	2019
	\$'000	\$'000	\$'000
Additions of plant and equipment	12,137	1,393	8,725
Acquired under leases	(5,064)	-	(2,193)
Net cash payment made	7,073	1,393	6,532

12. Intangible assets

	Deferred development cost
	\$'000
Costs	
Balance as at 1 January 2017	29,498
Addition	2,262
Write off	(239)
Balance as at 31 December 2017	31,521
Accumulated amortisation	
Balance as at 1 January 2017	26,025
Amortisation	1,810
Balance as at 31 December 2017	27,835
Carrying amount	
Balance as at 31 December 2017	3,686
Costs	
Balance as at 1 January 2018	31,521
Addition	2,422
Exchange differences	51
Balance as at 31 December 2018	33,994
Accumulated amortisation	
Balance as at 1 January 2018	27,835
Amortisation	2,028
Exchange differences	8
Balance as at 31 December 2018	29,871
Carrying amount	
Balance as at 31 December 2018	4,123

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

12. Intangible assets (Continued)

	Deferred development cost
	\$'000
Costs	
Balance as at 1 January 2019	33,994
Addition	1,435
Exchange differences	(40)
Balance as at 31 December 2019	<u>35,389</u>
Accumulated amortisation	
Balance as at 1 January 2019	29,871
Amortisation	2,930
Exchange differences	(29)
Balance as at 31 December 2019	<u>32,772</u>
Carrying amount	
Balance as at 31 December 2019	<u><u>2,617</u></u>

The deferred development cost above has finite useful lives, and is amortised on a straight line basis. The amortisation period for developments costs incurred is between one to three years. As at 31 December 2017, 2018 and 2019, the average remaining amortisation period of the intangible assets is between 3 years, 2 years and 2 years respectively.

13. Borrowings

	2017	2018	2019
	\$'000	\$'000	\$'000
Unsecured			
Trade finance	49,997	12,276	7,508
Term loans	535	-	2,893
Total borrowings	<u>50,532</u>	<u>12,276</u>	<u>10,401</u>
The borrowings are repayable as follows:			
On demand or within one year	<u>50,532</u>	<u>12,276</u>	<u>10,401</u>

13.1 Trade finance

The Group has banking facilities relating to bills discounted with recourse, trade bills payable, revolving credits and export trade loans of \$99,444,000, \$98,083,000 and \$100,807,000, of which \$49,997,000, \$12,276,000 and \$7,508,000 have been utilised as at 31 December 2017, 2018 and 2019 respectively. These banking facilities are secured by a corporate guarantee from the immediate holding company. Excluding bank overdraft facilities, these banking facilities bear interest rates ranged from 2.7% to 3.2%, 3.7% to 4.2% and 3.1% to 3.2% per annum respectively for the reporting periods ended 31 December 2017, 2018 and 2019.

As at 31 December 2017, 2018 and 2019, the undrawn banking facilities of the Group amounts to \$49,447,000, \$85,807,000 and \$93,299,000 respectively.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

13. Borrowings (Continued)

13.2 Term loan

In the financial year ended 31 December 2017, term loan comprises an amount totalling \$5,664,000 was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in instalments until May 2018. The loan bears an average effective interest rate of approximately 2.7% per annum and is denominated in United States dollar (equivalent US\$4,000,000). As at 31 December 2017, the outstanding balance of the loan was \$535,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment. The term loan was subsequently settled in June 2018.

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

- an amount totalling \$964,000 was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in April 2020. The loan bears an average effective interest rate of approximately 5.7% per annum and is denominated in Renminbi (equivalent RMB 5,000,000). As at 31 December 2019, the outstanding balance of the loan was \$964,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment; and
- an amount totalling \$1,929,000 was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in June 2020. The loan bears an average effective interest rate of approximately 4.4% per annum and is denominated in Renminbi (equivalent RMB 10,000,000). As at 31 December 2019, the outstanding balance of the loan was \$1,929,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment.

14. Lease liabilities

	Leasehold properties	Factory equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2019				
- Finance lease liabilities under SFRS(I) 1-17	-	3,300	19	3,319
- Adoption of SFRS(I) 16 (Note 3.1)	2,886	-	-	2,886
	2,886	3,300	19	6,205
Additions	1,642	-	551	2,193
Interest expense (Note 27)	115	77	6	198
Lease payments				
- Principal portion	(1,265)	(1,802)	(66)	(3,133)
- Interest portion	(115)	(77)	(6)	(198)
Exchange difference	(38)	(44)	-	(82)
Balance as at 31 December 2019	3,225	1,454	504	5,183

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

14. Lease liabilities (Continued)

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

	Minimum lease payments			Present value of minimum lease payments		
	2017	2018	2019	2017	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts payable under leases:						
Within one year	1,960	1,908	3,127	1,778	1,986	2,963
In the second to fifth years inclusive	3,077	1,571	2,330	2,953	1,333	2,220
Less: Future finance charges	(306)	(160)	(274)	-	-	-
Present value of lease obligations	<u>4,731</u>	<u>3,319</u>	<u>5,183</u>	<u>4,731</u>	<u>3,319</u>	<u>5,183</u>
Less:						
Amount due for settlement within 12 months (shown under current liabilities)				<u>(1,778)</u>	<u>(1,986)</u>	<u>(2,963)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)				<u>2,953</u>	<u>1,333</u>	<u>2,220</u>

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

The Group also leases certain items of factory equipment and motor vehicles with only fixed payments over the lease terms.

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

Total cash outflow for all the leases in 2019 was \$3,358,000.

As at 31 December 2019, the incremental borrowing rates applied were ranged from 3.5% to 6.2% per annum, and interest rate explicitly stated in the lease was ranged from 1.3% to 3.7% per annum. As at 31 December 2017 and 2018, the Group leases certain factory equipment and motor vehicles under finance lease and the discount rate implicit in finance lease were 2.5% to 3.7% per annum for both financial years.

As at 31 December 2017, 2018 and 2019, the Group's lease obligations are secured by the leased assets, recorded within property, plant and equipment (Note 11), with net carrying values of \$4,484,000, \$3,857,000 and \$3,999,000 respectively.

15. Trade payables

	2017	2018	2019
	\$'000	\$'000	\$'000
Third parties	<u>102,514</u>	<u>96,403</u>	<u>87,199</u>

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

15. Trade payables (Continued)

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

The trade amounts are unsecured, interest free and repayable within the credit term of 30 to 60 days, 60 to 90 days and 60 to 90 days respectively for the reporting periods ended 31 December 2017, 2018 and 2019.

16. Other payables

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Other payables			
- Non-related parties	1,031	57	886
- Related corporations	2,220	2,674	2,051
Accrued expenses	5,143	21,153	17,838
Customer deposits	1,895	3,573	4,964
	<u>10,289</u>	<u>27,457</u>	<u>25,739</u>

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

As at 31 December 2017, 2018 and 2019, included in accrued expenses are amounts of \$234,000, \$13,356,000 and \$8,718,000 respectively relating to inventories received from vendors for which suppliers' invoices have not been received.

Movements in customer deposits:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance as at beginning of the financial year	1,351	1,895	3,573
Amount received in advance	1,895	3,573	4,964
Charged to profit or loss	(1,351)	(1,895)	(3,573)
Balance as at end of the financial year	<u>1,895</u>	<u>3,573</u>	<u>4,964</u>

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

The amount of revenue that will be recognised in subsequent periods on these customer deposits when those remaining performance obligations will be satisfied amounted to \$3,573,000 and \$8,320,000 for the reporting periods ended 31 December 2018 and 2019 respectively.

17. Provision for retirement benefit

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Present value of retirement benefit obligation			
- Current	-	-	594
- Non-current	-	-	254
	<u>-</u>	<u>-</u>	<u>848</u>

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

17. Provision for retirement benefit (Continued)

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

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

The expense is recognised in the "Employee benefits expense" in profit and loss.

18. Deferred tax liabilities

	2017	2018	2019
	\$'000	\$'000	\$'000
Deferred tax liabilities	268	268	268

	Accelerated tax depreciation	Deferred expenditure	Total
	\$'000	\$'000	\$'000
Balance as at 1 January 2017 and 31 December 2017	58	210	268
Balance as at 1 January 2018 and 31 December 2018	58	210	268
Balance as at 1 January 2019 and 31 December 2019	58	210	268

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

No deferred tax asset has been recognised by the Group in respect of the tax losses amounting to \$1,077,000, \$5,512,000 and \$558,000 respectively as at 31 December 2017, 2018 and 2019 due to the unpredictability of future profits stream of the relevant overseas subsidiaries.

Subject to the conditions imposed by the relevant taxation laws, the Group's tax loss carry forwards amounting to \$1,077,000, \$5,512,000 and \$558,000 respectively as at 31 December 2017, 2018 and 2019 are available for an unlimited future period.

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

19. Share capital

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	Number of ordinary shares		
	'000	'000	'000
Issued and paid up:			
Balance as at beginning of the financial year	68,468	68,468	68,468
Less: Cancellation of shares arising from reduction of share capital	-	-	(53,000)
Balance as at end of the financial year	<u>68,468</u>	<u>68,468</u>	<u>15,468</u>
	\$'000	\$'000	\$'000
Issued and paid up:			
Balance as at beginning of the financial year	68,468	68,468	68,468
Less: Reduction of share capital	-	-	(53,000)
Balance as at end of the financial year	<u>68,468</u>	<u>68,468</u>	<u>15,468</u>

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

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

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

20. Capital reserve

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

21. Foreign currency translation reserve

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

22. Statutory reserve

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

23. Revenue

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<i>Primary geographical markets</i>			
North America	144,579	172,415	255,601
China	33,397	22,361	15,251
Europe	149,396	125,575	125,348
Singapore	9,204	5,858	5,924
Others	40,578	20,613	26,701
	<u>377,154</u>	<u>346,822</u>	<u>428,825</u>
<i>Product types</i>			
IoT devices and Datacom products	118,918	177,845	292,526
LED products	257,117	168,103	135,979
Others ⁽¹⁾	1,119	874	320
	<u>377,154</u>	<u>346,822</u>	<u>428,825</u>
<i>Timing of transfer of goods</i>			
Point in time	<u>377,154</u>	<u>346,822</u>	<u>428,825</u>

⁽¹⁾ Others refer to other electrical products.

24. Other income

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Scrap sales	112	89	77
Government grants	1,020	443	524
Others	254	187	158
	<u>1,386</u>	<u>719</u>	<u>759</u>

25. Employee benefits expense

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<i>Employee benefits expense (including Directors' remuneration):</i>			
Staff costs	39,520	36,722	39,168
Defined contributions plans	194	330	656
Other employee benefits	5,422	3,824	2,915
	<u>45,136</u>	<u>40,876</u>	<u>42,739</u>

Included in the employee benefits expense were Directors' remuneration as shown in Note 5 to the financial statements.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

26. Other gains and losses

	2017	2018	2019
	\$'000	\$'000	\$'000
Gain on disposal of derivative financial instruments	814	-	-
Gain on disposal of plant and equipment	-	4	78
Loss on disposal of a subsidiary	(326)	-	-
Net realised foreign exchange (loss)/gain	(1)	2,832	2,925
Net unrealised foreign exchange (loss)/gain	(644)	269	(2,567)
	(157)	3,105	436

27. Finance costs

	2017	2018	2019
	\$'000	\$'000	\$'000
Interest expense for:			
Trade financing	921	1,093	619
Lease liabilities	158	135	198
Revolving loans and term loans	212	175	97
	1,291	1,403	914

28. Income tax expense

	2017	2018	2019
	\$'000	\$'000	\$'000
Current income tax			
- current financial year	1,134	2,071	8,556
- over provision in prior financial years	-	(7)	(942)
	1,134	2,064	7,614

The income tax expense varied from the amount of income tax expense determined by applying the applicable income tax rate of 17% of the estimated assessable profit for the financial years ended 31 December 2017, 2018 and 2019. The total charge for the financial years can be reconciled to the accounting profit as follows:

	2017	2018	2019
	\$'000	\$'000	\$'000
Profit before income tax	12,192	22,074	54,786
Income tax calculated using applicable tax rate of 17%	2,073	3,753	9,314
Effects of different tax rates of overseas subsidiaries	803	278	21
Effects of tax concession	(854)	(1,055)	(1,299)
Non-taxable items	(206)	(159)	(366)
Non-allowable items	-	377	1,252
Tax rebate	(349)	(32)	(50)
Utilisation of deferred tax benefits previously not recognised	(151)	(529)	(529)
Deferred tax benefit arising in current year not recognised	-	-	362
Effects of group relief	(187)	(530)	(164)
Over provision in prior financial years	-	(7)	(942)
Others	5	(32)	15
Total income tax expense	1,134	2,064	7,614

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

29. Profit for the financial year

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

	2017	2018	2019
	\$'000	\$'000	\$'000
<i>Amortisation and depreciation expenses</i>			
Amortisation of intangible assets	1,810	2,028	2,930
Depreciation of property, plant and equipment	4,402	4,845	5,672
<i>Investment revenue</i>			
Interest income	(68)	(70)	(43)
<i>Other operating expenses</i>			
Distribution costs	2,126	883	378
Intangible assets written off	239	-	-
Operating leases			
- equipment	1	3	-
- office	753	621	-
- factory and warehouse	698	836	-
Lease expenses on			
- short-term leases	-	-	18
- low value assets	-	-	9
Other factory costs	11,197	7,142	7,936
Plant and equipment written off	25	-	255
Utilities costs	2,469	2,362	2,255
Write-down for inventories obsolescence	913	1,795	2,130

30. Earnings per share

The calculation for earnings per share is based on:

	2017	2018	2019
Profit attributable to owners of the parent (\$'000)	11,058	20,010	47,172
Number of ordinary shares ('000)	618,720	618,720	618,720
Earnings per share (in cents) - Basic and diluted	1.79	3.23	7.62

The calculations of basic earnings per share for the relevant periods are based on profit attributable to owners of the parent for the financial years ended 31 December 2017, 2018 and 2019 divided by the number of ordinary shares after adjusting for the share split.

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

31. Dividends

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

No final dividend was recommended in respect of financial year ended 31 December 2019.

32. Commitments

32.1 Operating lease commitments

The Group as lessee

At the end of the reporting period, the commitments in respect of non-cancellable operating leases for office and factory were as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	\$'000	\$'000	\$'000
Future minimum lease payments payable:			
Within one year	151	372	-
In the second to fifth years inclusive	123	259	-
Total	<u>274</u>	<u>631</u>	<u>-</u>

Operating lease payments as at 31 December 2017 and 2018 represent rents payable by the Group for certain of its office and factory properties. These leases have varying terms, escalation clauses and renewal options.

32.2 Land use right

Pursuant to a land use right agreement dated 15 June 2002, a subsidiary of the Company is committed to pay to the local authority in China the land management fee of approximately \$26,500 (equivalent to RMB 130,000) per annum with an increment rate of 10% every five years until 30 September 2052.

The subsidiary is committed to an additional land management fee of \$11,000 (equivalent to RMB 54,000) per annum with an increment rate of 10% every five years until 2057, in accordance to an additional land use right agreement dated 6 April 2007.

As at 31 December 2019, the Group's production facilities in China are located on plots of land of which land use right certificates and property ownership certificates have not been obtained. Management has continued to follow up with the relevant local authorities and is of the opinion that nothing has come to the attention of the management that the Group is not able to obtain the land use right certificates and property ownership certificates.

33. Segment reporting

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 3.21).

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

33. Segment reporting (Continued)

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

The manufacturing segment manufactures electronic products to its customer including related corporations.

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

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

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

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

Income taxes are managed on a Group basis.

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

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

33. Segment reporting (Continued)

	Hong Kong	China	Malaysia	Singapore	Unallocated	Eliminations	Total
	Distribution and trading	Manufacturing	Manufacturing	Distribution and trading	\$'000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017							
Revenue							
Revenue from external customers	320,188	16,174	510	40,282	-	-	377,154
Inter-segment revenues	496,774	410,788	-	-	-	(907,562)	-
Total revenue	816,962	426,962	510	40,282	-	(907,562)	377,154
Results							
Segment results	2,117	10,261	(25)	(493)	-	1,623	13,483
Finance costs	(1,019)	(260)	-	(12)	-	-	(1,291)
Profit before income tax	1,098	10,001	(25)	(505)	-	1,623	12,192
Income tax							(1,134)
Profit for the financial year							11,058

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

33. Segment reporting (Continued)

	Hong Kong	China	Malaysia	Singapore	
	Distribution and trading	Manufacturing	Manufacturing	Distribution and trading	
	\$'000	\$'000	\$'000	\$'000	Total \$'000
2017					
Significant non-cash items					
Amortisation and depreciation expenses	565	3,978	2	1,667	6,212
Other items of income and expense					
Interest income	60	7	-	1	68
Segment assets	377,220	219,082	-	189,793	205,503
Current income tax receivable			-	(580,592)	122
Total assets					205,625
Included in the segment assets:					
Addition:					
Property, plant and equipment	9	12,094	-	34	12,137
Intangible assets	1,009	-	-	1,253	2,262
Segment liabilities	370,033	154,964	-	80,191	168,066
Current income tax payable				(437,122)	338
Deferred tax liabilities					268
Total liabilities					168,672

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

33. Segment reporting (Continued)

	Hong Kong	China	Singapore		
	Distribution and trading	Manufacturing	Distribution and trading	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Revenue					
Revenue from external customers	220,854	10,340	115,628	-	346,822
Inter-segment revenues	354,930	299,725	-	(654,655)	-
Total revenue	575,784	310,065	115,628	-	346,822
Results					
Segment results	7,740	4,099	29,366	-	23,477
Finance costs	(1,182)	(212)	(9)	-	(1,403)
Profit before income tax	6,558	3,887	29,357	-	22,074
Income tax					(2,064)
Profit for the financial year					20,010

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

33. Segment reporting (Continued)

	Hong Kong	China	Singapore		
	Distribution and trading	Manufacturing	Distribution and trading	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Significant non-cash items					
Amortisation and depreciation expenses	773	4,466	1,634	-	6,873
Other items of income and expense					
Interest income	64	5	1	-	70
Segment assets, representing total assets	172,042	129,886	181,496	-	197,924
Included in the segment assets:				(285,500)	
Addition:					
Property, plant and equipment	-	1,392	1	-	1,393
Intangible assets	936	-	1,486	-	2,422
Segment liabilities	157,970	64,534	55,505	-	139,455
Current income tax payable				(138,554)	2,093
Deferred tax liabilities					268
Total liabilities					141,816

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

33. Segment reporting (Continued)

	Hong Kong	China	Singapore		
	Distribution and trading	Manufacturing	Distribution and trading	Unallocated	Eliminations
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Revenue					
Revenue from external customers	189,055	7,437	232,333	-	-
Inter-segment revenues	366,919	351,251	46	-	(718,216)
Total revenue	555,974	358,688	232,379	-	(718,216)
Results					
Segment results	42,741	3,593	50,169	(545)	(40,258)
Finance costs	(634)	(214)	(53)	(13)	-
Profit before income tax	42,107	3,379	50,116	(558)	(40,258)
Income tax					
Profit for the financial year					
					(7,614)
					47,172

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

33. Segment reporting (Continued)

	Hong Kong	China	Singapore		
	Distribution and trading	Manufacturing	Distribution and trading	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Significant non-cash items					
Amortisation and depreciation expenses	1,626	4,270	2,493	213	8,602
Other items of income and expense					
Interest income	29	7	5	2	43
Segment assets, representing total assets	181,792	127,643	191,740	5,306	(345,770) 160,711
Included in the segment assets:					
Addition:					
Property, plant and equipment	555	3,943	997	3,230	8,725
Intangible assets	-	-	1,435	-	1,435
Segment liabilities	152,014	60,376	109,012	5,040	(197,072) 129,370
Current income tax payable					8,374
Deferred tax liabilities					268
Total liabilities					138,012

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

33. Segment reporting (Continued)

Geographical and product information

The breakdown of the Group's revenue by geographical and by products are disclosed in Note 23 to the financial statements. Revenue of approximately \$264,107,000, \$254,848,000 and \$332,204,000 are derived from two single external customers. These revenues are attributable to Singapore's and Hong Kong's distribution and trading segment.

Location of non-current assets

	Hong Kong	China	Singapore	Malaysia	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
2017					
Non-current assets	1,811	21,087	2,579	-	25,477
2018					
Non-current assets	2,020	17,596	2,432	-	22,048
2019					
Non-current assets	1,355	16,361	4,045	3,017	24,778

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

34. Financial instruments, financial risks and capital risks management

34.1 Categories of financial instruments

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

	2017	2018	2019
	\$'000	\$'000	\$'000
Financial assets			
Trade receivables	99,761	72,966	96,728
Other receivables	14,974	46,938	5,429
Cash and cash equivalents	15,320	11,256	14,281
	130,055	131,160	116,438
Less: Value added tax receivables	(4,257)	(5,624)	(4,275)
Deposits for land use right	(1,105)	(1,012)	(681)
Amortised cost (2017: Loans and receivables)	124,693	124,524	111,482
Financial asset at fair value through profit or loss (2017: Available-for-sale financial assets)	3	-	-

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

34.1 Categories of financial instruments (Continued)

	2017	2018	2019
	\$'000	\$'000	\$'000
Financial liabilities			
Trade payables	102,514	96,403	87,199
Other payables	10,289	27,457	25,739
Borrowings	50,532	12,276	10,401
Lease liabilities	4,731	3,319	5,183
Provision for retirement benefit	-	-	848
	168,066	139,455	129,370
Less: Customer deposits	(1,895)	(3,573)	(4,964)
Amortised cost	166,171	135,882	124,406

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

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statements of financial position	Net amounts of financial assets presented in the consolidated statements of financial position
	\$'000	\$'000	\$'000
2017			
Financial assets			
Other receivables	63,861	(54,825)	9,036
2018			
Financial assets			
Other receivables	103,794	(63,774)	40,020
2019			
Financial assets			
Other receivables	84,862	(84,862)	-

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

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

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statements of financial position	Net amounts of financial liabilities presented in the consolidated statements of financial position
	\$'000	\$'000	\$'000
2017			
Financial liabilities			
Other payables	57,045	(54,825)	2,220
2018			
Financial liabilities			
Trade payables	28,585	(28,585)	-
Other payables	37,863	(35,189)	2,674
2019			
Financial liabilities			
Other payables	86,913	(84,862)	2,051

34.3 *Financial risk management policies and objectives*

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

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

(i) Foreign exchange risk management

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

The Group manages foreign currency risk by matching assets and liabilities in the same currency denomination and supplemented with appropriate financial instruments where necessary. The Group manages its transactional exposure by matching, as far as possible, receipts and payments to mitigate the financial impact associated with foreign currency fluctuation relating to certain forecasted transactions.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

34.3 Financial risk management policies and objectives (Continued)

(i) Foreign exchange risk management (Continued)

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

	Liabilities			Assets		
	2017	2018	2019	2017	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore dollar	16,387	-	-	-	-	-
Renminbi	61,521	7,076	1,688	46,572	39,723	15,974
Peso	-	-	-	13	5	2
Hong Kong dollar	-	-	17	337	-	-
United States dollar	133,073	46,560	61,600	87,388	38,030	89,190

Foreign currency sensitivity

The following analyses detail the sensitivity to a 5% increase/decrease in the respective foreign currencies against the respective functional currencies of the entities in the Group for the reporting periods ended 31 December 2017, 2018 and 2019. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

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

	2017	2018	2019
	\$'000	\$'000	\$'000
Singapore dollar	(819)	-	-
Renminbi	(747)	1,632	714
United States dollar	(2,284)	(427)	1,379

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

34.3 *Financial risk management policies and objectives* (Continued)

(ii) Interest rate risk management

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

Interest rate sensitivity

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

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

If interest rates had been 50 basis points higher or lower with all other variables held constant, the Group's profit for the reporting periods ended 31 December 2017, 2018 and 2019 would decrease or increase by \$253,000, \$61,000 and \$52,000 respectively.

(iii) Credit risk management

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

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

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

Trade receivables

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

34.3 *Financial risk management policies and objectives* (Continued)

(iii) Credit risk management (Continued)

Trade receivables (Continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except for outstanding trade receivables from 5 major customers which represent 96%, 95% and 98% of total trade receivables balance as at 31 December 2017, 2018 and 2019 respectively.

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

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

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

Prior to 1 January 2018, the impairment of trade receivables was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

Further disclosures regarding trade receivables, which are past due but not impaired, are provided in Note 7 to the consolidated financial statements.

Other receivables

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

For other receivables, the management adopts a policy of dealing with high credit quality counterparties. The management monitors and assess at each reporting date on any indicator of significant increase in credit risk on these other receivables. As at 31 December 2018 and 2019, there is no indication that credit risk on these receivables have increased significantly hence, these receivables are measured at 12-month expected credit loss model and subject to immaterial credit loss.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

34.3 *Financial risk management policies and objectives* (Continued)

(iii) Credit risk management (Continued)

Other receivables (Continued)

Prior to 1 January 2018, the impairment of other receivables was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

Cash and cash equivalents

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

(iv) Liquidity risk management

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

34.3 Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analysis

Financial liabilities at amortised cost

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

	Weighted average effective interest rate per annum	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
2017						
Non-interest bearing Lease liabilities	-	110,908	-	-	-	110,908
(fixed rate)	2.5 - 3.7	1,960	3,077	-	(306)	4,731
Bank loans (variable rate)	3.15	50,819	-	-	(287)	50,532
		163,687	3,077	-	(593)	166,171
2018						
Non-interest bearing Lease liabilities	-	120,287	-	-	-	120,287
(fixed rate)	2.5 - 3.7	1,908	1,571	-	(160)	3,319
Bank loans (variable rate)	3.8	12,305	-	-	(29)	12,276
		134,500	1,571	-	(189)	135,882
Corporate guarantee		7,418	-	-	-	7,418
2019						
Non-interest bearing Lease liabilities	-	108,568	-	254	-	108,822
(fixed rate)	1.3 - 6.2	3,127	2,330	-	(274)	5,183
Bank loans (variable rate)	3.6	10,576	-	-	(175)	10,401
		122,271	2,330	254	(449)	124,406

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

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

34.3 *Financial risk management policies and objectives* (Continued)

(v) Fair value of financial assets and financial liabilities

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

34.4 *Capital risk management policies and objectives*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. The Group's overall strategy remains unchanged during the financial years ended 31 December 2017, 2018 and 2019.

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

Management monitors capital based on the Group's current ratio and net gearing ratio. As at 31 December 2017, 2018 and 2019, the Group's current ratio were 1.10, 1.25 and 1.00 respectively and net gearing ratio were 1.08, 0.08 and 0.06 respectively.

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

The net gearing ratio is calculated as net borrowings divided by shareholders' funds. Net borrowings are calculated as total borrowings (Note 13) and lease liabilities (Note 14) less cash and bank balances (Note 6).

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

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

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

35. Events after the reporting periods

Impact from Coronavirus Disease 2019 ("Covid-19")

Subsequent to the financial year ended 31 December 2019, the World Health Organisation announced the Covid-19 as a global health emergency. To contain the spread of Covid-19, many countries instituted lockdowns. The Government of Singapore implemented Covid-19 Circuit Breaker and Extended Circuit Breaker measures during the months of April and May 2020 and continue to implement safe management at workplaces from 2 June 2020 onwards. The Central Government of China extended the Lunar New Year public holiday nationwide and instituted lockdowns and the Government of Malaysia implemented a movement control order which resulted in interruptions in the Group's manufacturing Operations. As at the date of this report, most countries have eased restrictions and the Group's factories and offices have resumed operations.

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

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

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

Save for the lower revenue arising from the above impacts, the effect from the significant events relate to the effects of the global pandemic on the Group's consolidated financial statements for the nine months ended 30 September 2020 are summarised as follows:

(a) Rent concessions received from lessors

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

The Group has not elected to apply the practical expedient introduced by the amendments to SFRS(I) 16 in relation to the rent concessions.

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

35. Events after the reporting periods (Continued)

Impact from Coronavirus Disease 2019 ("Covid-19") (Continued)

(b) Government grants.

The Group received various government support programs introduced in response to the global pandemic. During the financial period from 1 January 2020 to 30 September 2020, the Group recognised \$648,000 of government grants obtained relating to supporting the payroll of the Group's employees. The Group has elected to present these government grants by reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

Share capital

As at the date of these consolidated financial statements, the authorised share capital was \$15,468,000 comprising 15,468,000 Shares and the issued and paid-up share capital was \$15,468,000 comprising 618,720,000 Shares (after adjusting for the Share Split).

Pursuant to written resolutions dated 18 February 2021, the Shareholders at that time approved, among others, the following:

- (a) the adoption by the Company of a new constitution;
- (b) the sub-division of each ordinary share in the capital of the Company into 40 Shares (the "Share Split");
- (c) The allotment and issue of up to 155,000,000 new Shares ("New Cornerstone Shares") to the investors who will be entering into cornerstone subscription agreements with the Company. The New Cornerstone Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing Shares;
- (d) the adoption of the Aztech Employee Share Option Scheme (details of which are set out in the section entitled "Appendix E – Rules of the Aztech Employee Share Option Scheme" to this Prospectus) and the authorisation of the Directors to allot and issue Shares upon the exercise of the share options granted under the Employee Share Option Scheme;
- (e) the adoption of the Aztech Performance Share Plan (details of which are set out in the section entitled "Appendix F – Rules of the Aztech Performance Share Plan" to this Prospectus) and the authorisation of the Directors to allot and issue Shares upon the vesting of share awards granted under the Aztech Employee Share Option Scheme;
- (f) the authorisation to the Directors to:
 - i. (A) allot and issue Shares whether by way of rights, bonus or otherwise; and/or
 - (B) make or grant offers, agreements or options (each an "Instrument" and collectively, "Instruments") that might or would require Shares to be issued, issue additional Instruments arising from any adjustment made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues; and/or

**APPENDIX A – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2017, 2018 AND 2019**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

35. Events after the reporting periods (Continued)

Share capital (Continued)

Pursuant to written resolutions dated 18 February 2021, the Shareholders at that time approved, among others, the following (Continued):

(f) the authorisation to the Directors to (Continued):

(C) notwithstanding that such authority may have ceased to be in force at the time that Instruments are to be issued, issue additional Instruments arising from any adjustment made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

ii. allot and issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

provided that:

- (1) the aggregate number of Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to this authority but excluding Shares which may be issued pursuant to any adjustments ("Adjustments") effected under any relevant Instrument, which Adjustment shall be made in compliance with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST)) and the constitution for the time being of the Company, does not exceed 50.0% of the post-Invitation issued share capital excluding treasury shares, and provided further that the aggregate number of Shares to be issued other than on a pro-rata basis to the Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority but excluding Shares which may be issued pursuant to any Adjustments effected under any relevant Instrument) shall not exceed 20.0% of the post-Invitation issued share capital excluding treasury shares;
- (2) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the constitution for the time being of the Company; and
- (3) unless revoked or varied by the Company in general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

**APPENDIX B – INDEPENDENT AUDITORS’ REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

STATEMENT BY DIRECTORS

We, Michael Mun Hong Yew and Jeremy Mun Weng Hung, being two of the directors of Aztech Global Ltd. (the “Company”), do hereby state that, in the opinion of the Board of Directors,

- the accompanying consolidated financial statements together with notes thereon as set out on pages B-5 to B-51 are drawn up in accordance with the Singapore Financial Reporting Standards (International) so as to give a true and fair view of the consolidated financial position of the Company and its subsidiaries (the “Group”) as at 30 September 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial period from 1 January 2020 to 30 September 2020; 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.

On behalf of the Board of Directors

Michael Mun Hong Yew
Director

Jeremy Mun Weng Hung
Director

Singapore
4 March 2021

**APPENDIX B – INDEPENDENT AUDITORS’ REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**INDEPENDENT AUDITORS’ REPORT ON THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

4 March 2021

The Board of Directors
Aztech Global Ltd.
31 Ubi Road 1
#01-05
Singapore 408694

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Aztech Global Ltd. (the “Company”) and its subsidiaries (collectively the “Group”), which comprise the consolidated statement of financial position of the Group as at 30 September 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial period from 1 January 2020 to 30 September 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages B-5 to B-51.

In our opinion, the accompanying consolidated financial statements of the Group are properly drawn up in accordance with the 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 as at 30 September 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial period from 1 January 2020 to 30 September 2020.

Basis for Opinion

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

Responsibilities of the Management and Directors for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 consolidated 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.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

Report on the audit of the consolidated financial statements (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

Report on the audit of the consolidated financial statements (Continued)

Restriction on Distribution and Use

This report is made solely to you as a body for the inclusion in the Prospectus issued in relation to the proposed initial public offering of the shares of the Company in connection with the Company's listing on the Singapore Exchange Securities Trading Limited.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore

Leong Hon Mun Peter
Partner-in-charge

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

	Note	31 December 2019 (Audited) \$'000	30 September 2020 (Audited) \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	14,281	21,936
Trade receivables	7	96,728	109,216
Other receivables	8	5,429	4,343
Prepayments		442	2,785
Inventories	9	19,053	64,110
Total current assets		135,933	202,390
Non-current assets			
Property, plant and equipment	10	22,161	22,474
Intangible assets	11	2,617	1,391
Total non-current assets		24,778	23,865
Total assets		160,711	226,255

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

	<u>Note</u>	<u>31 December 2019</u> (Audited) \$'000	<u>30 September 2020</u> (Audited) \$'000
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	10,401	19,197
Lease liabilities	13	2,963	2,075
Trade payables	14	87,199	123,850
Other payables	15	25,739	39,599
Provision for retirement benefit	16	594	594
Current income tax payable		8,374	11,468
Total current liabilities		135,270	196,783
Non-current liabilities			
Borrowings	12	-	4,000
Lease liabilities	13	2,220	1,031
Provision for retirement benefit	16	254	254
Deferred tax liabilities	17	268	327
Total non-current liabilities		2,742	5,612
Capital and reserves			
Share capital	18	15,468	15,468
Capital reserve	19	(4,670)	(4,670)
Foreign currency translation reserve	20	(6,963)	(5,387)
Statutory reserve	21	1,254	1,254
Retained profits		17,610	17,195
Total equity		22,699	23,860
Total liabilities and equity		160,711	226,255

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 to 30 SEPTEMBER 2020**

	Note	1 January 2019 to 30 September 2019 (Unaudited) \$'000	1 January 2020 to 30 September 2020 (Audited) \$'000
Revenue	22	326,200	262,221
Other income	23	503	487
Changes in inventories of finished goods and work in progress, and raw materials used		(235,299)	(183,431)
Employee benefits expense	24	(32,576)	(24,446)
Amortisation and depreciation expenses		(6,310)	(6,416)
Other operating expenses		(12,360)	(10,526)
Loss allowance of trade receivables		(520)	(55)
Investment revenue		36	635
Other gains and losses	25	1,835	(928)
Finance costs	26	(726)	(918)
Profit before income tax		40,783	36,623
Income tax expense	27	(5,495)	(6,102)
Profit for the reporting period	28	35,288	30,521
Other comprehensive income: <i>Items that may be reclassified subsequently into profit or loss</i>			
Exchange differences on translation of foreign operations		(1,317)	1,576
Other comprehensive income for the reporting period, net of tax		(1,317)	1,576
Total comprehensive income for the reporting period		33,971	32,097
Profit attributable to owners of the parent		35,288	30,521
Total comprehensive income attributable to owners of the parent		33,971	32,097
Earnings per share			
Basic and diluted (cents)	29	5.70	4.93

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

	<u>Share capital</u> \$'000	<u>Capital reserve</u> \$'000	<u>Foreign currency translation reserve</u> \$'000	<u>Statutory reserve</u> \$'000	<u>(Accumulated losses)/ Retained profits</u> \$'000	<u>Total equity</u> \$'000
(Unaudited)						
Balance as at 1 January 2019	68,468	(4,670)	(5,678)	1,254	(3,266)	56,108
<i>Total comprehensive income for the reporting period</i>						
Profit for the reporting period	-	-	-	-	35,288	35,288
Other comprehensive income for the reporting period	-	-	(1,317)	-	-	(1,317)
Total	-	-	(1,317)	-	35,288	33,971
<i>Transactions with owners, recognised directly in equity</i>						
Reduction of share capital (Note 18)	(53,000)	-	-	-	-	(53,000)
Dividend (Note 30)	-	-	-	-	(26,296)	(26,296)
Total	(53,000)	-	-	-	(26,296)	(79,296)
Balance as at 30 September 2019	15,468	(4,670)	(6,995)	1,254	5,726	10,783

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

	<u>Share capital</u>	<u>Capital reserve</u>	<u>Foreign currency translation reserve</u>	<u>Statutory reserve</u>	<u>Retained profits</u>	<u>Total equity</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(Audited)						
Balance as at 1 January 2020	15,468	(4,670)	(6,963)	1,254	17,610	22,699
<i>Total comprehensive income for the reporting period</i>						
Profit for the reporting period	-	-	-	-	30,521	30,521
Other comprehensive income for the reporting period	-	-	1,576	-	-	1,576
Total	-	-	1,576	-	30,521	32,097
<i>Transactions with owners, recognised directly in equity</i>						
Dividend (Note 30)	-	-	-	-	(30,936)	(30,936)
Balance as at 30 September 2020	15,468	(4,670)	(5,387)	1,254	17,195	23,860

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
Operating activities		
Profit before income tax	40,783	36,623
Adjustments for:		
Amortisation of intangible assets	2,051	1,486
Depreciation of property, plant and equipment	4,259	4,930
Gain on disposal of plant and equipment	(274)	-
Interest expense	726	918
Interest income	(36)	(583)
Loss allowance for trade receivables	520	55
Net unrealised foreign exchange loss	946	1,205
Plant and equipment written off	-	183
Write-down for inventories obsolescence	2,322	-
Operating cash flows before movements in working capital	51,297	44,817
Trade receivables	(65,606)	(12,580)
Other receivables	14,922	1,086
Prepayments	(1,630)	(2,343)
Inventories	14,979	(45,057)
Trade payables	779	36,613
Other payables	13,362	13,860
Cash from operations	28,103	36,396
Income tax paid	(786)	(2,949)
Interest paid	(726)	(918)
Net cash from operating activities	26,591	32,529
Investing activities		
Proceeds on disposal of plant and equipment	333	-
Purchase of plant and equipment	(1,887)	(4,732)
Addition of intangible assets	(1,221)	(248)
Interest received	36	583
Net cash used in investing activities	(2,739)	(4,397)

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
Financing activities		
Dividends	(26,296)	(30,936)
Repayment of obligations under lease liabilities (Note A)	(2,314)	(2,265)
Proceeds from bank borrowings (Note A)	59,793	66,034
Repayment of bank borrowings (Note A)	(52,192)	(53,502)
Net cash used in financing activities	(21,009)	(20,669)
Net change in cash and cash equivalents	2,843	7,463
Effects of exchange rate changes on the balance of cash held in foreign currencies	223	192
Cash and cash equivalents at beginning of the reporting period	11,256	14,281
Cash and cash equivalents at end of the reporting period	14,322	21,936

Note A Reconciliation of liabilities arising from financing activities

			Non cash changes		
	1 January 2019	Cash flows	Additions of property, plant and equipment under leases	Foreign exchange differences	30 September 2019
(Unaudited)	\$'000	\$'000	\$'000	\$'000	\$'000
Bank borrowings	12,276	7,601	-	193	20,070
Lease liabilities	6,205	(2,314)	1,471	10	5,372

				Non cash changes		
	1 January 2020	Cash flows	Lease modification	Additions of property, plant and equipment under leases	Foreign exchange differences	30 September 2020
(Audited)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank borrowings	10,401	12,532	-	-	264	23,197
Lease liabilities	5,183	(2,265)	(334)	455	67	3,106

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

These consolidated financial statements have been prepared for inclusion in the Prospectus of Aztech Global Ltd. (the "Company") and its subsidiaries (the "Group") and were authorised for issue by the Directors of the Company on 4 March 2021.

1. General corporate information

1.1 Domicile and activities

The Company is a private limited company, incorporated and domiciled in Singapore with its principal place of business and registered office at 31, Ubi Road 1, #01-05, Singapore 408694. With effect from 13 February 2020, the name of the Company was changed from Aztech Electronics Pte. Ltd. to Aztech Global Pte. Ltd. In connection with its conversion into a public company limited by shares, the Company changed its name from Aztech Global Pte. Ltd. to Aztech Global Ltd. on 19 February 2021. The registration number of the Company is 200909384G.

The immediate and ultimate holding company are Aztech Group Ltd. and AVS Investments Pte. Ltd. respectively, both of which are incorporated in Singapore.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 1.2 of the consolidated financial statements.

1.2 Details of subsidiaries

As at date of this report, the Company has the following subsidiaries:

<u>Name of company</u>	<u>Principal place of business</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
			<u>31 December 2019</u>	<u>30 September 2020</u>
			%	%
Held by the Company				
Aztech Systems (Hong Kong) Limited	Hong Kong	Manufacture and sale of multicomunication products and computer peripherals	100	100
Aztech Technologies Pte. Ltd.	Singapore	Distribution and sale of multicomunication products and computer peripherals and design and manufacture of electrical and LED lights and lighting system installation	100	100
AZ E-Lite Pte. Ltd.	Singapore	Design and manufacture of electrical and LED lights and lighting system installation	100	100

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

1. General corporate information (Continued)

1.2 Details of subsidiaries (Continued)

<u>Name of company</u>	<u>Principal place of business</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
			<u>31 December 2019</u>	<u>30 September 2020</u>
			%	%
Held by the Company				
Aztech Innovation Pte. Ltd.	Singapore	Design, manufacture and wholesale of electrical and LED lights, fittings and parts	100	100
IOT Manufacturing Sdn. Bhd.	Malaysia	Manufacture and sale of multi-communication products, LED lights and plastic injection parts	100	100
Held by Aztech Systems (Hong Kong) Limited				
Aztech Communication Device (DG) Ltd	The People's Republic of China	Manufacture and sale of multi-communication products, LED lights and plastic injection parts	100	100
AZ E-Lite (HK) Limited	Hong Kong	Distribution and sale of electrical and LED lights and electronic and multicomunication products	100	100
Held by Aztech Communication Device (DG) Ltd				
Shenzhen Aztech Trading Company Ltd	The People's Republic of China	Research and development of multi-communication products and general trading	100	100
AZ E-Lite JJS Ltd	The People's Republic of China	Manufacture and sale of multi-communication products, LED lights and plastic injection parts	-	100

Incorporation of subsidiaries

IOT Manufacturing Sdn. Bhd. ("IOT")

On 12 February 2019, the Director transferred the ordinary share at RM1 (equivalent to approximately \$0.30) to the Company and IOT became a wholly-owned subsidiary of the Company.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

1. General corporate information (Continued)

1.2 Details of subsidiaries (Continued)

Incorporation of subsidiaries (Continued)

Aztech Innovation Pte. Ltd.

On 27 December 2019, the Company incorporated a wholly-owned subsidiary, Aztech Innovation Pte. Ltd., in Singapore with an issued and paid up share capital of \$1.

AZ E-Lite JJS Ltd

On 17 March 2020, the Group incorporated a wholly-owned subsidiary, AZ E-Lite JJS Ltd, in the People's Republic of China with a capital contribution of Renminbi ("RMB") 30,000 (equivalent to approximately \$6,000).

Liquidation of subsidiary

On 27 March 2020, the Group applied for voluntary liquidation of its wholly owned subsidiary, Shenzhen Aztech Trading Company Ltd.. As at 30 September 2020, the liquidation process is pending for completion for certain procedures.

2. Basis of preparation of consolidated financial statements

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

The financial statements of all companies within the Group for the financial period ended 30 September 2020 covered by the consolidated financial statements were audited by the following firms of Chartered Accountants:

<u>Name of company</u>	<u>Auditors</u>	<u>Financial period</u>
Aztech Global Ltd.	BDO LLP, Singapore	Financial period ended 30 September 2020
Aztech Technologies Pte. Ltd.	BDO LLP, Singapore	Financial period ended 30 September 2020
AZ E-Lite Pte. Ltd.	BDO LLP, Singapore	Financial period ended 30 September 2020
Aztech Innovation Pte. Ltd.	BDO LLP, Singapore	Financial period ended 30 September 2020
IOT Manufacturing Sdn. Bhd.	BDO PLT, Malaysia	Financial period ended 30 September 2020
Aztech Systems (Hong Kong) Limited	BDO Limited, Hong Kong	Financial period ended 30 September 2020
Aztech Communication Device (DG) Ltd	BDO Limited, Hong Kong	Financial period ended 30 September 2020

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

2. Basis of preparation of consolidated financial statements (Continued)

<u>Name of company</u>	<u>Auditors</u>	<u>Financial period</u>
AZ E-Lite (HK) Limited	BDO Limited, Hong Kong	Financial period ended 30 September 2020
Shenzhen Aztech Trading Company Ltd	BDO Limited, Hong Kong	Financial period ended 30 September 2020
AZ E-Lite JJS Ltd	BDO Limited, Hong Kong	Financial period ended 30 September 2020

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

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

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

3. Summary of significant accounting policies

The consolidated financial statements have been prepared on the historical cost convention except as disclosed in the accounting policies in the audited consolidated financial statements for the financial years ended 31 December 2017, 2018 and 2019, and are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The accounting policies and methods of computation used in the consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the financial years ended 31 December 2017, 2018 and 2019 except for the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are relevant to their operations effective from 1 January 2020 and additional accounting policies applied for the reporting period. The adoption of the new or revised SFRS(I) including related SFRS(I) Interpretations ("SFRS(I) INT") did not result in any substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the current reporting period. These accounting policies are set out in Note 3 to the audited consolidated financial statements for the financial years ended 31 December 2017, 2018 and 2019.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

3. Summary of significant accounting policies (Continued)

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that 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

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

Key sources of estimation uncertainty

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

Measurement of lease liabilities

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

The incremental borrowing rate applied to lease liabilities as at 31 December 2019 and 30 September 2020 was ranged from 3.5% to 6.2% per annum. The carrying amount of lease liabilities measured by applying incremental borrowing rate as at 31 December 2019 and 30 September 2020 was approximately \$3,225,000 and \$2,134,000 respectively. If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities as at 31 December 2019 and 30 September 2020 would have been lower or higher by \$21,000 and \$13,000 respectively.

Amortisation of intangible assets

The Group amortises the intangible assets, using the straight-line method, over their estimated useful life. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's intangible assets. The carrying amount of the Group's intangible assets as at 31 December 2019 and 30 September 2020 was approximately \$2,617,000 and \$1,391,000 respectively.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

Key sources of estimation uncertainty (Continued)

Loss allowance for impairment of trade receivables

Trade receivables

Management determines the expected loss arising from default for trade receivables, by categorising them based on their historical loss pattern, historical payment profile, adjusted with the geographical risk and credit risk profile of customer as appropriate to reflect current conditions and estimates of future economic conditions. As at 31 December 2019 and 30 September 2020, total loss allowance for trade receivables amounts to approximately \$1,021,000 and \$1,084,000 respectively.

Estimated write-down for inventories obsolescence

At the end of the reporting period, management carries out a review on a product-by-product and on an aging basis to make estimate for obsolete and slow-moving inventory items. The management estimates the net realisable value for such inventory items based primarily on the current market conditions. During the reporting period ended 31 December 2019, management has written down approximately \$2,130,000 of its inventories to net realisable value. There is no write-downs of inventories to net realisable value for the reporting period ended 30 September 2020. As at 31 December 2019 and 30 September 2020, the carrying amount of inventories is approximately \$19,053,000 and \$64,110,000 respectively.

Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment over their estimated useful lives, after taking into account their estimated residual value using the straight-line method. The estimated useful life reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the management's estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at 31 December 2019 and 30 September 2020, the carrying amount of property, plant and equipment is approximately \$22,161,000 and \$22,474,000 respectively.

5. Significant related party transactions

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

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

5. Significant related party transactions (Continued)

During the reporting periods, the Group entities entered into the following transactions with related parties:

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
Transaction with companies in which Directors have equity interests:		
Rendering of services	-	(319)
Receiving of services	632	746

Compensation of directors and key management personnel

The remuneration of Directors and other members of key management during the reporting periods ended 30 September 2019 and 30 September 2020 was as follows:

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
<i>Directors of the Company</i>		
Short-term benefits	1,017	1,039
Post-employment benefits	18	13
	1,035	1,052
<i>Other key management personnel</i>		
Short-term benefits	760	780
Post-employment benefits	51	46
	811	826

6. Cash and cash equivalents

	31 December 2019	30 September 2020
	(Audited) \$'000	(Audited) \$'000
Cash at banks available on demand	7,540	7,560
Short-term deposits	6,741	14,376
	14,281	21,936

In the reporting periods ended 31 December 2019 and 30 September 2020, short-term deposits bear interest ranging from 1% to 2.6% per annum with tenures of 1 month and interest of 0.4% per annum with tenures of 1 week respectively.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

6. Cash and cash equivalents (Continued)

As at 31 December 2019 and 30 September 2020, the Group's cash at banks amounting to approximately \$1,083,000 and \$400,000 respectively, is subject to the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

7. Trade receivables

	31 December 2019	30 September 2020
	(Audited) \$'000	(Audited) \$'000
Third parties	97,749	110,300
Less: Loss allowance	(1,021)	(1,084)
	<u>96,728</u>	<u>109,216</u>

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

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

As at 31 December 2019 and 30 September 2020, total loss allowance for trade receivables amounts to approximately \$1,021,000 and \$1,084,000 respectively. The Group does not hold any collateral over these balances.

Movements in the loss allowance for trade receivables:

	31 December 2019	30 September 2020
	(Audited) \$'000	(Audited) \$'000
Balance at beginning of reporting period	731	1,021
Allowance during the reporting period	500	55
Written off during the reporting period	(202)	(2)
Exchange difference	(8)	10
Balance at end of reporting period	<u>1,021</u>	<u>1,084</u>

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

7. Trade receivables (Continued)

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

	Current	1 - 30 days past due	31 - 60 days past due	More than 60 days past due	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2019					
(Audited)					
<i>Non-credit impaired</i>					
Expected loss rate (%)	0.9	2.6	2.8	3.2	
Gross carrying amount					
- Trade receivables	89,601	7,289	575	284	97,749
Less: Loss allowance	(809)	(187)	(16)	(9)	(1,021)
	88,792	7,102	559	275	96,728
 Total loss allowance	 809	 187	 16	 9	 1,021
 30 September 2020					
(Audited)					
<i>Non-credit impaired</i>					
Expected loss rate (%)	0.9	2.3	2.4	5.1	
Gross carrying amount					
- Trade receivables	106,204	3,635	371	90	110,300
Less: Loss allowance	(986)	(84)	(9)	(5)	(1,084)
	105,218	3,551	362	85	109,216
 Total loss allowance	 986	 84	 9	 5	 1,084

8. Other receivables

	31 December 2019	30 September 2020
	(Audited)	(Audited)
	\$'000	\$'000
Other receivables		
- Non-related parties	186	292
- Related companies	-	441
Value added tax receivable	4,275	2,659
Deposits	287	246
Deposits for land use right	681	705
	5,429	4,343

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

8. Other receivables (Continued)

Other receivables from related companies are unsecured, interest free and repayable on demand.

Deposits for land use right related to an amount paid for a land use right which the Group had not yet obtained the land use right certificate from the relevant China government authorities. On 29 December 2019, the Group had signed letter of intent with a third party for the disposal of the land use right. The negotiations in relation to the disposal is pending due to travelling restrictions.

9. Inventories

	31 December 2019	30 September 2020
	(Audited)	(Audited)
	\$'000	\$'000
Finished goods	3,270	3,294
Work-in-progress	3,328	15,479
Raw materials	12,455	45,337
	<u>19,053</u>	<u>64,110</u>

During the reporting periods ended 30 September 2019 and 30 September 2020, the cost of inventories recognised as expense and included in "changes in inventories of finished goods and work in progress, and raw materials used" amounted to approximately \$233,784,000 and \$180,197,000 respectively.

Write-downs of inventories to net realisable value amounting to approximately \$2,322,000 have been included in other operating expenses line item in profit or loss for the reporting period ended 30 September 2019. There is no write-downs of inventories to net realisable value for the reporting period ended 30 September 2020.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

10. Property, plant and equipment (Continued)

	Factory buildings	Computer and office equipment	Factory equipment	Factory furniture and fittings	Office furniture and fittings	Research and development equipment and tools	Software applications	Motor vehicles	Construction- in-progress*	Right-of-use assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 September 2020 (Audited)											
Cost											
Balance as at 1 January 2020	7,239	963	39,107	3,739	281	422	683	896	-	10,514	63,844
Additions	-	44	1,436	646	27	-	199	34	2,346	455	5,187
Written off	-	-	(14,747)	(544)	-	-	(81)	(41)	-	-	(15,413)
Lease modification	-	-	-	-	-	-	-	-	-	(513)	(513)
Exchange difference	256	2	1,061	145	1	-	15	19	-	224	1,723
Balance as at 30 September 2020	7,495	1,009	26,857	3,986	309	422	816	908	2,346	10,680	54,828
Accumulated depreciation											
Balance as at 1 January 2020	(4,119)	(848)	(28,774)	(2,847)	(252)	(422)	(582)	(441)	-	(3,398)	(41,683)
Charge for the reporting period	(215)	(22)	(2,217)	(316)	(15)	-	(130)	(97)	-	(1,918)	(4,930)
Written off	-	-	14,578	534	-	-	77	41	-	-	15,230
Lease modification	-	-	-	-	-	-	-	-	-	182	182
Exchange difference	(151)	(1)	(783)	(101)	-	-	(11)	(11)	-	(95)	(1,153)
Balance as at 30 September 2020	(4,485)	(871)	(17,196)	(2,730)	(267)	(422)	(646)	(508)	-	(5,229)	(32,354)
Carrying amount											
Balance as at 30 September 2020	3,010	138	9,661	1,256	42	-	170	400	2,346	5,451	22,474

* As at 30 September 2020, the Group's commitments in respect of the remaining capital expenditure contracted for construction-in-progress amounting to approximately \$891,000.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

10. Property, plant and equipment (Continued)

As at 31 December 2019 and 30 September 2020, the Group's application of the land use right certificates and property ownership certificates in respect of the factory buildings amounting to approximately \$3,120,000 and \$3,010,000 respectively is still pending from the relevant China government authorities.

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

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

10. Property, plant and equipment (Continued)

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

	Leasehold properties	Factory equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
30 September 2020 (Audited)				
Cost				
Balance as at 1 January 2020	4,419	4,788	1,307	10,514
Additions	455	-	-	455
Lease modification	(513)	-	-	(513)
Exchange difference	54	170	-	224
Balance as at 30 September 2020	4,415	4,958	1,307	10,680
Accumulated depreciation				
Balance as at 1 January 2020	(1,302)	(1,690)	(406)	(3,398)
Charge for the reporting period	(1,331)	(448)	(139)	(1,918)
Lease modification	182	-	-	182
Exchange difference	(22)	(73)	-	(95)
Balance as at 30 September 2020	(2,473)	(2,211)	(545)	(5,229)
Carrying amount				
Balance as at 30 September 2020	1,942	2,747	762	5,451

As at 31 December 2019 and 30 September 2020, lease liabilities are secured by property, plant and equipment of the Group with the carrying values of approximately \$3,999,000 and \$3,509,000 respectively.

There are no externally imposed covenant on these lease arrangements.

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

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
Additions of plant and equipment	3,358	5,187
Acquired under leases	(1,471)	(455)
Net cash payment made	1,887	4,732

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

11. Intangible assets

	Deferred development cost
	\$'000
31 December 2019 (Audited)	
Cost	
Balance as at 1 January 2019	33,994
Addition	1,435
Exchange differences	(40)
Balance as at 31 December 2019	<u>35,389</u>
Accumulated amortisation	
Balance as at 1 January 2019	29,871
Amortisation	2,930
Exchange differences	(29)
Balance as at 31 December 2019	<u>32,772</u>
Carrying amount	
Balance as at 31 December 2019	<u>2,617</u>
30 September 2020 (Audited)	
Cost	
Balance as at 1 January 2020	35,389
Addition	248
Written off	(133)
Exchange differences	44
Balance as at 30 September 2020	<u>35,548</u>
Accumulated amortisation	
Balance as at 1 January 2020	32,772
Amortisation	1,486
Written off	(133)
Exchange differences	32
Balance as at 30 September 2020	<u>34,157</u>
Carrying amount	
Balance as at 30 September 2020	<u>1,391</u>

The deferred development cost has finite useful lives, and is amortised on a straight line basis. The amortisation period for developments costs incurred is between one to three years. The average remaining amortisation period of the intangible assets is 2 years as at 31 December 2019 and 30 September 2020.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

12. Borrowings

	31 December 2019	30 September 2020
	(Audited)	(Audited)
	\$'000	\$'000
<u>Unsecured</u>		
Trade finance	7,508	18,197
Term loans	2,893	5,000
Total borrowings	<u>10,401</u>	<u>23,197</u>
The borrowings are repayable as follows:		
On demand or within one financial year	10,401	19,197
Within two to five financial year	-	4,000
	<u>10,401</u>	<u>23,197</u>

12.1 Trade finance

The Group has banking facilities relating to bills discounted with recourse, trade bills payable, revolving credits and export trade loans of approximately \$100,807,000 and \$99,132,000, of which approximately \$7,508,000 and \$18,197,000 have been utilised as at 31 December 2019 and 30 September 2020 respectively. These banking facilities are secured by a corporate guarantee from the immediate holding company. Excluding bank overdraft facilities, these banking facilities bear interest rates ranged from 3.1% to 3.2% and 1.8% to 5.5% per annum respectively for the reporting periods ended 31 December 2019 and 30 September 2020.

As at 31 December 2019 and 30 September 2020, the undrawn banking facilities of the Group amounts to approximately \$93,299,000 and \$80,935,000 respectively.

12.2 Term loan

In the reporting period ended 31 December 2019, term loans comprise:

- an amount totalling approximately \$964,000 was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in April 2020. The loan bears an average effective interest rate of approximately 5.7% per annum and is denominated in Renminbi (equivalent RMB 5,000,000). As at 31 December 2019, the outstanding balance of the loan was \$964,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment. The loan has been fully repaid as at 30 September 2020; and
- an amount totalling approximately \$1,929,000 was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in June 2020. The loan bears an average effective interest rate of approximately 4.4% per annum and is denominated in Renminbi (equivalent RMB 10,000,000). As at 31 December 2019, the outstanding balance of the loan was \$1,929,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment. The loan has been fully repaid as at 30 September 2020.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

12. Borrowings (Continued)

12.2 Term loan (Continued)

In the reporting period ended 30 September 2020, term loan comprises an amount totalling approximately \$5,000,000 was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in September 2024 by monthly instalment. The loan bears an average effective interest rate of approximately 3% per annum and is denominated in Singapore dollar. As at 30 September 2020, the outstanding balance of the loan was \$5,000,000.

13. Lease liabilities

	Leasehold properties	Factory equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2019 (Audited)				
Balance as at 1 January 2019	2,886	3,300	19	6,205
Additions	1,642	-	551	2,193
Interest expense	115	77	6	198
Lease payments				
- Principal portion	(1,265)	(1,802)	(66)	(3,133)
- Interest portion	(115)	(77)	(6)	(198)
Exchange difference	(38)	(44)	-	(82)
Balance as at 31 December 2019	3,225	1,454	504	5,183
30 September 2020 (Audited)				
Balance as at 1 January 2020	3,225	1,454	504	5,183
Additions	455	-	-	455
Interest expense	97	26	8	131
Lease payments				
- Principal portion	(1,247)	(945)	(73)	(2,265)
- Interest portion	(97)	(26)	(8)	(131)
Lease modification	(334)	-	-	(334)
Exchange difference	35	32	-	67
Balance as at 30 September 2020	2,134	541	431	3,106

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

13. Lease liabilities (Continued)

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

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2019 (Audited)	30 September 2020 (Audited)	31 December 2019 (Audited)	30 September 2020 (Audited)
	\$'000	\$'000	\$'000	\$'000
Amounts payable under leases:				
Within one financial year	3,127	2,159	2,963	2,075
In the second to fifth financial years inclusive	2,330	1,089	2,220	1,031
Less: Future finance charges	(274)	(142)	-	-
Present value of lease obligations	<u>5,183</u>	<u>3,106</u>	<u>5,183</u>	<u>3,106</u>
Less:				
Amount due for settlement within 12 months (shown under current liabilities)			(2,963)	(2,075)
Amount due for settlement after 12 months (shown under non-current liabilities)			<u>2,220</u>	<u>1,031</u>

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

The Group also leases certain items of factory equipment and motor vehicles with only fixed payments over the lease terms.

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

Total cash outflow for all the leases (including leases on low-value assets) in the reporting periods ended 30 September 2019 and 30 September 2020 was approximately \$2,464,000 and \$2,403,000 respectively.

The incremental borrowing rates applied were ranged from 3.5% to 6.2% per annum, and interest rate explicitly stated in the lease was ranged from 1.3% to 3.7% per annum for the reporting periods ended 31 December 2019 and 30 September 2020.

As at 31 December 2019 and 30 September 2020, the Group's lease obligations are secured by the leased assets, recorded within property, plant and equipment (Note 10), with net carrying values of approximately \$3,999,000 and \$3,509,000 respectively.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

14. Trade payables

	<u>31 December 2019</u>	<u>30 September 2020</u>
	(Audited)	(Audited)
	\$'000	\$'000
Third parties	87,199	123,850

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

The trade amounts are unsecured, interest free and repayable within the credit term of 60 to 120 days for the respective reporting periods.

15. Other payables

	<u>31 December 2019</u>	<u>30 September 2020</u>
	(Audited)	(Audited)
	\$'000	\$'000
Other payables		
- Non-related parties	886	956
- Immediate holding company	-	2,645
- Related companies	2,051	80
Accrued expenses	17,838	31,610
Customer deposits	4,964	4,308
	<u>25,739</u>	<u>39,599</u>

As at 31 December 2019 and 30 September 2020, included in accrued expenses are amounts of approximately \$8,718,000 and \$23,351,000 respectively relating to inventories received from vendors for which suppliers' invoices have not been received.

Movements in customer deposits:

	<u>31 December 2019</u>	<u>30 September 2020</u>
	(Audited)	(Audited)
	\$'000	\$'000
Balance as at beginning of the reporting period	3,573	4,964
Amount received in advance	4,964	4,308
Credited to profit or loss	(3,573)	(4,964)
Balance as at end of the reporting period	<u>4,964</u>	<u>4,308</u>

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

The amount of revenue that will be recognised in subsequent periods on these customer deposits when those remaining performance obligations will be satisfied amounted to approximately \$8,320,000 and \$5,361,000 for the reporting periods ended 31 December 2019 and 30 September 2020 respectively.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

16. Provision for retirement benefit

	31 December 2019	30 September 2020
	(Audited)	(Audited)
	\$'000	\$'000
Present value of retirement benefit obligation		
- Current	594	594
- Non-current	254	254
	848	848

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

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

The expense is recognised within "Employee benefits expense" in profit and loss.

17. Deferred tax liabilities

	31 December 2019	30 September 2020
	(Audited)	(Audited)
	\$'000	\$'000
Deferred tax liabilities	268	327

	Accelerated tax depreciation	Deferred expenditure	Total
	\$'000	\$'000	\$'000
Balance as at 1 January 2019 and 31 December 2019	58	210	268
Balance as at 1 January 2020	58	210	268
Charge to profit or loss	-	59	59
Balance as at 30 September 2020	58	269	327

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

No deferred tax asset has been recognised by the Group in respect of the tax losses amounting to approximately \$558,000 and \$4,720,000 respectively as at 31 December 2019 and 30 September 2020 due to the unpredictability of future profits stream of the relevant overseas subsidiaries.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

17. Deferred tax liabilities (Continued)

Subject to the conditions imposed by the relevant taxation laws, the Group's tax loss carry forwards amounting to approximately \$558,000 and \$4,720,000 respectively as at 31 December 2019 and 30 September 2020 are available for an unlimited future period.

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

18. Share capital

	31 December 2019	30 September 2020
	(Audited)	(Audited)
	Number of ordinary shares	
	'000	'000
Issued and paid up:		
Balance as at beginning of the reporting period	68,468	15,468
Less: Cancellation of shares arising from reduction of share capital	(53,000)	-
Balance as at end of the reporting period	15,468	15,468
	\$'000	\$'000
Issued and paid up:		
Balance as at beginning of the reporting period	68,468	15,468
Less: Reduction of share capital	(53,000)	-
Balance as at end of the reporting period	15,468	15,468

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

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

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

19. Capital reserve

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

20. Foreign currency translation reserve

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

21. Statutory reserve

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

22. Revenue

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
<i>Primary geographical markets</i>		
North America	189,140	156,478
China	12,175	6,967
Europe	97,907	86,220
Singapore	4,313	3,393
Others	22,665	9,163
	326,200	262,221
<i>Product types</i>		
IoT devices and Datacom products	215,298	216,496
LED products	110,631	45,004
Others ⁽¹⁾	271	721
	326,200	262,221
<i>Timing of transfer of goods</i>		
Point in time	326,200	262,221

⁽¹⁾ Others refer to other electrical products.

23. Other income

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
Scrap sales	75	18
Government grants	390	382
Others	38	87
	503	487

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

24. Employee benefits expense

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
<i>Employee benefits expense (including Directors' remuneration):</i>		
Staff costs	30,703	22,714
Defined contributions plans	450	493
Other employee benefits	1,423	1,239
	<u>32,576</u>	<u>24,446</u>

Included in the employee benefits expense were Directors' remuneration as shown in Note 5 to the consolidated financial statements.

25. Other gains and losses

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
Gain on disposal of plant and equipment	274	-
Net realised foreign exchange gain	2,507	277
Net unrealised foreign exchange loss	(946)	(1,205)
	<u>1,835</u>	<u>(928)</u>

26. Finance costs

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
Interest expense for:		
Trade financing	525	330
Lease liabilities	144	131
Revolving loans and term loans	57	457
	<u>726</u>	<u>918</u>

27. Income tax expense

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
Current income tax		
- current reporting period	6,205	6,822
- over provision in prior reporting periods	(710)	(779)
Deferred tax		
- current reporting period	-	59
	<u>5,495</u>	<u>6,102</u>

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

27. Income tax expense (Continued)

The income tax expense varied from the amount of income tax expense determined by applying the applicable income tax rate of 17% of the estimated assessable profit for the respective reporting periods. The total charge for the reporting periods can be reconciled to the accounting profit as follows:

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
Profit before income tax	40,783	36,623
Income tax calculated using applicable tax rate of 17%	6,933	6,226
Effects of different tax rates of overseas subsidiaries	205	(463)
Effects of tax concession	(1,180)	-
Non-taxable items	(4)	(128)
Non-allowable items	552	485
Tax rebate	(29)	(47)
Deferred tax benefit arising in current year not recognised	33	1,022
Utilisation of deferred tax benefits previously not recognised	(529)	-
Over provision in prior reporting periods	(710)	(779)
Others	224	(214)
Total income tax expense	5,495	6,102

28. Profit for the reporting period

Profit for the reporting period has been arrived at after charging/(crediting):

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited) \$'000	(Audited) \$'000
<i>Amortisation and depreciation expenses</i>		
Amortisation of intangible assets	2,051	1,486
Depreciation of property, plant and equipment	4,259	4,930
<i>Investment revenue</i>		
Lease income	-	(52)
Interest income	(36)	(583)
<i>Other operating expenses</i>		
Distribution costs	269	393
Lease expenses on low value assets	6	7
Other factory costs	5,703	6,851
Plant and equipment written off	-	183
Utilities costs	1,775	1,454
Write-down for inventories obsolescence	2,322	-

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

29. Earnings per share

The calculation for earnings per share is based on:

	1 January 2019 to 30 September 2019	1 January 2020 to 30 September 2020
	(Unaudited)	(Audited)
Profit attributable to owners of the parent (\$'000)	35,288	30,521
Number of ordinary shares ('000)	618,720	618,720
Earnings per share (in cents) - Basic and diluted	5.70	4.93

The calculations of basic earnings per share for the relevant periods are based on profit attributable to owners of the parent for each of the reporting periods, divided by the number of ordinary shares after adjusting for the share split.

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

30. Dividends

On 1 September 2019, the Company declared an interim dividend at \$1.70 per ordinary share of the Company totalling \$26,295,600 in respect of reporting period ended 31 December 2019 and was fully paid on 30 September 2019.

On 15 July 2020, the Company declared an interim dividend at \$2.00 per ordinary share of the Company totalling \$30,936,000 in respect of reporting period ending 31 December 2020 and was fully paid on 30 September 2020.

On 18 November 2020, the Company declared an interim dividend at \$0.65 per ordinary share of the Company totalling \$10,054,200 in respect of reporting period ending 31 December 2020 and was fully paid on 23 November 2020.

31. Commitments

Land use right

Pursuant to a land use right agreement dated 15 June 2002, a subsidiary of the Company is committed to pay to the local authority in China the land management fee of approximately \$26,500 (equivalent to RMB 130,000) per annum with an increment rate of 10% every five years until 30 September 2052.

The subsidiary is committed to an additional land management fee of \$11,000 (equivalent to RMB 54,000) per annum with an increment rate of 10% every five years until 2057, in accordance to an additional land use right agreement dated 6 April 2007.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

31. Commitments (Continued)

Land use right (Continued)

As at 30 September 2020, the Group's production facilities in China are located on plots of land of which land use right certificates and property ownership certificates have not been obtained. Management has continued to follow up with the relevant local authorities and is of the opinion that nothing has come to the attention of the management that the Group is not able to obtain the land use right certificates and property ownership certificates.

32. Segment reporting

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

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

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

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

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

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

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

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

Income taxes are managed on a Group basis.

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

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

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

32. Segment reporting (Continued)

**1 January 2019 to 30 September 2019
(Unaudited)**

Revenue

Revenue from external customers

Inter-segment revenue

Total revenue

	Hong Kong Distribution and trading \$'000	China Manufacturing \$'000	Singapore Distribution and trading \$'000	Unallocated \$'000	Eliminations \$'000	Total \$'000
Revenue from external customers	154,717	5,369	166,114	-	-	326,200
Inter-segment revenue	269,695	267,700	43	-	(537,438)	-
Total revenue	424,412	273,069	166,157	-	(537,438)	326,200

Results

Segment results

Finance costs

Profit before income tax

Income tax expense

Profit for the reporting period

Segment results	22,242	4,181	15,351	(133)	(132)	41,509
Finance costs	(536)	(145)	(39)	(6)	-	(726)
Profit before income tax	21,706	4,036	15,312	(139)	(132)	40,783
Income tax expense						(5,495)
Profit for the reporting period						35,288

Significant non-cash items

Amortisation and depreciation expenses

Amortisation and depreciation expenses	1,102	3,320	1,825	63	-	6,310
--	-------	-------	-------	----	---	-------

Other items of income and expense

Interest income

Interest income	27	6	1	2	-	36
-----------------	----	---	---	---	---	----

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

32. Segment reporting (Continued)

	Hong Kong	China	Singapore	Malaysia		
	Distribution and trading	Manufacturing	Distribution and trading	Manufacturing	Unallocated	Eliminations
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 January 2020 to 30 September 2020 (Audited)						
Revenue						
Revenue from external customers	97,880	3,535	160,806	-	-	-
Inter-segment revenue	272,077	211,397	19,608	3,110	-	(506,192)
Total revenue	369,957	214,932	180,414	3,110	-	(506,192)
Results						
Segment results	31,772	1,005	17,420	(1,383)	26,164	(37,437)
Finance costs	(205)	(529)	(164)	(19)	(7)	6
Profit before income tax	31,567	476	17,256	(1,402)	26,157	(37,431)
Income tax expense						
Profit for the reporting period						
Significant non-cash items						
Amortisation and depreciation expenses	743	3,298	1,747	584	341	(297)
Other items of income and expense						
Interest income	6	358	1	-	218	-

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

32. Segment reporting (Continued)

	Hong Kong	China	Singapore	Malaysia		
	Distribution and trading	Manufacturing	Distribution and trading	Manufacturing	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment assets						
31 December 2019	181,792	127,643	108,703	5,306	83,037	160,711
Included in the segment assets:						
Addition:						
Property, plant and equipment	557	3,942	997	3,229	-	8,725
Intangible assets	-	-	1,435	-	-	1,435
30 September 2020	190,221	130,343	189,025	9,909	117,595	226,255
Included in the segment assets:						
Addition:						
Property, plant and equipment	5	2,018	65	2,644	455	5,187
Intangible assets	-	-	248	-	-	248
Total segment liabilities*						
31 December 2019	152,014	60,376	70,837	5,040	38,175	129,370
30 September 2020	159,147	62,736	144,709	11,066	74,436	190,600

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

32. Segment reporting (Continued)

Geographical and product information

The breakdown of the Group's revenue by geographical and by products are disclosed in Note 22 to the consolidated financial statements. Revenue of approximately \$249,724,000 and \$185,534,000 are derived from two single external customers for reporting periods ended 30 September 2019 and 30 September 2020 respectively. These revenues are attributable to Singapore's and Hong Kong's distribution and trading segment.

Location of non-current assets

	<u>Hong Kong</u>	<u>China</u>	<u>Singapore</u>	<u>Malaysia</u>	<u>Consolidated</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
31 December 2019					
(Audited)					
Non-current assets	1,355	16,361	4,045	3,017	24,778
30 September 2020					
(Audited)					
Non-current assets	515	17,290	2,829	3,231	23,865

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

33. Financial instruments, financial risks and capital risks management

33.1 Categories of financial instruments

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

	<u>31 December 2019</u>	<u>30 September 2020</u>
	<u>(Audited)</u>	<u>(Audited)</u>
	<u>\$'000</u>	<u>\$'000</u>
Financial assets		
Trade receivables	96,728	109,216
Other receivables	5,429	4,343
Cash and cash equivalents	14,281	21,936
	116,438	135,495
Less: Value added tax receivables	(4,275)	(2,659)
Deposits for land use right	(681)	(705)
Amortised cost	111,482	132,131

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

33.1 Categories of financial instruments (Continued)

	31 December 2019	30 September 2020
	(Audited) \$'000	(Audited) \$'000
Financial liabilities		
Trade payables	87,199	123,850
Other payables	25,739	39,599
Borrowings	10,401	23,197
Lease liabilities	5,183	3,106
Provision for retirement benefit	848	848
	129,370	190,600
Less: Customer deposits	(4,964)	(4,308)
Amortised cost	124,406	186,292

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

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position
	\$'000	\$'000	\$'000
31 December 2019 (Audited)			
Financial assets			
Other receivables			
- related companies	84,862	(84,862)	-
30 September 2020 (Audited)			
Financial assets			
Other receivables			
- related companies	86,331	(85,890)	441

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

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

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position
	\$'000	\$'000	\$'000
31 December 2019 (Audited)			
Financial liabilities			
Other payables			
- related companies	86,913	(84,862)	2,051
30 September 2020 (Audited)			
Financial liabilities			
Other payables			
- related companies	85,970	(85,890)	80

33.3 *Financial risk management policies and objectives*

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

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

(i) Foreign exchange risk management

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

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

33.3 Financial risk management policies and objectives (Continued)

(i) Foreign exchange risk management (Continued)

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

	Liabilities		Assets	
	31 December 2019	30 September 2020	31 December 2019	30 September 2020
	(Audited) \$'000	(Audited) \$'000	(Audited) \$'000	(Audited) \$'000
Renminbi	1,688	411	15,974	4,825
Peso	-	-	2	-
Hong Kong dollar	17	-	-	-
United States dollar	61,600	113,520	89,190	107,029

Foreign currency sensitivity

The following analyses detail the sensitivity to a 5% increase/decrease in the respective foreign currencies against the respective functional currencies of the entities in the Group for the reporting periods ended 31 December 2019 and 30 September 2020. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

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

	31 December 2019	30 September 2020
	(Audited) \$'000	(Audited) \$'000
Renminbi	714	221
United States dollar	1,379	(325)

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

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

33.3 *Financial risk management policies and objectives* (Continued)

(ii) Interest rate risk management

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

Interest rate sensitivity

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

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

If interest rates had been 50 basis points higher or lower with all other variables held constant, the Group's profit for the reporting periods ended 31 December 2019 and 30 September 2020 would decrease or increase by \$52,000 and \$116,000 respectively.

(iii) Credit risk management

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

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

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

Trade receivables

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

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except for outstanding trade receivables from 5 major customers which represent 98% and 97% of total trade receivables balance as at 31 December 2019 and 30 September 2020 respectively.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

33.3 Financial risk management policies and objectives (Continued)

(iii) Credit risk management (Continued)

Trade receivables (Continued)

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

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

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

Further disclosures regarding trade receivables are provided in Note 7 to the consolidated financial statements.

Other receivables

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

For other receivables, the management adopts a policy of dealing with high credit quality counterparties. The management monitors and assess at each reporting date on any indicator of significant increase in credit risk on these other receivables. As at 31 December 2019 and 30 September 2020, there is no indication that credit risk on these receivables have increased significantly hence, these receivables are measured at 12-month expected credit loss model and subject to immaterial credit loss.

Cash and cash equivalents

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

33.3 Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surplus and the raising of loans to cover expected cash demand, subject to approval by the Company's Board of Directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liability requirements in the short and longer term. Undrawn facilities are disclosed in Note 12 to the consolidated financial statements.

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

Liquidity and interest risk analysis

Financial liabilities at amortised cost

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

	Weighted average effective interest rate per annum	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2019						
(Audited)						
Non-interest bearing	-	108,568	-	254	-	108,822
Lease liabilities (fixed rate)	3.2	3,127	2,330	-	(274)	5,183
Bank loans (variable rate)	3.6	10,576	-	-	(175)	10,401
		122,271	2,330	254	(449)	124,406
30 September 2020						
(Audited)						
Non-interest bearing	-	159,735	-	254	-	159,989
Lease liabilities (fixed rate)	3.8	2,159	1,089	-	(142)	3,106
Bank loans (variable rate)	2.5	19,401	4,312	-	(516)	23,197
		181,295	5,401	254	(658)	186,292

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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

33.3 *Financial risk management policies and objectives* (Continued)

(v) Fair value of financial assets and financial liabilities

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

33.4 *Capital risk management policies and objectives*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. The Group's overall strategy remains unchanged during the reporting periods ended 31 December 2019 and 30 September 2020.

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

Management monitors capital based on the Group's current ratio and net gearing ratio. As at 31 December 2019 and 30 September 2020, the Group's current ratio were 1.00 and 1.03 respectively and net gearing ratio were 0.06 and 0.18 respectively.

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

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

As disclosed in the Group's consolidated statement of changes in equity and Note 21 to the consolidated financial statements, a subsidiary is required by relevant laws and regulations of the PRC to contribute to and maintain a non-distributable PRC statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. The Group has complied with this externally imposed capital requirement.

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

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

34. Significant events and transactions

Impact from Coronavirus Disease 2019 ("Covid-19")

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

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

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

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

Save for the lower revenue arising from the above impacts, the effect from the significant events relate to the effects of the global pandemic on the Group's consolidated financial statements for the nine months ended 30 September 2020 are summarised as follows:

(a) Rent concessions received from lessors

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

The Group has not elected to apply the practical expedient introduced by the amendments to SFRS(I) 16 in relation to the rent concessions and has accounted as lease modification as disclosed in Note 13 to the financial statements.

(b) Government grants

The Group received various government support programs introduced in response to the global pandemic. Included in profit or loss is \$648,000 of government grants obtained relating to supporting the payroll of the Group's employees. The Group has elected to present these government grants by reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

35. Events after the reporting periods

Share capital

As at the date of these consolidated financial statements, the authorised share capital was \$15,468,000 comprising 15,468,000 Shares and the issued and paid-up share capital was \$15,468,000 comprising 618,720,000 Shares (after adjusting for the Share Split).

Pursuant to written resolutions dated 18 February 2021, the Shareholders at that time approved, among others, the following:

- (a) the adoption by the Company of a new constitution;
- (b) the sub-division of each ordinary share in the capital of the Company into 40 Shares (the "Share Split");
- (c) The allotment and issue of up to 155,000,000 new Shares ("New Cornerstone Shares") to the investors who will be entering into cornerstone subscription agreements with the Company. The New Cornerstone Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing Shares;
- (d) the adoption of the Aztech Employee Share Option Scheme (details of which are set out in the section entitled "Appendix E – Rules of the Aztech Employee Share Option Scheme" to this Prospectus) and the authorisation of the Directors to allot and issue Shares upon the exercise of the share options granted under the Employee Share Option Scheme;
- (e) the adoption of the Aztech Performance Share Plan (details of which are set out in the section entitled "Appendix F – Rules of the Aztech Performance Share Plan" to this Prospectus) and the authorisation of the Directors to allot and issue Shares upon the vesting of share awards granted under the Aztech Employee Share Option Scheme;
- (f) the authorisation to the Directors to:
 - i. (A) allot and issue Shares whether by way of rights, bonus or otherwise; and/or
 - (B) make or grant offers, agreements or options (each an "Instrument" and collectively, "Instruments") that might or would require Shares to be issued, issue additional Instruments arising from any adjustment made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues; and/or
 - (C) notwithstanding that such authority may have ceased to be in force at the time that Instruments are to be issued, issue additional Instruments arising from any adjustment made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues,at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- ii. allot and issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

35. Events after the reporting periods (Continued)

Share capital (Continued)

Pursuant to written resolutions dated 18 February 2021, the Shareholders at that time approved, among others, the following (Continued):

(f) the authorisation to the Directors to (Continued):

provided that:

- (1) the aggregate number of Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to this authority but excluding Shares which may be issued pursuant to any adjustments ("Adjustments") effected under any relevant Instrument, which Adjustment shall be made in compliance with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST)) and the constitution for the time being of the Company, does not exceed 50.0% of the post-Invitation issued share capital excluding treasury shares, and provided further that the aggregate number of Shares to be issued other than on a pro-rata basis to the Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority but excluding Shares which may be issued pursuant to any Adjustments effected under any relevant Instrument) shall not exceed 20.0% of the post-Invitation issued share capital excluding treasury shares;
- (2) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the constitution for the time being of the Company; and
- (3) unless revoked or varied by the Company in general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

APPENDIX C – INDEPENDENT AUDITORS’ ASSURANCE REPORT AND THE COMPILATION OF UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020

INDEPENDENT AUDITORS’ ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 to 30 SEPTEMBER 2020

4 March 2021

The Board of Directors
Aztech Global Ltd.
31 Ubi Road 1
#01-05
Singapore 408694

Report on the compilation of unaudited pro forma consolidated financial information

We have completed our assurance engagement to report on the compilation of unaudited pro forma consolidated financial information of Aztech Global Ltd. (the “Company”) and its subsidiaries (the “Group”) by the management. The unaudited pro forma consolidated financial information consists of the pro forma consolidated statements of financial position of the Group as at 31 December 2019 and 30 September 2020, the pro forma consolidated statements of comprehensive income and pro forma consolidated statements of cash flows of the Group for the financial year ended 31 December 2019 and for the financial period from 1 January 2020 to 30 September 2020, and related notes as set out on pages C-4 to C-19 of the Prospectus issued by the Company. The applicable criteria on the basis of which the management has compiled the unaudited pro forma consolidated financial information are described in Note 3.

The unaudited pro forma consolidated financial information has been compiled by the management to illustrate the impact of the significant events (the “Significant Events”) set out in Note 2 on:

- (i) the unaudited pro forma consolidated financial position of the Group as at 31 December 2019 and 30 September 2020 as if the Significant Events had taken place on 31 December 2019 and 30 September 2020 respectively; and
- (ii) the unaudited pro forma consolidated financial performance and unaudited pro forma consolidated cash flows of the Group for the financial year ended 31 December 2019 and for the financial period from 1 January 2020 to 30 September 2020 as if the Significant Events had taken place on 1 January 2019 and 1 January 2020 respectively.

As part of this process, information about the Group’s financial position, financial performance and cash flows have been extracted by the management from the audited consolidated financial statements for the financial year ended 31 December 2019 and for the financial period from 1 January 2020 to 30 September 2020, on which audit reports have been published.

Management’s responsibility for the unaudited pro forma consolidated financial information

Management is responsible for compiling the unaudited pro forma consolidated financial information on the basis as described in Note 3.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Singapore Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

APPENDIX C – INDEPENDENT AUDITORS’ ASSURANCE REPORT AND THE COMPILATION OF UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020

INDEPENDENT AUDITORS’ ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 to 30 SEPTEMBER 2020 (Continued)

Report on the compilation of unaudited pro forma consolidated financial information (Continued)

Auditors’ responsibilities

Our responsibility is to express an opinion about whether the unaudited pro forma consolidated financial information has been compiled, in all material respects, by the management on the basis of the applicable criteria as described in Note 3.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (“SSAE”) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants. This standard requires that the auditors plan and perform procedures to obtain reasonable assurance about whether the management has compiled, in all material respects, the unaudited pro forma consolidated financial information on the basis of the applicable criteria as described in Note 3.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma consolidated financial information.

The purpose of unaudited pro forma consolidated financial information included in the Prospectus is solely to illustrate the impact of the significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the management in the compilation of the unaudited pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditors’ judgement, having regard to the auditors’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX C – INDEPENDENT AUDITORS’ ASSURANCE REPORT AND THE COMPILATION OF UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020

INDEPENDENT AUDITORS’ ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 to 30 SEPTEMBER 2020 (Continued)

Report on the compilation of unaudited pro forma consolidated financial information (Continued)

Opinion

In our opinion:

- (a) The unaudited pro forma consolidated financial information has been compiled:
 - (i) in a manner consistent with the accounting policies adopted by the Group in its latest audited consolidated financial statements for the financial year ended 31 December 2019, which are in accordance with Singapore Financial Reporting Standards (International);
 - (ii) on the basis of the applicable criteria stated in Note 3 of the unaudited pro forma consolidated financial information; and
- (b) each material adjustment made to the information used in the preparation of the unaudited pro forma consolidated financial information is appropriate for the purpose of preparing such unaudited consolidated financial information.

Restriction on distribution and use

This report is made solely to you as a body and for inclusion in the Prospectus issued in connection with the proposed initial public offering of ordinary shares of the Company in connection with the Company’s listing on the Singapore Exchange Securities Trading Limited.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore

Leong Hon Mun Peter
Partner-in-charge

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 AND 30 SEPTEMBER 2020**

	<u>31 December 2019</u>	<u>30 September 2020</u>
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	-	11,882
Trade receivables	96,728	109,216
Other receivables	5,429	4,343
Prepayments	442	2,785
Inventories	19,053	64,110
Total current assets	<u>121,652</u>	<u>192,336</u>
Non-current assets		
Property, plant and equipment	22,161	22,474
Intangible assets	2,617	1,391
Total non-current assets	<u>24,778</u>	<u>23,865</u>
Total assets	<u><u>146,430</u></u>	<u><u>216,201</u></u>

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 AND 30 SEPTEMBER 2020**

	31 December 2019	30 September 2020
	\$'000	\$'000
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	10,401	19,197
Lease liabilities	2,963	2,075
Trade payables	87,199	123,850
Other payables	25,739	39,599
Dividend payable	26,709	-
Provision for retirement benefit	594	594
Current income tax payable	8,374	11,468
Total current liabilities	161,979	196,783
Non-current liabilities		
Borrowings	-	4,000
Lease liabilities	2,220	1,031
Provision for retirement benefit	254	254
Deferred tax liabilities	268	327
Total non-current liabilities	2,742	5,612
Capital and reserves		
Share capital	15,468	15,468
Capital reserve	(4,670)	(4,670)
Foreign currency translation reserve	(6,963)	(5,387)
Statutory reserve	1,254	1,254
(Accumulated losses)/Retained profits	(23,380)	7,141
(Net capital deficiency)/Total equity	(18,291)	13,806
Total liabilities and equity	146,430	216,201

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 to 30 SEPTEMBER 2020**

	Financial year ended 31 December 2019	Financial period from 1 January 2020 to 30 September 2020
	\$'000	\$'000
Revenue	428,825	262,221
Other income	759	487
Changes in inventories of finished goods and work in progress, and raw materials used	(306,957)	(183,431)
Employee benefits expense	(42,739)	(24,446)
Amortisation and depreciation expenses	(8,602)	(6,416)
Other operating expenses	(15,565)	(10,526)
Loss allowance of trade receivables	(500)	(55)
Investment revenue	43	635
Other gains and losses	436	(928)
Finance costs	(914)	(918)
Profit before income tax	54,786	36,623
Income tax expense	(7,614)	(6,102)
Profit for the financial year/period	47,172	30,521
Other comprehensive income:		
<i>Items that may be reclassified subsequently into profit or loss</i>		
Exchange differences on translation of foreign operations	(1,285)	1,576
Other comprehensive income for the financial year/period, net of tax	(1,285)	1,576
Total comprehensive income for the financial year/period	45,887	32,097
Profit attributable to owners of the parent	47,172	30,521
Total comprehensive income attributable to owners of the parent	45,887	32,097
Earnings per share		
Basic and diluted (cents)	7.62	4.93

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 to 30 SEPTEMBER 2020**

	Financial year ended 31 December 2019	Financial period from 1 January 2020 to 30 September 2020
	\$'000	\$'000
Operating activities		
Profit before income tax	54,786	36,623
Adjustments for:		
Amortisation of intangible assets	2,930	1,486
Depreciation of property, plant and equipment	5,672	4,930
Loss on disposal of plant and equipment	(78)	-
Interest expense	914	918
Interest income	(43)	(583)
Loss allowance for trade receivables	500	55
Net unrealised foreign exchange loss	2,567	1,205
Plant and equipment written off	255	183
Provision for retirement benefit	848	-
Write-down for inventories obsolescence	2,130	-
Operating cash flows before movements in working capital	70,481	44,817
Trade receivables	(26,264)	(12,580)
Other receivables	(11,491)	1,086
Prepayments	402	(2,343)
Inventories	23,701	(45,057)
Trade payables	(11,205)	36,613
Other payables	(1,718)	13,860
Cash from operations	43,906	36,396
Income tax paid	(1,333)	(2,949)
Interest paid	(914)	(918)
Net cash from operating activities	41,659	32,529
Investing activities		
Proceeds on disposal of plant and equipment	168	-
Purchase of plant and equipment	(6,532)	(4,732)
Addition of intangible assets	(1,435)	(248)
Interest received	43	583
Net cash used in investing activities	(7,756)	(4,397)
Financing activities		
Dividends	(40,577)	(40,990)
Repayment of obligations under lease liabilities	(3,133)	(2,265)
Proceeds from bank borrowings	69,835	66,034
Repayment of bank borrowings	(71,527)	(53,502)
Net cash used in financing activities	(45,402)	(30,723)
Net change in cash and cash equivalents	(11,499)	(2,591)
Effects of exchange rate changes on the balance of cash held in foreign currencies	243	192
Cash and cash equivalents at beginning of the financial year/period	11,256	14,281
Cash and cash equivalents at end of the financial year/period	-	11,882

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

As at 31 December 2019

	Audited consolidated statement of financial position	Unaudited pro forma adjustments (Note 2)	Unaudited pro forma consolidated statement of financial position
	\$'000	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	14,281	(14,281)	-
Trade receivables	96,728	-	96,728
Other receivables	5,429	-	5,429
Prepayments	442	-	442
Inventories	19,053	-	19,053
Total current assets	135,933	(14,281)	121,652
Non-current assets			
Property, plant and equipment	22,161	-	22,161
Intangible assets	2,617	-	2,617
Total non-current assets	24,778	-	24,778
Total assets	160,711	(14,281)	146,430

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (Continued)**

As at 31 December 2019 (Continued)

	Audited consolidated statement of financial position	Unaudited pro forma adjustments (Note 2)	Unaudited pro forma consolidated statement of financial position
	\$'000	\$'000	\$'000
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	10,401	-	10,401
Lease liabilities	2,963	-	2,963
Trade payables	87,199	-	87,199
Other payables	25,739	-	25,739
Dividend payable	-	26,709	26,709
Provision for retirement benefit	594	-	594
Current income tax payable	8,374	-	8,374
Total current liabilities	135,270	26,709	161,979
Non-current liabilities			
Lease liabilities	2,220	-	2,220
Provision for retirement benefit	254	-	254
Deferred tax liabilities	268	-	268
Total non-current liabilities	2,742	-	2,742
Capital and reserves			
Share capital	15,468	-	15,468
Capital reserve	(4,670)	-	(4,670)
Foreign currency translation reserve	(6,963)	-	(6,963)
Statutory reserve	1,254	-	1,254
Retained profits/(Accumulated losses)	17,610	(40,990)	(23,380)
Total equity/(Net capital deficiency)	22,699	(40,990)	(18,291)
Total liabilities and equity	160,711	(14,281)	146,430

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020**

As at 30 September 2020

	Audited consolidated statement of financial position \$'000	Unaudited pro forma adjustments (Note 2) \$'000	Unaudited pro forma consolidated statement of financial position \$'000
ASSETS			
Current assets			
Cash and cash equivalents	21,936	(10,054)	11,882
Trade receivables	109,216	-	109,216
Other receivables	4,343	-	4,343
Prepayments	2,785	-	2,785
Inventories	64,110	-	64,110
Total current assets	202,390	(10,054)	192,336
Non-current assets			
Property, plant and equipment	22,474	-	22,474
Intangible assets	1,391	-	1,391
Total non-current assets	23,865	-	23,865
Total assets	226,255	(10,054)	216,201

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020** (Continued)

As at 30 September 2020 (Continued)

	Audited consolidated statement of financial position	Unaudited pro forma adjustments (Note 2)	Unaudited pro forma consolidated statement of financial position
	\$'000	\$'000	\$'000
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	19,197	-	19,197
Lease liabilities	2,075	-	2,075
Trade payables	123,850	-	123,850
Other payables	39,599	-	39,599
Provision for retirement benefit	594	-	594
Current income tax payable	11,468	-	11,468
Total current liabilities	196,783	-	196,783
Non-current liabilities			
Borrowings	4,000	-	4,000
Lease liabilities	1,031	-	1,031
Provision for retirement benefit	254	-	254
Deferred tax liabilities	327	-	327
Total non-current liabilities	5,612	-	5,612
Capital and reserves			
Share capital	15,468	-	15,468
Capital reserve	(4,670)	-	(4,670)
Foreign currency translation reserve	(5,387)	-	(5,387)
Statutory reserve	1,254	-	1,254
Retained profits	17,195	(10,054)	7,141
Total equity	23,860	(10,054)	13,806
Total liabilities and equity	226,255	(10,054)	216,201

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019**

For the financial year ended 31 December 2019

	Audited consolidated statement of comprehensive income	Unaudited pro forma adjustments (Note 2)	Unaudited pro forma consolidated statement of comprehensive income
	\$'000	\$'000	\$'000
Revenue	428,825	-	428,825
Other income	759	-	759
Changes in inventories of finished goods and work in progress, and raw materials used	(306,957)	-	(306,957)
Employee benefits expense	(42,739)	-	(42,739)
Amortisation and depreciation expenses	(8,602)	-	(8,602)
Other operating expenses	(15,565)	-	(15,565)
Loss allowance of trade receivables	(500)	-	(500)
Investment revenue	43	-	43
Other gains and losses	436	-	436
Finance costs	(914)	-	(914)
Profit before income tax	54,786	-	54,786
Income tax expense	(7,614)	-	(7,614)
Profit for the financial year	47,172	-	47,172
Other comprehensive income:			
<i>Items that may be reclassified subsequently into profit or loss</i>			
Exchange differences on translation of foreign operations	(1,285)	-	(1,285)
Other comprehensive income for the financial year, net of tax	(1,285)	-	(1,285)
Total comprehensive income for the financial year	45,887	-	45,887
Profit attributable to owners of the parent	47,172	-	47,172
Total comprehensive income attributable to owners of the parent	45,887	-	45,887
Earnings per share			
Basic and diluted (cents)	7.62	-	7.62

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

For the financial period from 1 January 2020 to 30 September 2020

	Audited consolidated statement of comprehensive income	Unaudited pro forma adjustments (Note 2)	Unaudited pro forma consolidated statement of comprehensive income
	\$'000	\$'000	\$'000
Revenue	262,221	-	262,221
Other income	487	-	487
Changes in inventories of finished goods and work in progress, and raw materials used	(183,431)	-	(183,431)
Employee benefits expense	(24,446)	-	(24,446)
Amortisation and depreciation expenses	(6,416)	-	(6,416)
Other operating expenses	(10,526)	-	(10,526)
Loss allowance of trade receivables	(55)	-	(55)
Investment revenue	635	-	635
Other gains and losses	(928)	-	(928)
Finance costs	(918)	-	(918)
Profit before income tax	36,623	-	36,623
Income tax expense	(6,102)	-	(6,102)
Profit for the financial period	30,521	-	30,521
Other comprehensive income:			
<i>Items that may be reclassified subsequently into profit or loss</i>			
Exchange differences on translation of foreign operations	1,576	-	1,576
Other comprehensive income for the financial period, net of tax	1,576	-	1,576
Total comprehensive income for the financial period	32,097	-	32,097
Profit attributable to owners of the parent	30,521	-	30,521
Total comprehensive income attributable to owners of the parent	32,097	-	32,097
Earnings per share			
Basic and diluted (cents)	4.93	-	4.93

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

For the financial year ended 31 December 2019

	Audited consolidated statement of cash flows	Unaudited pro forma adjustments (Note 2)	Unaudited pro forma consolidated statement of cash flows
	\$'000	\$'000	\$'000
Operating activities			
Profit before income tax	54,786	-	54,786
Adjustments for:			
Amortisation of intangible assets	2,930	-	2,930
Depreciation of property, plant and equipment	5,672	-	5,672
Gain on disposal of plant and equipment	(78)	-	(78)
Interest expense	914	-	914
Interest income	(43)	-	(43)
Loss allowance for trade receivables	500	-	500
Net unrealised foreign exchange loss	2,567	-	2,567
Plant and equipment written off	255	-	255
Provision for retirement benefit	848	-	848
Write-down for inventories obsolescence	2,130	-	2,130
Operating cash flows before movements in working capital	70,481	-	70,481
Trade receivables	(26,264)	-	(26,264)
Other receivables	(11,491)	-	(11,491)
Prepayments	402	-	402
Inventories	23,701	-	23,701
Trade payables	(11,205)	-	(11,205)
Other payables	(1,718)	-	(1,718)
Cash from operations	43,906	-	43,906
Income tax paid	(1,333)	-	(1,333)
Interest paid	(914)	-	(914)
Net cash from operating activities	41,659	-	41,659
Investing activities			
Proceeds on disposal of plant and equipment	168	-	168
Purchase of plant and equipment	(6,532)	-	(6,532)
Addition of intangible assets	(1,435)	-	(1,435)
Interest received	43	-	43
Net cash used in investing activities	(7,756)	-	(7,756)

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER
2019 (Continued)**

For the financial year ended 31 December 2019 (Continued)

	Audited consolidated statement of cash flows	Unaudited pro forma adjustments (Note 2)	Unaudited pro forma consolidated statement of cash flows
	\$'000	\$'000	\$'000
Financing activities			
Dividends	(26,296)	(14,281)	(40,577)
Repayment of obligations under lease liabilities	(3,133)	-	(3,133)
Proceeds from bank borrowings	69,835	-	69,835
Repayment of bank borrowings	(71,527)	-	(71,527)
Net cash used in financing activities	(31,121)	(14,281)	(45,402)
Net change in cash and cash equivalents	2,782	(14,281)	(11,499)
Effects of exchange rate changes on the balance of cash held in foreign currencies	243	-	243
Cash and cash equivalents at beginning of the financial year	11,256	-	11,256
Cash and cash equivalents at end of the financial year	14,281	(14,281)	-

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

For the financial period from 1 January 2020 to 30 September 2020

	Audited consolidated statement of cash flows	Unaudited pro forma adjustments (Note 2)	Unaudited pro forma consolidated statement of cash flows
	\$'000	\$'000	\$'000
Operating activities			
Profit before income tax	36,623	-	36,623
Adjustments for:			
Amortisation of intangible assets	1,486	-	1,486
Depreciation of property, plant and equipment	4,930	-	4,930
Interest expense	918	-	918
Interest income	(583)	-	(583)
Loss allowance for trade receivables	55	-	55
Net unrealised foreign exchange loss	1,205	-	1,205
Plant and equipment written off	183	-	183
Operating cash flows before movements in working capital	44,817	-	44,817
Trade receivables	(12,580)	-	(12,580)
Other receivables	1,086	-	1,086
Prepayments	(2,343)	-	(2,343)
Inventories	(45,057)	-	(45,057)
Trade payables	36,613	-	36,613
Other payables	13,860	-	13,860
Cash from operations	36,396	-	36,396
Income tax paid	(2,949)	-	(2,949)
Interest paid	(918)	-	(918)
Net cash from operating activities	32,529	-	32,529
Investing activities			
Purchase of plant and equipment	(4,732)	-	(4,732)
Addition of intangible assets	(248)	-	(248)
Interest received	583	-	583
Net cash used in investing activities	(4,397)	-	(4,397)

**APPENDIX C – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020 (Continued)**

For the financial period from 1 January 2020 to 30 September 2020 (Continued)

	Audited consolidated statement of cash flows	Unaudited pro forma adjustments (Note 2)	Unaudited pro forma consolidated statement of cash flows
	\$'000	\$'000	\$'000
Financing activities			
Dividends	(30,936)	(10,054)	(40,990)
Repayment of obligations under lease liabilities	(2,265)	-	(2,265)
Proceeds from bank borrowings	66,034	-	66,034
Repayment of bank borrowings	(53,502)	-	(53,502)
Net cash used in financing activities	(20,669)	(10,054)	(30,723)
Net change in cash and cash equivalents	7,463	(10,054)	(2,591)
Effects of exchange rate changes on the balance of cash held in foreign currencies	192	-	192
Cash and cash equivalents at beginning of the financial period	14,281	-	14,281
Cash and cash equivalents at end of the financial period	21,936	(10,054)	11,882

**APPENDIX C – INDEPENDENT AUDITORS’ ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

1. General corporate information

The Company is a private limited company, incorporated and domiciled in Singapore with its principal place of business and registered office at 31 Ubi Road 1 #01-05 Singapore 408694. With effect from 13 February 2020, the name of the Company was changed from Aztech Electronics Pte. Ltd. to Aztech Global Pte. Ltd. In connection with its conversion into a public company limited by shares, the Company changed its name from Aztech Global Pte. Ltd. to Aztech Global Ltd. on 19 February 2021. The registration number of the Company is 200909384G.

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

2. Significant events

Save for the following significant events relating to the declaration of interim dividends, the Directors of the Company, as at the date of this report, are not aware of any significant acquisitions or disposals of assets which have occurred since 1 January 2020 and any significant changes made to the capital structure of the Company subsequent to 31 December 2019:

Declaration of interim dividends

- (i) On 15 July 2020, the Company declared an interim dividend at \$2.00 per ordinary share of the Company totalling \$30,936,000 in respect of the financial year ending 31 December 2020 and was fully paid on 30 September 2020; and
- (ii) On 18 November 2020, the Company declared an interim dividend at \$0.65 per ordinary share of the Company totalling \$10,054,200 in respect of the financial year ending 31 December 2020 and was fully paid on 23 November 2020.

For the purpose of preparation of the unaudited pro forma consolidated financial position of the Group as at 31 December 2019 and 30 September 2020, interim dividends declared by the Company are assumed to have been declared on 31 December 2019 and 30 September 2020, respectively. Accordingly, cash and cash equivalents decrease by \$14,281,000, dividends payable increase by \$26,709,200 and retained profits decreased by \$40,990,200 as at 31 December 2019 and cash and cash equivalents and retained profits decrease by \$10,054,000 as at 30 September 2020.

For the purpose of preparation of the unaudited pro forma consolidated cash flows of the Group for the financial year ended 31 December 2019 and the nine-month period ended 30 September 2020, interim dividends amounted to \$14,281,000 and \$10,054,000 declared by the Company are assumed to have been declared and paid on 1 January 2019 and 1 January 2020 respectively. Accordingly, cash and cash equivalents as at 31 December 2019 and 30 September 2020 decrease by \$14,281,000 and \$10,054,000 respectively.

3. Basis of preparation of the unaudited pro forma consolidated financial information

The Group in this unaudited pro forma consolidated financial information relates to the companies referred to in the entities within Aztech Global Ltd. and its subsidiaries (the “Group”).

The unaudited pro forma consolidated financial information are expressed in Singapore dollar and all values are rounded to the nearest thousand (\$’000) unless otherwise indicated.

**APPENDIX C – INDEPENDENT AUDITORS’ ASSURANCE REPORT AND THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO
30 SEPTEMBER 2020**

AZTECH GLOBAL LTD. AND ITS SUBSIDIARIES

**NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020 (Continued)**

3. Basis of preparation of the unaudited pro forma consolidated financial information (Continued)

The unaudited pro forma consolidated financial information is based on the audited consolidated financial statements of the Group for the financial years ended 31 December 2017, 2018 and 2019 and the financial period from 1 January 2020 to 30 September 2020, which have been prepared in accordance with Singapore Financial Reporting Standards (International).

The audited consolidated financial statements of the Group for the financial years ended 31 December 2017, 2018 and 2019 and the financial period from 1 January 2020 to 30 September 2020 were audited by BDO LLP in accordance with Singapore Standards on Auditing. The independent auditors’ reports relating to the abovementioned audited financial statements were not subject to any qualification.

The unaudited pro forma consolidated financial information is prepared using the same accounting policies as the audited consolidated financial statements of the Group for the financial year ended 31 December 2019.

The unaudited pro forma consolidated financial information for the financial year ended 31 December 2019 and financial period from 1 January 2020 to 30 September 2020 are prepared for illustrative purposes only. These are prepared based on certain assumptions and after making certain adjustments to show what:

- the financial position of the Group as at 31 December 2019 and 30 September 2020 respectively would have been if the Significant Events had taken place on 31 December 2019 and 30 September 2020 respectively; and
- the financial performance and cash flows of the Group for the financial year ended 31 December 2019 and for the financial period from 1 January 2020 to 30 September 2020 respectively would have been if the Significant Events discussed in Note 2 had taken place from 1 January 2019 and 1 January 2020 respectively.

Based on the assumptions discussed above, the material adjustments as set out in Note 2 have been made to the audited consolidated financial statements of the Group in arriving at the unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial information, because of their nature, is not necessarily indicative of the results of the operations, cash flows or the related effects on the financial position that would have been attained had the Significant Events actually occurred earlier. Save as disclosed in the explanatory notes, the Directors of the Company, for the purposes of preparing this set of unaudited pro forma consolidated financial information, have not considered the effects of the other events.

APPENDIX D – SUMMARY OF SELECTED REGULATIONS OF THE CONSTITUTION OF OUR COMPANY

The discussion below provides information about certain provisions of our Constitution and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Constitution. Where portions of our Constitution are reproduced below, defined terms bear the meanings ascribed to them in our Constitution.

The instrument that constitutes and defines our Company is the Constitution of our Company. The following are extracts of the provisions in the Constitution relating to:

i. a director's power to vote on a proposal, arrangement or contract in which he is interested:

Regulation 88(B)

A Director and Chief Executive Officer or Managing Director (or person(s) holding an equivalent position), shall not vote in respect of any contract or proposed contract or arrangement with the Company in which he has directly or indirectly a personal material interest and if he shall do so his vote shall not be counted nor save as provided by Regulation 88(C) shall he be counted in the quorum present at the meeting, but neither of these prohibitions shall apply to:-

- (a) any arrangement for giving any Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or*
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debtor obligation of the Company for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security; or*
- (c) any contract by a Director to subscribe for or underwrite shares or debentures of the Company,*

Provided that these prohibitions may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract arrangement or transaction or any particular proposed contract arrangement or transaction by the Company by Ordinary Resolution.

ii. a director's power to vote on remuneration (including pension or other benefits) for himself or for any other director, and whether the quorum at a meeting of the board of directors to vote on directors' remuneration may include the director whose remuneration is the subject of the vote:

Regulation 81

The fees of the Directors, which shall from time to time be determined by an Ordinary Resolution of the Company in General Meeting, shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of fees related to the period during which he has held office. Salaries payable to an executive Director may not include a commission on or a percentage of turnover and the fees payable to a non-executive Director shall be a fixed sum, and not by a commission on or a percentage of profits or turnover.

Regulation 82

If any Director, being willing and having been called upon to do so, shall hold an executive office in the Company, shall render or perform extra or special services of any kind, including services on any committee established by the Directors, or shall travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Directors may think fit for expenses, Provided that such extra remuneration (in case of an executive Director) shall not be by way of commission on or a percentage of turnover and (in the case of a non-executive Director)

APPENDIX D – SUMMARY OF SELECTED REGULATIONS OF THE CONSTITUTION OF OUR COMPANY

shall be a fixed sum, and not by a commission on or a percentage of profits or turnover or by any or all of those modes.

Regulation 84

Subject to the provisions of the Act, the Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

Regulation 85

A Director may be party to or be in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of the auditor of the Company or any subsidiary thereof) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

Regulation 94

The remuneration of a Chief Executive Officer or Managing Director (or person(s) holding an equivalent position) shall from time to time be fixed by the Directors and may subject to the Constitution be by way of salary or commission or participation in profits or by any or all these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

Regulation 105(C)

An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his principal as such principal may by notice in writing to the Company from time to time direct provided that any fees payable to him shall be deducted from his principal's remuneration.

iii. the borrowing powers exercisable by the directors and how such borrowing powers may be varied:

Regulation 117

Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

iv. the retirement or non-retirement of a director under an age limit requirement:

There are no specific provisions in the Constitution relating to the retirement or non-retirement of a Director under an age limit requirement.

**APPENDIX D – SUMMARY OF SELECTED REGULATIONS OF THE CONSTITUTION OF
OUR COMPANY**

v. the number of shares, if any, required for the qualification of a director:

Regulation 80

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at General Meetings.

vi. the rights, preferences and restrictions attaching to each class of shares:

Regulation 5(D)

The rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution.

Regulation 8(A)

Preference shares may be issued subject to such limitation thereof as may be prescribed by any Designated Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrears. The total number of issued preference shares shall not exceed the total number of issued ordinary shares issued at any time.

Regulation 52(A)

Any Annual General Meeting and any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and an Annual General Meeting or any other Extraordinary General Meeting, by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in manner hereinafter mentioned to all Members other than such as are not under the provisions of this Constitution entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-

- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and*
- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent, of the total voting rights of all the Members having a right to vote at thereat;*

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days' notice in writing of such Extraordinary General Meeting shall be given to the Designated Stock Exchange.

**APPENDIX D – SUMMARY OF SELECTED REGULATIONS OF THE CONSTITUTION OF
OUR COMPANY**

Regulation 66(A)

Subject to any special rights or restrictions as to voting attached by or in accordance with this Constitution to any class of shares, each Member entitled to vote may vote in person or by proxy.

- (a) *On a show of hands every Member who is present in person or by proxy, has one vote for each share in respect of which he is a Member or represents (excluding treasury shares) and upon which all calls or other sums due thereon to the Company have been paid. Provided Always that:-*
- (i) *in the case of a Member who is not a relevant intermediary and is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and*
 - (ii) *in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.*
- (b) *every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents (excluding treasury shares) and upon which all calls or other sums due thereon to the Company have been paid.*

Regulation 66(B)

For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at seventy-two hours before the time appointed for the holding of the relevant General Meeting or the adjourned relevant General Meeting as certified by the Depository to the Company.

Regulation 4

The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

Regulation 137

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:-

- (a) *all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and*
- (b) *all Dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.*

For the purposes of this Regulation, an amount paid or credited as paid on a share in advance of a call is to be ignored.

Regulation 162

If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the liquidator may, with the authority of a Special Resolution, divide among the Members in specie or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds,

**APPENDIX D – SUMMARY OF SELECTED REGULATIONS OF THE CONSTITUTION OF
OUR COMPANY**

and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members of different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

vii. any change in capital:

Regulation 3(A)

Subject to the Statutes and to this Constitution, no shares may be issued by the Directors without the prior approval of the Company in a General Meeting pursuant to the Act, but subject thereto and the terms of such approval, and to Regulation 5, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards Dividend, return of capital, participation in surplus, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that:-

- (a) *(subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of Regulation 5(A) with such adaptations as are necessary shall apply; and*
- (b) *any other issue of shares, the aggregate of which would exceed the limits referred to in Regulation 5(B), shall be subject to the approval of the Company in General Meeting.*

Regulation 5(A)

Subject to any direction to the contrary that may be given by the Company in General Meeting or except permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Regulation 5(A).

Regulation 5(B)

Notwithstanding Regulation 5(A) above, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:-

- (a) *(i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or*

**APPENDIX D – SUMMARY OF SELECTED REGULATIONS OF THE CONSTITUTION OF
OUR COMPANY**

(ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,*

Provided that:-

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Designated Stock Exchange;*
- (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Designated Stock Exchange for the time being in force (unless such compliance is waived by the Designated Stock Exchange) and this Constitution;*
- (3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest);*
- (4) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same; and*
- (5) where the capital of the Company consists of shares of different monetary denominations, the voting rights shall be prescribed in such manner that a unit of capital in each class when reduced to a common denominator, shall carry the same voting power when such right is exercisable.*

Regulation 10

The Company may by Ordinary Resolution:-

- (a) consolidate and divide all or any of its share capital;*
- (b) subject to the provisions of this Constitution and the Act, issue shares in pursuance of any Instrument made or granted by the Directors;*
- (c) cancel the number of any shares which, at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled;*
- (d) subject to the provisions of this Constitution and the Act, sub-divide its existing shares, or any of them, so that as between the holders or Depositors of the resulting shares one or more of such shares may by the resolution by which the subdivision is effected be given any preference or advantage as regards Dividend, capital, voting or otherwise over the others or any other of such shares;*
- (e) subject to the provisions of this Constitution and the Act, convert its share capital or any class of shares from one currency to another currency.*

**APPENDIX D – SUMMARY OF SELECTED REGULATIONS OF THE CONSTITUTION OF
OUR COMPANY**

Regulation 11

- (A) *The Company may by Special Resolution reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorised, and consent or confirmation required, by law.*
- (B) *The Company may by Special Resolution subject to and in accordance with the Act, convert any class of shares into any other class of shares.*
- (C) *The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Statutes and any applicable rules of the Designated Stock Exchange (hereafter, the “Relevant Laws”), on such terms and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to this Constitution and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.*

viii. any change in the respective rights of the various classes of shares including the action necessary to change the rights, indicating where the conditions are different from those required by the applicable law:

Regulation 9(A)

- (i) *Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up.*
- (ii) *To every such separate General Meeting all the provisions of this Constitution relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney shall on a poll have one vote for every share of the class held by him, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.*
- (iii) *The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of the Companies.*

Regulation 9(C)

The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation

APPENDIX D – SUMMARY OF SELECTED REGULATIONS OF THE CONSTITUTION OF OUR COMPANY

or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.

- ix. any time limit after which a dividend entitlement will lapse and an indication of the party in whose favour this entitlement then operates:**

Regulation 138(B)

The payment by the Directors of any unclaimed Dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All Dividends remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company, and any Dividend or any such moneys unclaimed after six (6) years from having been first payable shall be forfeited and shall revert to the Company provided always that the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the Dividend so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such Dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such Dividend or moneys against the Company if a period of six (6) years has elapsed from the date of the declaration of such Dividend or the date on which such other moneys are first payable.

Regulation 145

Any Dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such Member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Regulation 147

Any resolution declaring a Dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the Dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such Dividend of transferors and transferees of any such shares.

- x. any limitation on the right to own shares, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the shares:**

Regulation 45

Except as required by the Statutes or law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by this Constitution or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in this Constitution contained relating to the Depository or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

1. NAME OF THE OPTION SCHEME

The employee share option scheme shall be called the “Aztech Employee Share Option Scheme”.

2. DEFINITIONS

In the employee share option scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:-

“Associate”	(a) In relation to any director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means: (i) his Immediate Family; (ii) the trustee of any trust of which he or his Immediate Family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his Immediate Family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a substantial shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and / or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
“Auditors”	The auditors of the Company for the time being.
“Award”	A contingent award of Shares granted under the PSP.
“Board”	The board of Directors of the Company.
“CDP”	The Central Depository (Pte) Limited.
“Committee”	The committee comprising all the members of the Remuneration Committee of the Company from time to time, and duly authorised and appointed by the Board pursuant to Rule 16 of the Option Scheme to administer the Option Scheme.
“Companies Act”	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time.
“Company”	Aztech Global Ltd.
“control”	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the company.
“Controlling Shareholder”	A person who (a) holds directly or indirectly 15% or more of the total voting rights in the Company (unless the SGX-ST determines otherwise); or (b) a person who in fact exercises control over the Company, as defined under the Listing Manual.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

“CPF”	Central Provident Fund.
“Date of Grant”	In relation to an Option, the date on which the Option is granted to a Participant pursuant to Rule 7.
“Director”	A person holding office as a director for the time being of the Company.
“Employee”	A confirmed employee of a Group Company.
“Equivalent Value in Cash”	Shall have the meaning ascribed to it in Rule 12.2(b).
“Exercise Notice”	Shall have the meaning ascribed to it in Rule 12.1.
“Exercise Period”	The period during which an Option is exercisable in accordance with the Rules.
“Exercise Price”	The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be the price as determined in accordance with Rule 9, as adjusted in accordance with Rule 10.
“FY”	Financial year ended, or as the case may be, ending 31 December.
“Grantee”	A person to whom an offer of an Option is made.
“Group”	The Company and its subsidiaries.
“Group Company”	A company within the Group.
“Immediate Family”	A person’s spouse, child, adopted child, step-child, sibling and parent, or such other definition as the SGX-ST may from time to time require.
“Incentive Option”	An Option granted with the Exercise Price set at a discount to the Market Price.
“Listing Manual”	The Listing Manual of the SGX - ST, as amended or modified from time to time.
“Market Day”	A day on which the SGX - ST is open for trading in securities.
“Market Price”	The average of the last dealt prices for a Share determined by reference to the daily Official List published by the SGX - ST for a period of five (5) consecutive Market Days immediately prior to the relevant Date of Grant, provided always that in the case of a Market Day on which the Shares of the Company were not traded on the SGX - ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices.
“Market Price Option”	An Option granted with the Exercise Price set at the Market Price.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

“New Shares”	The new Shares which may be allotted and issued from time to time pursuant to the exercise of Options under the Option Scheme and the release of Awards under the PSP.
“Offer Date”	The date on which an offer to grant an Option is made pursuant to the Option Scheme.
“Option”	The right to subscribe for Shares granted or to be granted to an Employee pursuant to the Option Scheme and for the time being subsisting.
“Option Holder”	The holder of an Option.
“Option Scheme”	The Aztech Employee Share Option Scheme, as the same may be modified or altered from time to time.
“Participant”	Any Employee or Director selected by the Committee to participate in the Option Scheme in accordance with Rule 4 of the Option Scheme.
“PSP”	The Aztech Performance Share Plan.
“Record Date”	The date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.
“Rules”	Rules of the Aztech Employee Share Option Scheme and any reference to a particular Rule shall be construed accordingly.
“Securities Account”	The securities account maintained by a Depositor with CDP.
“Select Persons”	<p>The following persons:</p> <ul style="list-style-type: none">(a) Participants who are Directors;(b) Participants who are Controlling Shareholders of the issuer and their Associates; and(c) Participants, other than those in (a) and (b) who have been granted Options under the Option Scheme and / or who have received Shares pursuant to Awards granted under the PSP which in aggregate, represent 5% or more of the aggregate of:<ul style="list-style-type: none">(i) the total number of New Shares available under the Option Scheme and the PSP collectively; and(ii) the total number of existing Shares purchased for delivery of Shares pursuant to the exercise of Options under the Option Scheme and Awards released under the PSP.
“Shareholders”	The registered holders for the time being of the Shares.
“Shares”	Ordinary shares in the capital of the Company.
“Subsidiary”	A company which is for the time being a subsidiary of the Company as defined by Section 5 of the Companies Act.
“SGX-ST”	Singapore Exchange Securities Trading Limited.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

“treasury shares” Has the meaning ascribed to it in Section 4 of the Companies Act.

“\$” or “S\$” Singapore dollars.

The term **“Depositor”**, **“Depository Register”** and **“Depository Agent”** shall have the meanings ascribed to them respectively by Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore.

Words importing the singular number shall, where applicable, include the plural number and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.

Any reference to a time of a day in the Option Scheme is a reference to Singapore time.

Any reference in the Option Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in the Option Scheme shall have the meaning assigned to it under the Companies Act as the case may be.

3. OBJECTIVES OF THE OPTION SCHEME

The Option Scheme will provide an opportunity for Employees and Directors who have contributed significantly to the growth and performance of the Company and who satisfy the eligibility criteria as set out in Rule 4 of the Option Scheme, to participate in the equity of the Company.

The Option Scheme is primarily a share incentive scheme. It recognises the fact that the services of such Employees and Directors are important to the success and continued well-being of the Group. Implementation of the Option Scheme will enable the Company to give recognition to the contributions made by such persons. At the same time, it will give such Participants an opportunity to have a real and personal direct interest in the Company and will also help to achieve the following positive objectives:

- (a) to motivate Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) to retain key employees whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instill loyalty to, and reinforce a stronger identification by Participants with the long-term prosperity of, the Group;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for Shareholders; and
- (e) to align the interests of Participants with the interests of Shareholders.

4. ELIGIBILITY

4.1 The following persons shall be eligible to participate in the Option Scheme at the absolute discretion of the Committee:-

- (a) Employees and Directors who have attained the age of twenty-one on or before the Offer Date and who are not undischarged bankrupts; and
- (b) Controlling Shareholders or their Associates who qualify under sub-paragraph (a) above, provided that:-
 - (i) their participation in the Scheme is specially approved by independent Shareholders in a separate resolution for each such person;

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

- (ii) the aggregate number of Shares available to such Controlling Shareholders and their Associates shall not exceed 25.0 per cent. of the total number of Shares available under the Option Scheme; and
- (iii) the number of Shares available to any one Controlling Shareholder or his Associates shall not exceed 10.0 per cent. of the total number of Shares available under the Option Scheme.

Any Director who is a member of the Committee shall not be involved in the Committee's deliberations and decision in respect of Options to be granted to or held by that Director or employee. As a safeguard against abuse, in respect of Options to be granted to Controlling Shareholders and their Associates and the terms and conditions attached to such Options, all members of the Board who are not Controlling Shareholders or Associates of Controlling Shareholders (and not just members of the Committee) will be involved in deliberations.

No Option shall be granted to such Controlling Shareholder(s) or their Associates unless his participation in the Option Scheme and the actual number and the terms of the Options to be granted shall have been approved by the independent Shareholders in separate resolutions for each such person. A circular, letter or notice of participation proposing such a resolution should include clear rationale for the proposed participation by such Controlling Shareholders or their Associates. Such circular, letter or notice to Shareholders shall also include a clear rationale for the number and terms (including Exercise Price) of the Options to be granted.

Such Controlling Shareholder and Associate shall abstain from voting on the resolution in relation to his participation in the Option Scheme, the actual number and terms of Options to be granted and the grant of Options to him.

- 4.2 For the purposes of sub-paragraph 4.1(a) above, the secondment of an employee to another company shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.
- 4.3 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by any other Group Companies or by any associated company or otherwise.
- 4.4 Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Option Scheme may be amended from time to time at the absolute discretion of the Committee, which would be exercised judiciously.

5. MAXIMUM ENTITLEMENT

Subject to Rule 4 and Rule 10, the aggregate number of Shares in respect of which Options may be offered to a Grantee for subscription in accordance with the Option Scheme shall be determined at the discretion of the Committee who shall take into account, where applicable, criteria such as rank, past performance, years of service and potential contribution of the Participant. In respect of Options to be granted to Controlling Shareholders and their Associates and the terms and conditions attached to such Options, all members of the Board who are not Controlling Shareholders or Associates of Controlling Shareholders (and not just members of the Committee) will be involved in deliberations.

6. LIMITATION ON SIZE OF THE OPTION SCHEME

- 6.1 The aggregate number of Shares over which the Committee may grant Options on any date, when added to:
 - (a) the number of Shares issued and issuable in respect of all Options;
 - (b) the aggregate number of Shares issued or issuable in respect of any other share schemes of the Company, including any Awards; and

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

- (c) the number of treasury shares delivered in respect of the options granted under all other share-based incentive schemes of the Company (if any),

shall not exceed 15.0 per cent. of the issued Shares (excluding treasury shares) of the Company on the date preceding the Date of Grant.

- 6.2 The aggregate number of Shares over which the Committee may grant Options to the Controlling Shareholders and their Associates under the Option Scheme shall not exceed 25.0 per cent. of the Shares available under the Option Scheme, provided always that the number of Shares available to each Controlling Shareholder or each of his Associates shall not exceed 10.0 per cent. of the Shares available under the Option Scheme.
- 6.3 The number of Shares comprised in the Market Price Options or Incentive Options, as the case may be, to be offered to any Participant in accordance with the Option Scheme shall be determined at the absolute discretion of the Committee, who shall take into account, in respect of the Participant, criteria such as rank, past performance, years of service and potential for future development of that Participant.

7. DATE OF GRANT

- 7.1 The Committee may, save as provided in Rule 4, Rule 5 and Rule 6, offer to grant Options to such Grantees as it may select in its absolute discretion at any time during the period when the Option Scheme is in force, except that no offer of grant of Option(s) shall be made during the period of one (1) month immediately preceding the date of announcement of the Company's half year and full-year results. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers to grant Options may only be made on or after the second Market Day on which such announcement is released.
- 7.2 An offer to grant the Option to a Grantee shall be made by way of a letter of offer in or substantially in the form set out in Appendix A1, subject to such amendments as the Committee may determine from time to time.

8. ACCEPTANCE OF OFFER

- 8.1 An Option offered to a Grantee pursuant to Rule 7 may only be accepted by the Grantee within 30 days after the relevant Offer Date and not later than 5.00 p.m. on the 30th day from such Offer Date (a) by completing, signing and returning to the Company the Acceptance Form in or substantially in the form set out in Appendix A2, subject to such modification as the Committee may from time to time determine; and (b) if, at the date on which the Company receives from the Grantee the Acceptance Form in respect of the Option as aforesaid, he remains eligible to participate in the Option Scheme in accordance with these Rules. The grant of an Option shall be made in consideration of the agreement by the relevant Grantee to comply with and be subject to the terms of the Option Scheme and no cash consideration shall be required to be paid by the Grantee.
- 8.2 If a grant of an Option is not accepted strictly in the manner as provided in this Rule 8, such offer shall, upon the expiry of the 30 day period, automatically lapse and shall forthwith be deemed to be null and void and be of no effect.
- 8.3 The Company shall be entitled to reject any purported acceptance of a grant of an Option made pursuant to this Rule 8 or Exercise Notice given pursuant to Rule 12 which does not strictly comply with the terms of the Option Scheme.
- 8.4 Options are personal to the Grantees to whom they are granted and shall not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever without the Committee's prior written approval, but may be exercised by the Grantee's duly appointed personal representative as provided in Rule 11.6 in the event of the death of such Grantee.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

- 8.5 The Grantee may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Grantee shall accept the offer in multiples of 1,000 Shares.
- 8.6 In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and be of no effect and the relevant Participant shall have no claim whatsoever against the Company.
- 8.7 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:
- (a) it is not accepted in the manner as provided in Rule 8.1 within the 30 day period; or
 - (b) the Participant dies prior to his acceptance of the Option; or
 - (c) the Participant is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or
 - (d) the Grantee (being an Employee) ceases to be in the employment of the Group or (being a Director) ceases to be a Director of the Company, in each case, for any reason whatsoever prior to his acceptance of the Option; or
 - (e) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.

9. EXERCISE PRICE

- 9.1 Subject to any adjustment pursuant to Rule 10, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee, in its absolute discretion, on the Date of Grant, at:
- (a) a price equal to the Market Price; or
 - (b) a price which is set at a discount to the Market Price, provided that:
 - (i) the maximum discount shall not exceed 20.0 per cent. of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the SGX-ST); and
 - (ii) the Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the Option Scheme at a discount not exceeding the maximum discount as aforesaid.

In the event that the SGX-ST prescribes or permits a higher percentage of discount, the Company will seek Shareholders' approval for the increase in discount at a general meeting.

- 9.2 In making any determination under Rule 9.1(b) on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:
- (a) the performance of the Company and the other Group Companies, taking into account financial considerations such as the Group's sales/revenue, profit and performance targets;
 - (b) the years of service and individual performance of the Participant;
 - (c) the contribution of the Participant to the success and development of the Company and / or the Group; and
 - (d) the prevailing market conditions.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

10. ALTERATION OF CAPITAL

10.1 If a variation in the issued share capital of the Company (whether by way of a bonus issue or rights issue, cancellation, capital reduction, subdivision, consolidation, distribution or conversion or otherwise howsoever) should take place, then the Committee may determine whether:

- (a) the Exercise Price in respect of the Shares comprised in the Options to the extent unexercised and the rights attached thereto;
- (b) the class and / or number of Shares comprised in the Option to the extent unexercised and the rights attached thereto; and / or
- (c) the class and / or number of Shares in respect of which additional Option(s) may be granted to Option Holders,

may, be adjusted in such manner as the Committee may determine to be appropriate, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

10.2 Notwithstanding the provisions of Rule 10.1 above, no such adjustment shall be made (a) if as a result, the Participant receives a benefit that a Shareholder does not receive; and (b) unless the Committee after considering all relevant circumstances considers it equitable to do so.

10.3 For the avoidance of doubt, (i) the issue of securities as consideration for an acquisition of any assets by the Company; (ii) a private placement of securities; (iii) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares, in accordance with the Listing Manual, undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by the Shareholders (including any renewal of such mandate) is in force; (iv) an issue of Shares or securities convertible into or with rights to acquire or subscribe for Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business; and (v) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by the Company, will not be regarded as a circumstance requiring adjustment under the provisions of Rule 10 of the Option Scheme.

10.4 The restriction on the number of Shares to be offered to any Grantee under Rule 5 above, shall not apply to the number of additional Shares or Options over additional Shares issued by virtue of any adjustment to the number of Shares and / or Options pursuant to this Rule 10.

10.5 Upon any adjustment required to be made, the Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new Exercise Price thereafter in effect and the class and / or number of Shares thereafter comprised in the Option so far as unexercised. Any adjustment shall take effect upon such written notification being given.

11. EXERCISE PERIOD

11.1 Subject to Rule 11.2 below, unless otherwise determined in the sole discretion of the Committee, Options granted shall be exercised in the following manner:-

- (a) Options granted to a Participant (except Non-Executive Directors)

An Market Price Option shall be exercisable at any time by the Option Holder after the first anniversary of the Date of Grant of that Option, provided that the Option shall be exercised before the tenth anniversary of the relevant Date of Grant of that Option or such earlier date as may be determined by the Committee, failing which the unexercised Option shall immediately lapse and become null and void and the Option Holder shall have no claim against the Company.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

An Incentive Option shall be exercisable at any time by the Option Holder after the second anniversary of the Date of Grant of that Option, provided that the Option shall be exercised before the tenth anniversary of the relevant Date of Grant of that Option or such earlier date as may be determined by the Committee, failing which the unexercised Option shall immediately lapse and become null and void and the Option Holder shall have no claim against the Company.

(b) Options granted to Non-Executive Directors

An Market Price Option shall be exercisable at any time by the Non-Executive Director after the first anniversary of the Date of Grant of that Option, provided that the Option shall be exercised before the fifth anniversary of the relevant Date of Grant of that Option or such earlier date as may be determined by the Committee, failing which the unexercised Option shall immediately lapse and become null and void and the Option Holder shall have no claim against the Company.

An Incentive Option shall be exercisable at any time by the Non-Executive Director after the second anniversary of the Date of Grant of that Option, provided that the Option shall be exercised before the fifth anniversary of the relevant Date of Grant of that Option or such earlier date as may be determined by the Option Committee, failing which the unexercised Option shall immediately lapse and become null and void and the Option Holder shall have no claim against the Company.

11.2 Market Price Options may only be exercised after the first anniversary of the Date of Grant of such Options. Incentive Options may only be exercised after the second anniversary of the Date of Grant of such Options.

11.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and an Option Holder shall have no claim against the Company:

- (a) subject to Rules 11.3, 11.4, 11.5, 11.6, 11.7 and 11.8, upon the Option Holder ceasing to be in the employment of the Company or any of the companies within the Group for any reason whatsoever; or
- (b) upon the bankruptcy of the Option Holder or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such Option; or
- (c) in the event of misconduct on the part of the Participant, as determined by the Committee in its absolute discretion.

For the purpose of Rule 11.3(a), a Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

11.4 If an Option Holder ceases to be employed by a Group Company by reason of his:

- (a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Committee;
- (b) redundancy;
- (c) retirement at or after a normal retirement age;
- (d) retirement before that age with the consent of the Committee; or
- (e) or for any other reason approved in writing by the Committee,

he may, at the absolute discretion of the Committee exercise any unexercised Option(s) within the relevant Exercise Period and upon the expiry of such period, the Option(s) remaining unexercised shall immediately lapse and become null and void.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

- 11.5 If an Option Holder ceases to be employed by a Group Company by reason of the Group Company, by which he is principally employed, ceasing to be a company within the Group, the undertaking or part of the undertaking of such Group Company, being transferred otherwise than to another Group Company, or for any other reason, provided the Committee gives its consent in writing, he may, at the absolute discretion of the Committee, exercise any unexercised Option(s) within the relevant Exercise Period and upon the expiry of such period, the Option(s) remaining unexercised shall immediately lapse and become null and void.
- 11.6 If an Option Holder dies and at the date of his death holds any unexercised Option(s), such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Option Holder within the relevant Exercise Period and upon the expiry of such period, the Option(s) shall immediately lapse and become null and void.
- 11.7 If an Option Holder, who is also a Director, ceases to be a Director for any reason (other than by reason of his resignation), he may, at the absolute discretion of the Committee, exercise any unexercised Option(s) held by him within the relevant Exercise Period and upon the expiry of such period, the Option(s) shall immediately lapse and become null and void.
- 11.8 For the avoidance of doubt, upon an Option Holder ceasing to be employed by a Group Company by reason of his resignation from such Group Company, any Option(s) held by him remaining unexercised as at the date of his notice of resignation shall immediately lapse and become null and void.

12. EXERCISE OF OPTION(S), ALLOTMENT AND LISTING OF SHARES

- 12.1 An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by a Participant giving notice in writing to the Company in or substantially in the form set out in Appendix A3 (the “**Exercise Notice**”), subject to such amendments as the Committee may from time to time determine. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Committee may require. All payments shall be made by cheque, cashier's order, bank draft or postal order made out in favour of the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the said notice duly completed and the receipt by the Company of the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option.
- 12.2 Subject to any applicable law, such consents or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST) and compliance with the Company's Constitution and the Option Scheme, the Company shall have the flexibility to deliver Shares to the Participants upon the exercise of their Options in accordance with the following arrangement:
- (a) The delivery of the Shares may be made by the following means:
- (i) an allotment or issuance of New Shares;
 - (ii) the transfer of existing Shares, including any Shares acquired by the Company pursuant to a share purchase mandate and / or held by the Company as treasury shares; and / or
 - (iii) subject to the prior approval of the Committee and at the Committee's absolute discretion, pay the Equivalent Value in Cash (after deduction of any applicable taxes) to the Participant in lieu of issuing or delivering all or some of the Shares to be issued or delivered to the Participant.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

- (b) The “**Equivalent Value in Cash**” to be paid to a Participant in lieu of the New Shares to be issued or delivered upon exercise of an Option shall be calculated in accordance with the following formula:

$$A = B \times C$$

Where:

“**A**” is the Equivalent Value in Cash to be paid to the Participant in lieu of all or some of the New Shares to be issued or delivered upon the exercise of an Option.

“**B**” is the amount equivalent to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for the first five (5) Market Days on which there were transactions done for the New Shares on the SGX-ST immediately preceding the date on which an Option is deemed to be exercised in accordance with the rules of the Option Scheme.

“**C**” is such number of New Shares (as determined by the Company in its sole and absolute discretion) to be issued or delivered to the Participant upon the exercise of an Option in accordance with the rules of the Option Scheme.

- (c) In determining whether to issue New Shares or to deliver existing Shares or to pay the Equivalent Value in Cash to Participants to settle the exercise of the Option, the Committee shall have the right to take into account factors such as (but not limited to):
- (i) the prevailing market price of the Shares;
 - (ii) the prevailing market price of the Shares relative to the financial performance of the Company;
 - (iii) the cash position of the Company;
 - (iv) the projected cash needs of the Company;
 - (v) the dilution impact (if any);
 - (vi) the cost to the Company of issuing New Shares or purchasing existing Shares or paying the Equivalent Value in Cash; and
 - (vii) the liquidity of the Shares based on the average daily trading volume of the Shares, and in particular, whether the repurchase by the Company of existing Shares to deliver to Participants upon exercise of their Options would materially impact upon the market price of the Shares.
- (d) In the case of delivery of Shares pursuant to Rule 12.2(a)(i) and / or Rule 12.2(a)(ii), the Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within ten (10) Market Days after the date of the exercise of the Option in accordance with Rule 12.1, allot, transfer or procure the transfer (as the case may be) of the Shares in respect of which such Option has been exercised by the Participant, procure the related entry of the Participant's name in the Company's Register of Members as the owner of such Shares within five (5) Market Days from the date of such allotment or transfer and despatch the relevant share certificates to CDP for the credit of the Securities Account of that Participant by ordinary post or such other mode of delivery as the Committee may deem fit.
- (e) In the case of delivery of Shares pursuant to Rule 12.2(a)(iii), the Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within ten (10) Market Days after the date of the exercise of the Option in accordance with Rule 12.1, procure the payment of the Equivalent Value in Cash to that Participant.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

- 12.3 The Company shall, if necessary, as soon as practicable after the exercise of an Option, apply to the SGX-ST or any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 10.
- 12.4 Shares which are all allotted on the exercise of an Option by a Participant shall be issued, as the Participant may elect, in the name of CDP to the credit of the Securities Account of the Participant maintained with CDP or the Participant's securities sub-account with a CDP Depository Agent.
- 12.5 Shares issued and allotted or treasury shares which are transferred upon the exercise of an Option shall be subject to all provisions of the Constitution of the Company and shall rank *pari passu* in all respects with the then existing issued Shares in the capital of the Company except for any dividends, rights (including voting rights), allotments or other distributions, the Record Date for which falls prior to the date of issue or transfer (as the case may be) of the said Shares.
- 12.6 Except as set out in Rule 12.2 and subject to Rule 10, an Option does not confer on a Participant any right to participate in any new issue of Shares.
- 12.7 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

13. MODIFICATIONS TO THE OPTION SCHEME

- 13.1 Any or all the provisions of the Option Scheme may be modified and / or altered at any time and from time to time by resolution of the Committee, except that:
- (a) any modification or alteration which shall alter adversely the rights attaching to any Option granted prior to such modification or alteration and which in the opinion of the Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters of all the Shares which would fall to be allotted or transferred upon exercise in full of all outstanding Options;
 - (b) any modification or alteration which would be to the advantage of Participants under the Option Scheme shall be subject to the prior approval of the Company's Shareholders in general meeting; and
 - (c) no modification or alteration shall be made without the prior approval of the SGX-ST or (if required) any other stock exchange on which the Shares are quoted and listed, and such other regulatory authorities as may be necessary.

For the purposes of Rule 13.1(a), the opinion of the Committee as to whether any modification or alteration would alter adversely the rights attaching to any Option shall be final and conclusive.

- 13.2 Notwithstanding anything to the contrary contained in Rule 13.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Option Scheme in any way to the extent necessary to cause the Option Scheme to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 13.3 Written notice of any modification or alteration made in accordance with this Rule 13 shall be given to all Participants.

14. DURATION OF THE OPTION SCHEME

- 14.1 The Option Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the date on which the Option Scheme is

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

adopted by Shareholders at a general meeting. Subject to compliance with any applicable laws and regulations in Singapore, the Option Scheme may be continued beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

- 14.2 The Option Scheme may be terminated at any time by the Committee or by resolution of the Shareholders at a general meeting subject to all other relevant approvals which may be required and if the Option Scheme is so terminated, no further Options shall be offered by the Company hereunder.
- 14.3 The termination, discontinuance or expiry of the Option Scheme shall be without prejudice to the rights accrued to Options which have been granted and accepted as provided in Rule 8, whether such Options have been exercised (whether fully or partially) or not.

15. TAKE-OVER AND WINDING UP OF THE COMPANY

- 15.1 In the event of a take-over offer being made for the Company, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and 11.2) holding Options as yet unexercised shall, notwithstanding Rule 11 and Rule 12 but subject to Rule 15.5, be entitled to exercise such Options in full or in part in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which the offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (a) the expiry of six (6) months thereafter, unless prior to the expiry of such six (6) month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or
- (b) the date of the expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall immediately lapse and become null and void.

Provided always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Companies Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participants until such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised by the said specified date shall lapse and become null and void provided that the rights of acquisition or obligation to acquire stated in the notice shall have been exercised or performed, as the case may be and if such rights of acquisition or obligations have not been exercised or performed, all Options shall, subject to Rule 11.3, remain exercisable until the expiry of the Option Period.

- 15.2 If, under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and 11.2) shall notwithstanding Rule 11 and Rule 12 but subject to Rule 15.5, be entitled to exercise any Option then held by them during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option shall lapse and become null and void, Provided always that the date of exercise of any Option shall be before the second anniversary of the relevant date of vesting, or such earlier date as may be determined by the Committee.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

- 15.3 If an order or an effective resolution is passed for the winding up of the Company on the basis of its insolvency, all Options, to the extent unexercised, at the date of such order or resolution shall lapse and become null and void.
- 15.4 In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this Rule 15.4) and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall, subject to Rule 12.2, as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.
- 15.5 If in connection with the making of a general offer referred to in Rule 15.1 above or the scheme referred to in Rule 15.2 above or the winding up referred to in Rule 15.4 above, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 15.
- 15.6 To the extent that an Option is not exercised within the periods referred to in this Rule 15, it shall lapse and become null and void.

16. ADMINISTRATION OF THE OPTION SCHEME

- 16.1 The Option Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board. In respect of Options to be granted to Controlling Shareholders and their Associates and the terms and conditions attached to such Options, all members of the Board who are not Controlling Shareholders or Associates of Controlling Shareholders (and not just members of the Committee) will be involved in deliberations.
- 16.2 The Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the Option Scheme) for the implementation and administration of the Option Scheme as it thinks fit.
- 16.3 Any decision of the Committee, made pursuant to any provision of the Option Scheme (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Option Scheme or any rule, regulation, or procedure thereunder or as to any rights under the Option Scheme).
- 16.4 A Director who is a member of the Committee shall not be involved in its deliberation in respect of Option(s) to be granted to him.

17. NOTICES

- 17.1 Any notice given by a Participant to the Company shall be sent by post or delivered to the registered office of the Company or such other address as may be notified by the Company to the Participant in writing.
- 17.2 Any notice or documents given by the Company to a Participant shall be sent to the Participant by hand or sent to him at his home address stated in the records of the Company or the last known address of the Participant, and if sent by post shall be deemed to have been given on the day immediately following the date of posting.

18. TERMS OF EMPLOYMENT UNAFFECTED

- 18.1 The Option Scheme or any Option granted under it shall not form part of any contract of employment between the Company or any Group Company and any Participant and the rights and obligations of any individual under the terms of the office or employment with such company within the Group shall not be affected by his participation in the Option Scheme or any right which he may have to participate in it or any Option which he may hold and the Option Scheme or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.
- 18.2 The Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against any Group Company directly or indirectly or give rise to any cause of action at law or in equity against any Group Company.

19. TAXES

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Option Scheme shall be borne by that Participant.

20. COSTS AND EXPENSES OF THE OPTION SCHEME

- 20.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment and / or transfer of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's Securities Account with CDP, or the Participant's securities sub-account with a Depository Agent or CPF investment account with a CPF agent bank and all taxes referred to in Rule 19 which shall be payable by the relevant Participant.
- 20.2 Save for such costs and expenses expressly provided in the Option Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Option Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

21. CONDITION OF OPTION

Every Option shall be subject to the condition that no Shares shall be issued and / or transferred pursuant to the exercise of an Option if such issue and / or transfer would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country.

22. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained and subject to the Companies Act, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with the Option Scheme, including but not limited to the Company's delay in allotting and issuing and / or transferring the Shares or in applying for or procuring the listing of the Shares on the SGX-ST.

23. DISCLOSURES

- 23.1 In accordance with the Listing Manual, the Company shall, on any grant of Option(s) make an announcement providing details of the grant, including the date of grant, exercise price of Option(s) granted, number of Option(s) granted, market price of its securities on the date of grant, number of Option(s) granted to directors and controlling shareholders (and their associates), if any, and validity period of the Option(s).
- 23.2 The Company shall make the following disclosure in its annual report:
- (a) The names of the members of the Committee administering the Option Scheme.

APPENDIX E – RULES OF THE AZTECH EMPLOYEE SHARE OPTION SCHEME

- (b) In respect of the Select Persons, the following information:
 - (i) The name of the person.
 - (ii) The following particulars relating to Options granted under the Option Scheme:
 - (1) The aggregate Options granted during the financial year under review (including terms).
 - (2) The aggregate Options granted since the commencement of the Option Scheme to the end of the financial year under review.
 - (3) The aggregate Options exercised since the commencement of the Option Scheme to the end of the financial year under review.
 - (4) The aggregate Options outstanding as at the end of the financial year under review.
- (c) The number and proportion of Options granted at the following discounts to the relevant Market Price of the Shares in the financial year under review:
 - (i) Options granted at up to 10.0 per cent. discount; and
 - (ii) Options granted at between 10.0 per cent. but not more than 20.0 per cent. discount.
- (d) Disclosure in the annual report of information on Options granted to directors and employees of the Company's parent company and its subsidiaries would not be necessary as such persons are not Participants.

24. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the Option Scheme must abstain from voting on any Shareholders' resolution relating to the Option Scheme and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular Shareholders who are eligible to participate in the Option Scheme shall abstain from voting on the following resolutions, where applicable: (a) implementation of the Option Scheme; (b) the maximum discount which may be given in respect of any Option, and (c) participation by and grant of Options to Controlling Shareholders and their associates.

25. SHAREHOLDERS' APPROVAL

The participation of each Controlling Shareholder and each of his Associates must be specifically approved by independent Shareholders in separate resolutions for each such person. Each grant of Options (including the actual number and the terms of the Options to be granted) to a Controlling Shareholder or his Associates must be specifically approved by independent Shareholders in separate resolutions for each such grant of Options.

26. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

27. GOVERNING LAW

The Option Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Option Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

1. NAME OF THE PLAN

The performance share plan shall be called the “Aztech Performance Share Plan”.

2. DEFINITIONS

In this performance share plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Act”	Companies Act (Chapter 50) of Singapore, as amended or modified from time to time;
“Associate”	<p>(a) in relation to any Director, Chief Executive Officer of the Company or a Controlling Shareholder (being an individual) means:</p> <ul style="list-style-type: none">(i) his immediate family;(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; <p>(b) in relation to a Controlling Shareholder (being a company) means any other company which is its Subsidiary or holding company or is a Subsidiary of such holding company or one in the equity of which it and or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;</p>
“Auditors”	The auditors of the Company for the time being;
“Award”	A contingent award of Shares granted under the Plan;
“Award Date”	In relation to an Award, the date on which the Award is granted;
“CDP”	The Central Depository (Pte) Limited;
“Chief Executive Officer”	The most senior executive officer who is responsible under the immediate authority of the Board for the conduct of the business of the Company;
“Committee”	The committee comprising all the members of the Remuneration Committee of the Company from time to time, and duly authorised and appointed by the Board pursuant to Rule 10 of the Plan to administer the Plan;
“Company”	Aztech Global Ltd.;
“Control”	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

“Controlling Shareholder”	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting Shares in the Company (unless the SGX-ST determines that such a person is not a Controlling Shareholder of the Company); or (b) in fact exercises Control over the Company;
“CPF”	Central Provident Fund;
“Director”	A director of the Company, including an alternate director for the time being;
“Employee”	An employee of the Group;
“Equivalent Value in Cash”	Shall have the meaning ascribed to it in Rule 12.2(b).
“Executive Director”	A director of the Company who performs an executive function;
“Group”	The Company and its Subsidiaries, collectively;
“Immediate Family”	In relation to a person means the person's spouse, child, adopted child, step-child, sibling and parent;
“Independent Director”	An independent director of the Company;
“Listing Board”	The mainboard of the SGX-ST;
“Listing Manual”	Part A: Mainboard Rules of the Listing Manual of the SGX-ST as amended, supplemented or modified from time to time;
“Market Day”	A day on which the SGX-ST is open for trading in securities.
“Market Price”	The average of the last dealt prices for a Share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive Market Days immediately prior to the relevant Date of Grant, provided always that in the case of a Market Day on which the Shares of the Company were not traded on the SGX-ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices.
“Non-Executive Director”	A non-executive non-independent director of the Company;
“Option”	The right to subscribe for Shares granted or to be granted to an Employee pursuant to the Option Scheme and for the time being subsisting;
“Option Scheme”	The Aztech Employee Share Option Scheme, as the same may be modified or altered from time to time;
“Participant”	An eligible person elected by the Remuneration Committee to participate in the Plan in accordance with the rules thereof;

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

“Plan”	The proposed performance share plan, as modified or altered from time to time;
“Record Date”	In relation to any dividends, rights allotment or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which the Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions;
“Released Award”	An Award which has been released in accordance with Rule 7;
“Released Schedule”	In relation to an Award, a schedule in such form as the Remuneration Committee shall approve, setting out the extent to which Shares which are the subject of that Award shall be released on the performance target(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
“Rules”	These Rules of the Plan and any reference to a particular Rule shall be construed accordingly;
“Securities Account”	A securities account maintained by a Depositor with CDP but does not include a securities sub-account;
“Select Persons”	<p>The following persons:</p> <ul style="list-style-type: none">(a) Participants who are Directors;(b) Participants who are Controlling Shareholders of the issuer and their Associates; and(c) Participants, other than those in (a) and (b) who have been granted Options under the Option Scheme and / or who have received Shares pursuant to Awards granted under the Plan which in aggregate, represent 5% or more of the aggregate of:<ul style="list-style-type: none">(i) the total number of new Shares available under the Option Scheme and the Plan collectively; and(ii) the total number of existing Shares purchased for delivery of Shares pursuant to the exercise of Options under the Option Scheme and Awards released under the Plan;
“SGX-ST”	The Singapore Exchange Securities Trading Limited;
“Shareholders”	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors in the Depository Register maintained by the CDP and whose Securities Accounts are credited with those Shares. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts;

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

“Shares”	Ordinary shares in the capital of the Company;
“Subsidiary”	Has the meaning ascribed to it in Section 5 of the Act;
“Vesting Date”	In relation to Shares which are the subject of a Released Award, the date (as determined by the Committee and notified to the relevant Participant) on which those Shares have vested pursuant to Rule 7;

Currencies, Units and Others

“S\$” and “SG cents”	Singapore dollars and cents, respectively; and
“%” or “per cent.”	Percentage or per centum.

The terms **“Depositor”** and **“Depository Register”** shall have the meanings ascribed to them respectively by Section 81SF of Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Plan to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Act, the SGX-ST Listing Manual or any modification thereof and used in this Plan shall have the same meaning assigned to it under the Act, the SGX-ST Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Plan shall be a reference to Singapore time unless otherwise stated.

The headings in this Plan are inserted for convenience only and shall be ignored in construing this Plan.

3. OBJECTIVES OF THE PLAN

The Plan is a share incentive scheme which will allow the Company, *inter alia*, to target specific performance objectives and to provide an incentive for Participants to achieve these targets. The Directors believe that the new plan will incentivise Participants to excel in their performance and encourage greater dedication and loyalty to the Company and also help to achieve the following positive objectives:

- (a) to motivate Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) to retain key employees whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instill loyalty to, and reinforce a stronger identification by Participants with the long-term prosperity of, the Group;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for Shareholders; and
- (e) to align the interests of Participants with the interests of Shareholders.

4. ELIGIBILITY

4.1. The persons eligible to participate in the Plan must be:

- (a) Employees and Directors who have attained the age of twenty-one on or before the Offer Date and who are not undischarged bankrupts; and
- (b) Controlling Shareholders or their Associates who qualify under sub-paragraph (a) above, provided that:
 - (i) their participation in the Plan is specially approved by independent Shareholders in a separate resolution for each such person;
 - (ii) the aggregate number of Shares available to such Controlling Shareholders and their Associates shall not exceed 25.0 per cent. of the total number of Shares available under the Plan; and
 - (iii) the number of Shares available to any one Controlling Shareholder or his Associates shall not exceed 10.0 per cent. of the total number of Shares available under the Plan.

4.2. Subject to the absolute discretion of the Committee, Controlling Shareholders and their Associates who meet the criteria set out in Rule 4.1 above are eligible to participate in the Plan provided that:

- (a) their participation; and
- (b) the terms of each grant and actual number of Awards to be granted to them under the Plan, have been approved by the independent Shareholders in a general meeting, in separate resolutions for each such person, and in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the actual number of Shares and terms of any Award to be granted to him.

For the purposes of obtaining such approval of the independent Shareholders, the Committee shall procure that the circular, letter or notice to the Shareholders in connection therewith shall set out the following:–

- (i) clear justifications for the participation of such Controlling Shareholders or Associates of Controlling Shareholders; and
- (ii) clear rationale for the terms of the Award to be granted to such Controlling Shareholders or Associates of Controlling Shareholder.

4.3. There shall be no restriction on the eligibility of any Participant to participate in any other share option schemes or share incentive schemes implemented or to be implemented by the Company or another company within the Group.

4.4. Subject to the Act and any requirements of the SGX-ST or any other stock exchange on which the Shares may be listed or quoted, the terms of eligibility for participation in the Plan may be amended from time to time at the absolute discretion of the Committee.

5. GRANT OF AWARDS

5.1. Subject as provided in Rule 8, the Committee may grant Awards to Participants, as the Committee may select, in its absolute discretion, at any time during the period when the Plan is in force.

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

- 5.2. The number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take account criteria such as, *inter alia*, his rank, scope of responsibilities, performance, years of service and potential for future development and the extent of effort and resourcefulness with which the performance target(s) may be achieved within the performance period. The performance targets will be set by the Committee depending on each individual Participant's job scope and responsibilities.

The performance targets which may be set by the Committee are intended to be based on corporate objectives covering market competitiveness, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of performance targets which may be set, include target-based criteria such as shareholders' return, return on equity, market share and return on sales of the Group and other criteria as the Committee may determine.

In addition to the performance targets, in relation to each Award, the Committee shall have the discretion to prescribe a vesting period of between one (1) to 10 years depending on the importance of the individual Participant to the long-term growth of the Group and such other conditions as the Committee may determine.

- 5.3. The Committee shall decide in relation to an Award:

- (a) the Participant;
- (b) the Award Date;
- (c) the performance period;
- (d) the number of Shares which are the subject of the Award;
- (e) the performance target(s) which shall be set according to the specific roles of each Participant, and which may differ from Participant to Participant;
- (f) the Released Schedule; and
- (g) any other condition which the Committee may determine in relation to that Award.

- 5.4. The Committee may amend or waive the performance period, the performance target(s) and / or the Released Schedule in respect of any Award:

- (a) in the event of a take-over offer being made for the Shares or if Shareholders or under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies or in the event of a proposal to liquidate or sell all or substantially all of the assets of the Company; or
 - (b) if anything happens which causes the Committee to conclude that:
 - (i) a changed performance target(s) and / or Released Schedule would be a fairer measure of performance, and would be no less difficult to satisfy; or
 - (ii) the performance target(s) and / or Released Schedule should be waived,
- and shall notify the Participants of such change or waiver.

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

- 5.5. As soon as reasonably practicable after making an Award the Committee shall send to each Participant an award letter confirming the Award and specifying in relation to the Award:
- (a) the Award Date;
 - (b) the performance period;
 - (c) the number of Shares which are the subject of the Award;
 - (d) the performance target(s);
 - (e) the Released Schedule; and
 - (f) any other condition which the Committee may determine in relation to that Award.
- 5.6. Participants are not required to pay for the grant of Awards.
- 5.7. An Award or Released Award shall be personal to the Participant to whom it is granted and, prior to the allotment to the Participant of the Shares to which the Released Award relates, shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Award or Released Award without the prior approval of the Committee, that Award or Released Award shall immediately lapse.

6. EVENTS PRIOR TO THE VESTING PERIOD

- 6.1. An Award shall, to the extent not yet released, immediately lapse without any claim whatsoever against the Company:
- (a) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion;
 - (b) subject to Rule 6.2, upon the Participant ceasing to be in the employment of the Group for any reason whatsoever;
 - (c) the bankruptcy of the Participant or the happening of any other event which results in him being deprived of the legal or beneficial ownership of an Award; or
 - (d) in the event of an order being made or a resolution passed for the winding up of the Company on the basis, or by reason, of its insolvency.

For the purpose of Rule 6.1(b), the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date. Further, for the purpose of determining eligibility to participate in the Plan, the secondment of an employee of the Group to another company within the Group shall not be regarded as a break in his employment with or his having ceased by reason only of such secondment to be a full-time employee of the Group (as applicable).

- 6.2. In any of the following events, namely:
- (a) where the Participant, ceases to be in the employment of the Group by reason of:
 - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii) redundancy;

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

- (iii) retirement at or after the legal retirement age;
 - (iv) retirement before the legal retirement age with the consent of the Committee; or
 - (v) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company of the Group;
- (b) the Participant ceasing to be a Non-Executive Director or Independent Director for any reason; or
- (c) the death of a Participant; or
- (d) any other event approved by the Committee,

then the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to vest some or all of the Shares which are the subject of any Award or to preserve all or part of any Award until the end of the performance period and subject to the provisions of the Plan. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the performance target(s) has been satisfied.

6.3. Without prejudice to the provisions of Rule 5.4, if before the Vesting Date, any of the following occurs:

- (a) a take-over offer for the Shares becomes or is declared unconditional;
- (b) a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies being approved by shareholders of the Company and / or sanctioned by the applicable courts under applicable legislation; or
- (c) an order being made or a resolution being passed for the winding up of the Company (other than as provided in Rule 6.1(d) or for amalgamation or reconstruction),

the Committee will consider, at its discretion, and subject to any legal or regulatory requirements, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will have regard to the proportion of the performance period which has elapsed and the extent to which the performance target(s) has been satisfied and any legal or regulatory requirements, provided that any Awards not released prior to commencement of the winding up of the Company (whether voluntary or by order of court) shall, upon commencement of such winding up be null and void. Subject to the foregoing, where Awards are released, the Committee will, as soon as practicable after the Awards have been released, procure the allotment to each Participant of the number of Shares so determined, such allotment to be made in accordance with Rule 7.

7. RELEASE OF AWARDS

- 7.1. As soon as reasonably practicable after the end of each performance period, the Committee shall review the performance target(s) specified in respect of that Award and determine whether they have been satisfied and, if so, the extent to which they have been satisfied (whether fully or partially) and the number of Shares to be released.
- 7.2. If the Committee determines in its sole discretion that the performance target(s) has not been satisfied or if the relevant Participant has not continued to be an employee of the Group from the

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

Award Date up to the end of the relevant performance period that Award (subject to Rule 6) shall lapse and be of no value and the provisions of Rules 7.2 to 7.10 shall be of no effect.

- 7.3. The Committee shall have the discretion to determine whether the performance target(s) has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Group or the Company, as the case may be, to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the Committee decides that a changed performance target would be a fairer measure of performance.
- 7.4. Subject to any applicable law such and consents or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST) and compliance with the Company's Constitution and the Plan, the Company shall have the flexibility to deliver Shares to the Participants upon vesting of their Awards in accordance with the following arrangement:

- (a) The delivery of the Shares may be made by the following means:
- (i) an allotment or issuance of new Shares;
 - (ii) the transfer of existing Shares, including any Shares acquired by the Company pursuant to a share purchase mandate and / or held by the Company as treasury shares; and / or
 - (iii) subject to the prior approval of the Committee and at the Committee's absolute discretion, pay the Equivalent Value in Cash (after deduction of any applicable taxes) to the Participant in lieu of issuing or delivering all or some of the Shares to be issued or delivered to the Participant.
- (b) The **"Equivalent Value in Cash"** to be paid to a Participant in lieu of the new Shares to be issued or delivered upon the vesting of an Award shall be calculated in accordance with the following formula:

$$A = B \times C$$

Where:

"A" is the Equivalent Value in Cash to be paid to the Participant in lieu of all or some of the new Shares to be issued or delivered upon the vesting of an Award.

"B" is the amount equivalent to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for the first five (5) Market Days on which there were transactions done for the new Shares on the SGX-ST immediately preceding the date on which the Award is released in accordance with the rules of the Plan.

"C" is such number of new Shares (as determined by the Company in its sole and absolute discretion) to be issued or delivered to the Participant upon the vesting of an Award in accordance with the rules of the Plan.

- (c) In determining whether to issue new Shares or to deliver existing Shares or to pay the Equivalent Value in Cash to Participants to settle the exercise of the Option, the Committee shall have the right to take into account factors such as (but not limited to):
- (i) the prevailing market price of the Shares;

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

- (ii) the prevailing market price of the Shares relative to the financial performance of the Company;
 - (iii) the cash position of the Company;
 - (iv) the projected cash needs of the Company;
 - (v) the dilution impact (if any);
 - (vi) the cost to the Company of issuing new Shares or purchasing existing Shares or paying the Equivalent Value in Cash; and
 - (vii) the liquidity of the Shares based on the average daily trading volume of the Shares, and in particular, whether the repurchase by the Company of existing Shares to deliver to Participants upon vesting of their Awards would materially impact upon the market price of the Shares.
- 7.5. In determining whether to issue new Shares or to transfer Shares held in treasury to satisfy the Award, the Company will have the right to take into account factors such as but not limited to the number of Shares to be delivered, the prevailing market price of the Shares, the financial effect on the Company of either issuing new Shares or transferring Shares held in treasury.
- 7.6. The Committee will procure, upon the Board's approval therefore, the allotment or transfer to each Participant of the number of Shares which are to be released to that Participant pursuant to an Award under Rule 5. Any proposed issue of new Shares will be subject to there being in force at the relevant time the requisite Shareholders' approval under the Act for the issue of Shares. Any allotment of new Shares pursuant to an Award will take into account the rounding of odd lots.
- 7.7. Where new Shares are to be allotted or any Shares are to be transferred to a Participant pursuant to the release of any Award, the Vesting Date will be a trading day falling as soon as practicable after the review by the Committee referred to in Rule 7.1. On the Vesting Date, the Committee will procure the allotment or transfer to each Participant of the number of Shares so determined.
- 7.8. Where new Shares are to be allotted upon the vesting of any Award, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST for permission to deal in and for quotation of such Shares on the Listing Board.
- 7.9. Shares which are allotted or transferred on the release of an Award to a Participant shall be issued in the name of, or transferred to, CDP to the credit of either:
- (a) the Securities Account of that Participant maintained with CDP; or
 - (b) or the securities sub-account of that Participant maintained with a Depository Agent, or
 - (c) the CPF investment account maintained with a CPF agent bank,
- in each case, as designated by that Participant. Until such issue or transfer of such Shares has been effected, that Participant shall have no voting rights nor any entitlements to dividends or other distributions declared or recommended in respect of any Shares which are the subject of the Award granted to him.
- 7.10. New Shares allotted and issued, and existing Shares held in treasury procured by the Company for transfer, on the release of an Award shall:
- (a) be subject to all the provisions of the Constitution of the Company; and

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

- (b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or before the relevant Vesting Date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

8. LIMITATION ON THE SIZE OF THE PLAN

8.1. The total number of new Shares which may be issued pursuant to Awards, when added to:

- (a) the number of Shares issued and issuable in respect of all other Awards granted under the Plan;
- (b) the aggregate number of Shares issued or issuable in respect of any other share schemes of the Company; and
- (c) the number of treasury shares delivered in respect of the options granted under all other share-based incentive schemes of the Company (if any),

shall not exceed 15.0 per cent. of the issued Shares (excluding treasury shares) of the Company on the date preceding the relevant Award Date.

8.2. The following additional limits must not be exceeded:-

- (a) The aggregate number of Shares available to Controlling Shareholders and their Associates must not exceed 25 per cent. of the Shares available under the Plan; and
- (b) The number of Shares available to each Controlling Shareholder or his Associate must not exceed 10 per cent. of the Shares available under the Plan.

8.3. Shares which are the subject of Awards which have lapsed for any reason whatsoever may be the subject of further Awards granted by the Committee under the Plan.

9. ADJUSTMENT EVENTS

9.1. If a variation in the issued ordinary Share capital of the Company (whether by way of a bonus issue or rights issue, capital reduction, subdivision, consolidation of Shares, distribution or otherwise) shall take place, then:

- (a) the class and / or number of Shares which are the subject of Awards to the extent not yet vested; and / or
- (b) the class and / or number of Shares in respect of which future Awards may be granted under the Plan,

shall be adjusted in such manner as the Committee may determine at its own discretion to be appropriate.

9.2. Unless the Committee considers an adjustment to be appropriate, the following events shall not normally be regarded as a circumstance requiring adjustment:

- (a) issue of securities as consideration for an acquisition or a private placement of securities;
- (b) cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force;
- (c) an issue of Shares or other securities convertible into or with rights to acquire or subscribe for Shares to the Directors or Employees of the Company pursuant to purchase or option scheme approved by Shareholders in general meeting, including the Plan or any other share-based incentive schemes implemented by the Company;

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

- (d) an issue of Shares or securities convertible into or with rights to acquire or subscribe for Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business; and
 - (e) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by the Company.
- 9.3. Notwithstanding the provisions of Rule 9.1:
 - (a) any adjustment (except in relation to a bonus issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable; and
 - (b) the adjustment must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive.
- 9.4. Upon any adjustment made, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and / or number of Shares thereafter to be issued pursuant to the grant of an Award. Any adjustment shall take effect upon such written notification being given.
- 9.5. Subject to the Rules, the Plan may be modified and / or altered at any time and from time to time by a resolution of the Committee provided that:
 - (a) no modification or alteration shall be made which would adversely affect the rights attaching to any Awards granted prior to such modification or alteration except with the consent in writing of such number of Plan Participants who, if their Awards were released to them in full, would become entitled to not less than three-quarters in number of all the Shares which would be issued or delivered, as the case may be, upon the release of in full of all outstanding Awards;
 - (b) any modifications or alteration which would be to the advantage of Participants shall not be made except with the prior approval of the Shareholders in general meeting; and
 - (c) no modification or alteration shall be made except in compliance with the Listing Manual or such other stock exchange on which the Shares are quoted or listed and such other regulatory authorities as may be necessary.

10. ADMINISTRATION OF THE PLAN

- 10.1. The Plan shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board provided that a member of the Committee who is a Participant shall not be involved in the deliberations of the Committee in respect of the Awards to be granted to him in compliance with the requirements of the Listing Manual.
- 10.2. The Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and / or regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan, to give effect to the provisions of the Plan and / or to enhance the benefit of the Awards and the Released Awards to the Participants, as they may, in their absolute discretion, think fit. Any matter pertaining or pursuant to the Plan and any dispute and uncertainty as to the interpretation of the Plan, any rule, regulation or procedure thereunder or any rights under the Plan shall be determined by the Committee.
- 10.3. Neither the Plan nor the grant of Awards under the Plan shall impose on the Company or the Committee or any of its members any liability whatsoever in connection with:
 - (a) the lapsing of any Awards pursuant to any provision of the Plan;

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

- (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Plan; and / or
 - (c) any decision or determination of the Committee made pursuant to any provision of the Plan.
- 10.4. Any decision or determination of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final, binding and conclusive (including for the avoidance of doubt, any decision pertaining to disputes as to the interpretation of the Plan or any rule, regulation or procedure hereunder or as to any right under the Plan). The Committee shall not be required to furnish any reasons for any decision or determination made by it.

11. NOTICES AND COMMUNICATIONS

- 11.1. Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to the Participant in writing.
- 11.2. Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person or persons as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company.
- 11.3. Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 11.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

12. MODIFICATIONS TO THE PLAN

- 12.1. Any or all the provisions of the Plan may be modified and / or altered at any time and from time to time by resolution of the Committee, except that:
- (a) no modification or alteration shall alter adversely the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were released to them upon the performance target(s) for their Awards being satisfied in full, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release of all outstanding Awards upon the performance target(s) for all outstanding Awards being satisfied in full;
 - (b) any modifications or alteration which would be to the advantage of Participants shall not be made except with the prior approval of the Shareholders in general meeting; and
 - (c) no modification or alteration shall be made except in compliance with the Listing Manual or such other stock exchange on which the Shares are quoted or listed and such other regulatory authorities as may be necessary.

For the purposes of Rule 12.1(a), the opinion of the Committee as to whether any modification or alteration would adversely affect the rights attached to any Award shall be final, binding and conclusive.

For the avoidance of doubt, nothing in this Rule 12.1 shall affect the right of the Committee under any other provision of the Plan or adjust any Award.

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

12.2. Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Plan in any way to the extent necessary or desirable, in the opinion of the Committee, to cause the Plan to comply with, or take into account, any statutory provision (or any amendment or modification thereto, including amendment of or modification to the Act) or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST or such other stock exchange on which the Shares are quoted or listed).

12.3. Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants.

13. TERMS OF EMPLOYMENT UNAFFECTED

The terms of employment of a Participant shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

14. DURATION OF THE PLAN

14.1. The Plan shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Plan is adopted by the Company in general meeting, provided always that the Plan may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting, and of any relevant authorities which may then be required.

14.2. The Plan may be terminated at any time at the discretion of the Committee, or by an ordinary resolution passed by the Shareholders at a general meeting subject to all other relevant approvals which may be required and if the Plan is so terminated, no further Awards shall be offered by the Company hereunder.

14.3. Notwithstanding the expiry or termination of the Plan, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

15. TAXES

All taxes (including income tax) arising from the grant or release of any Awards to any Participants under the Plan shall be borne by the Participants.

16. COSTS AND EXPENSES OF THE PLAN

16.1. Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the release of any Awards in CDP's name, the deposit of share certificate(s) with CDP, the Participant's Securities Account with CDP, or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

16.2. Save for the taxes referred to in Rule 15 and such other costs and expenses expressly provided in the Plan to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Plan including, but not limited to, the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the release of any Award shall be borne by the Company.

17. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's

APPENDIX F – RULES OF THE AZTECH PERFORMANCE SHARE PLAN

delay in issuing or procuring the transfer of, the Shares or applying for or procuring the listing of new Shares on the Official List of the SGX-ST in accordance with Rule 7.8 or any other stock exchange on which the Shares are listed or quoted.

18. DISCLOSURES IN ANNUAL REPORT

18.1. In accordance with the rules of the Listing Manual, the following shall be disclosed by the Company in its annual report as long as the Plan continues in operation:

- (a) The names of the members of the Committee administering the Plan.
- (b) In respect of the Select Persons, the following information:
 - (i) The name of the person.
 - (ii) The following particulars relating to Awards granted released under the Plan:
 - (1) The number of new Shares issued to such person during the financial year under review.
 - (2) The number of existing Shares transferred to such person during the financial year under review.
 - (3) The number of New Shares issued to such person since the commencement of the Plan to the end of the financial year under review.
 - (4) The number of existing Shares transferred to such person since the commencement of the Plan to the end of the financial year under review.
- (c) In relation to the Plan, the following particulars:
 - (i) The aggregate number of Shares comprised in Awards granted since the commencement of the Plan to the end of the financial year under review.
 - (ii) The aggregate number of Shares comprised in Awards which have vested during the financial year under review and in respect of such Awards, the proportion of:
 - (1) new Shares issued; and
 - (2) existing Shares purchased, including the range of prices at which such Shares have been purchased,upon the release of the vested Awards.
 - (iii) The aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review.

If any of the above disclosure is not applicable, an appropriate negative statement will be included.

19. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the Plan are to abstain from voting on any Shareholders' resolution relating to the Plan and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular Shareholders who are eligible to participate in the Plan shall abstain from voting on the following resolutions, where applicable: (a) implementation of the Plan; and (b) participation by and grant of Awards to Controlling Shareholders and their Associates.

20. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

21. ISSUE CONTRARY TO LAW

Every Award shall be subject to the condition that no Shares shall be vested pursuant to an Award under the Plan if such vesting would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

22. GOVERNING LAW

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Awards in accordance with the Plan, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT, CHAPTER 53B

No person other than the Company or a Participant shall have any right to enforce any provision of the Plan or any Award by the virtue of the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

**Independent Market Research Report
on the Global IoT, Data Communication
and LED Lighting Markets**

January 2021

F R O S T  S U L L I V A N

© 2021



Frost & Sullivan (Singapore) Pte Ltd
78 Shenton Way #32-00
Singapore 079120
Tel: +65.6890.0999 Fax: +65.6890.0988
www.frost.com

Date: 10 March 2021

The Board of Directors

Aztech Global Ltd.

31 Ubi Road 1 #01-05

Singapore 408694

Dear Sirs,

Independent Market Research Report on the Global IoT, Data Communication and LED Lighting Markets, for Aztech Global Ltd. (“Aztech” or the “Company”)

We, Frost & Sullivan (Singapore) Pte Ltd (“**Frost & Sullivan**”), have prepared this Independent Market Report on the Global IoT, Data Communication and LED Lighting Markets, (“**the Report**”) for inclusion in Aztech’s prospectus in connection with the initial public offering of the ordinary shares of Aztech on the Main Board of the Singapore Exchange Securities Trading Limited (“**Prospectus**”).

We acknowledge that if we are aware of any significant changes affecting the content of this Report between the date hereof and the issue date of the Prospectus, we have an on-going obligation to either cause this Report to be updated for the changes and, where applicable, cause Aztech to issue a supplementary prospectus, or withdraw our consent to the inclusion of this Report in the Prospectus.

Frost & Sullivan has prepared this Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this Report. We believe that this Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this Report. This Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this Report or otherwise.

For and on behalf of Frost & Sullivan (Singapore) Pte Ltd:

Subhranshu Sekhar Das

Director

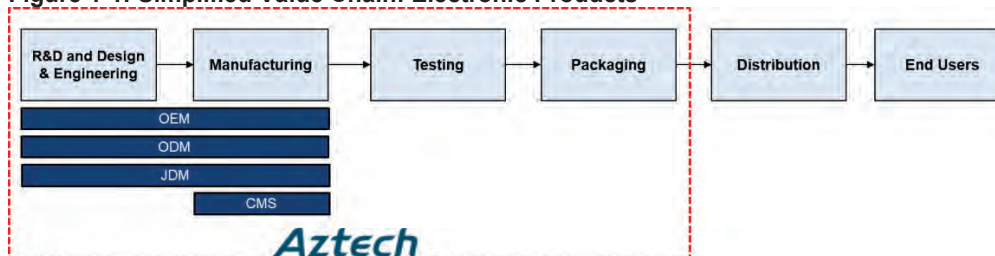
TABLE OF CONTENTS

TABLE OF CONTENTS	III
1 INTRODUCTION TO THE MANUFACTURING OF ELECTRONIC PRODUCTS	1
2 MACROECONOMIC OVERVIEW	3
2.1 GDP AND GDP GROWTH	3
2.2 POPULATION AND POPULATION GROWTH	6
2.3 FOREIGN EXCHANGE TRENDS.....	7
3 GLOBAL MARKET FOR IoT AND DATA COMMUNICATION PRODUCTS	8
3.1 INTRODUCTION	8
3.1.1 <i>Market Drivers and Restraints</i>	10
3.1.2 <i>Market Size</i>	15
3.1.3 <i>Key Risks and Challenges</i>	16
3.1.4 <i>Regulatory Landscape</i>	18
3.1.5 <i>Technology Trends</i>	20
3.2 COMPETITIVE LANDSCAPE	22
3.2.1 <i>Overview</i>	22
3.2.2 <i>Profiles of Key Players</i>	22
3.2.3 <i>Market Share</i>	25
3.3 MARKET OUTLOOK.....	27
4 GLOBAL MARKET FOR LED LIGHTING PRODUCTS	27
4.1 INTRODUCTION	27
4.2 MARKET ANALYSIS.....	29
4.2.1 <i>Market Drivers and Restraints</i>	29
4.2.2 <i>Market Size</i>	38
4.2.3 <i>Key Risks and Challenges</i>	38
4.2.4 <i>Regulatory Landscape</i>	39
4.2.5 <i>Technology Trends</i>	40
4.3 COMPETITIVE LANDSCAPE	42
4.3.1 <i>Overview</i>	42
4.3.2 <i>Profiles of Key Players</i>	42
4.3.3 <i>Market Share</i>	44
4.4 MARKET OUTLOOK.....	44
5 PROSPECTS & OUTLOOK FOR AZTECH	46

1 INTRODUCTION TO THE MANUFACTURING OF ELECTRONIC PRODUCTS

The value chain of electronic products¹ comprises various correlated activities, from research and development to the manufacturing of these products, and ends with the distribution of the products to end-users. The flow of these activities can be visually illustrated as follows:

Figure 1-1: Simplified Value Chain: Electronic Products



Note:

(1) The dotted box denotes the area where “Aztech Global Limited” (“**Aztech**”) primarily operates.

(2) The dark shaded boxes denote the manufacturing services models offered by Aztech.

Source: Frost & Sullivan

Manufacturers of electronic products mainly focus on three core activities: (i) Research & Development (“**R&D**”), (ii) Design and Engineering, and (iii) Manufacturing. With the rapid technological improvements, the development life cycles of most electronic products are moving at a faster pace. To remain relevant to the demands of the market, manufacturers are continuously investing in R&D activities to keep track of the latest innovations, improve existing products and manufacture new ones. With regard to the process of designing and manufacturing electronic products, there are four main models, based on the party which dictates the specifications of the product and the brand under which the product is marketed:

Table 1-1: Common Main Manufacturing Models of Electronic Products

Manufacturing Models	Description
Original Equipment Manufacturing (“OEM”)	<p>The company conducts the R&D, design and engineering of a product, and manufactures the product based on its own specifications. The company usually sells the manufactured product to another company (the “client”) for distribution to the market. These manufactured products can be marketed and retailed under white or private labelling:</p> <ul style="list-style-type: none"> White label: The company manufactures the product for multiple clients. The product is then sold under each client’s logo or brand name. Private label: The company manufactures the product exclusively for a particular client, which can modify the product according to its needs. The product is then sold only under that specific client’s logo or brand name.
Original Design Manufacturing (“ODM”)	<p>The company conducts the R&D, design and engineering of a product, and manufactures the products, which are then marketed and retailed by the client. The products are designed and engineered by the company, based on the client’s requirements or specifications. The products are marketed and retailed under the client’s brand name.</p> <ul style="list-style-type: none"> The products manufactured under the ODM model are typically marketed and retailed as private label products. However, in a few cases, the products manufactured under the ODM model are marketed and retailed as white label products. The products are designed, engineered and manufactured for the requirements of multiple clients. These manufactured products are then marketed and retailed under each client’s logo or brand name.
Joint Design Manufacturing (“JDM”)	<p>The research and design activities are contributed by both parties (i.e., the manufacturer and client). Once the design and specifications are finalised, the manufacturer will proceed to manufacture the products accordingly. The products are marketed and retailed under the client’s brand name.</p>
Contract Manufacturing Services (“CMS”)	<p>The company acts as a one-stop service provider for Original Equipment Manufacturers. These companies procure raw materials, and then manufacture, test, distribute and provide after-sales service for electronic components and assemblies for OEMs. They are also identified as Electronic Contract Manufacturers.</p>

Source: Frost & Sullivan

¹ ‘Electronic products’ refers to equipment powered by electricity for domestic consumer purposes or industrial use.

This report focuses on the main products manufactured by Aztech (i.e., Internet-of-Things (“IoT”) devices, data communication products and light-emitting diodes (“LED”) lighting products).

Key demand drivers: The purchase of electronic products is mainly driven by population growth and the purchasing power of the population, which in turn is dependent on the growth of income. In addition, the purchase of electronic products is driven by higher adoption rates, as electronic devices are increasingly being adopted as an integral part of daily life. Technology transitions, such as the rollouts of Fifth Generation (“5G”) networks, are driving the accelerated adoption of electronic products.

The development and availability of new devices at more affordable prices also drive their adoption. The advent of integrated smart home devices drives the purchase of smart electronic devices, such as thermostats, security cameras, alarms and doorbells, all of which are monitored and controlled through applications in mobile phones. Furthermore, the deployment of Big Data analytics and the increasing automation needs of industrial users increases the demand for electronic products and the supporting infrastructure.

The domestic electronic products market is estimated to have grown from USD231 billion in 2010 to USD295 billion² in 2019 at a CAGR of 2.8%. The growth of the market can be attributed to companies leveraging technologies to devise new and improved products to meet customer demand for innovative homes (e.g., easing house chores with robot vacuum cleaners, enhanced user experience with wide-screen televisions with higher resolution). The outbreak of the Novel Coronavirus disease (“COVID-19”) accelerated the adoption by households of domestic electronic products, as people spent more time at home.

Impact of COVID-19: Since the outbreak of COVID-19, numerous countries have imposed strict lockdown restrictions to contain the spread of the virus. The lockdowns have imposed the temporary closure of educational institutions and offices, among others, to avoid large public gatherings. This has amplified the adoption of work-from-home processes by companies and home-based learning by education institutions, which in turn has driven the demand for electronic devices and stable and secure networks, therefore contributing to higher sales of data communication products. The market revenue of data communication devices (including routers, Digital Subscriber Line (“DSL”) modems, cable modems and switches) is expected to have reached USD49.7 billion in 2020, up from USD46.9 billion in 2019, an annual growth of 5.8%. The growth in 2020 was driven by the COVID-19 pandemic, which increased the demand for communication products (e.g., to enable employees to work from home). This growth is higher than it was in the previous year, when the market grew by 3.4%, up from USD45.4 billion in 2018.

On the supply side, the outbreak had a severe impact on manufacturing operations and the global supply chain, since many major manufacturing facilities in China and globally came to a sudden halt during the first half of 2020. The lockdowns imposed in several countries restricted workforce mobility, thus delaying production activities, logistics activities and major projects across countries. Companies with production and R&D facilities in multiple countries were able to mitigate the negative impact on their operations, as different countries adopted restrictive measures at different times. Overall, global production has gradually recovered since June 2020, as various manufacturing facilities around the world have resumed operations.

Post COVID-19, the demand for IoT and data communication products from the residential and corporate sectors is expected to increase further, as company work-from-home processes and home-based learning activities are expected to become more popular, and as companies implement new technologies to improve the efficiency and resilience of their operations. For example, it is estimated that due to COVID-19, nearly 73% of businesses that were considering adopting IoT technologies have accelerated their plans, while 77% of those that had already started adopting IoT technologies have increased the pace of their projects. IoT is perceived as an essential technology for businesses to be resilient, flexible and quicker to adapt to changes,

² Samsung, Samsung Consumer Electronics Investor Presentation, 2020

and it is therefore vital to their success³. Businesses are also transitioning to have more employees work from home in the long-term, and not merely as a temporary measure due to COVID-19. For instance, Twitter implemented the work-from-home policy on a permanent basis in May 2020 for selected employees, while Hitachi committed to having as many as 70% of its employees work from home permanently⁴. Furthermore, a 2020 Frost & Sullivan study in selected Asian countries revealed that 47% of employees plan to continue to work from home post-COVID-19 as they remain concerned about their health and safety⁵. The education sector is also seeing a similar trend; home-based learning activities continue to be implemented. For example, the Ministry of Education in Singapore is planning to make home-based online learning a regular feature of education, even post COVID-19. Accordingly, notwithstanding the new vaccines for COVID-19 that gradually emerged at the end of 2020, Frost & Sullivan estimates that work-from-home, home-learning and the adoption of new technologies by companies will continue to remain popular even after the COVID-19 pandemic, indicating a sustainable growth of the demand for IoT and Data communication products in the long-term.

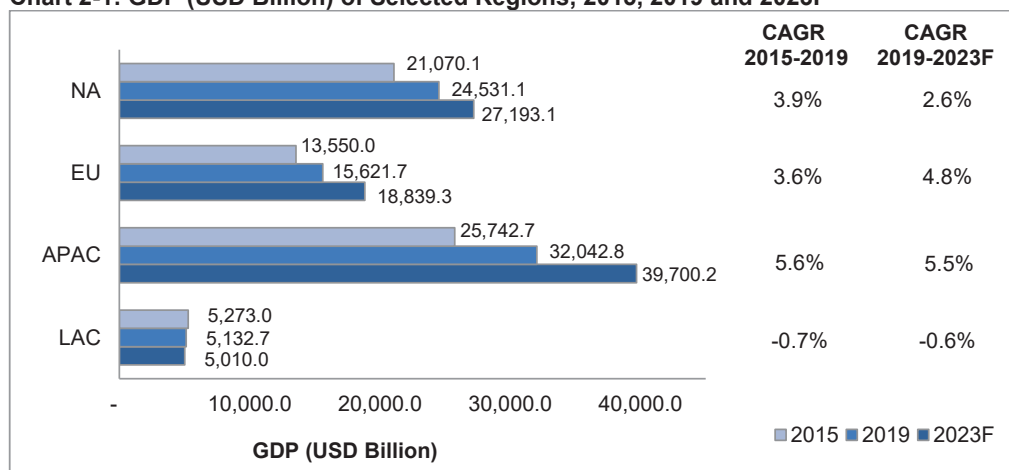
2 MACROECONOMIC OVERVIEW

This chapter discusses the macroeconomic overview of the global market, including key regions of APAC, NA, the European Union (“EU”), and Latin America and the Caribbean (“LAC”). In addition, it provides a brief description of selected key countries based on Aztech operations (i.e., headquarters (“HQ”) and offices, manufacturing plants and/or R&D and design centres); and/or key markets where Aztech’s products are sold (i.e., the United States (“US”), China, Hong Kong, Singapore, and Malaysia).

Macroeconomic factors such as GDP growth are vital indicators to determine the current economic landscape of a country. Strong GDP growth is likely indicative of an increase in production activities and in disposable income, which results in higher spending by the population of the country. This is a positive sign for electronic manufacturers, as the consumption of goods grows, while investment opportunities and government spending potentially increase, among others. A strong manufacturing sector leads to increasing R&D activities and exports, which would lead to more job opportunities within the market.

2.1 GDP AND GDP GROWTH

Chart 2-1: GDP (USD Billion) of Selected Regions, 2015, 2019 and 2023F



Source: IMF (WEO Database October 2020); Frost & Sullivan

³ IoTnews, Vodafone Business report suggests COVID-19 will accelerate IoT adoption, October 2020

⁴ Business Insider, 20 major companies that have announced employees can work remotely long-term, October 2020

⁵ Frost & Sullivan, Thriving in a New Norm in Asia-Pacific: Insights and Opportunities, 2020

Table 2-1: GDP (USD Billion) of Selected Countries, 2015, 2019 and 2023F

	2015	2019	2023F	CAGR 2015–2019	CAGR 2019–2023F
US	18,238.3	21,433.2	23,913.1	4.1%	2.8%
China	11,113.5	14,731.8	19,745.8	7.3%	7.6%
Hong Kong	309.4	365.7	408.9	4.3%	2.8%
Singapore	308.0	372.1	396.3	4.8%	1.6%
Malaysia	301.4	364.7	448.3	4.9%	5.3%

Source: IMF (WEO Database October 2020); Frost & Sullivan

In 2019, APAC was the largest **regional economy** globally by GDP, standing at USD32,042.8 billion, followed by NA with a GDP of USD24,531.1 billion, and the EU with a GDP of USD15,621.7 billion. The GDP of the LAC region was relatively small compared to other regions, standing at USD5,132.7 billion in 2019. In terms of GDP growth, APAC was the fastest-growing among selected regions, with a CAGR of 5.6% between 2015 and 2019, followed by the EU and NA.

Between 2019 and 2023, the global economy is expected to remain fundamentally solid, driven by advanced economies and the growth of developing economies, while it will be supported by favourable financial conditions and the recovery of global trade⁶. Nevertheless, in the short term, it is expected to suffer from the negative impact of the COVID-19 pandemic. Specifically, in 2020 all economies worldwide were impacted by the lockdown and movement restriction measures implemented as a result of the COVID-19 pandemic. These measures heavily affected both production activities and spending by consumers in the first half of 2020. In the second half of 2020, the global economy gradually started to recover, as the COVID-19 containment measures in selected countries were gradually lifted, and production activities and consumer spending resumed. For example, China's economy was hit hard in the first quarter of 2020 (GDP -6.8% on a quarterly basis), but recovered in the second quarter of 2020, ahead of other countries. China's GDP growth rebounded by 3.2% in the second quarter of 2020, and improved further to 4.9% in the third quarter⁷. In countries such as Singapore, the COVID-19 pandemic impacted the economy in the second quarter of 2020, while the economy improved in the third quarter of 2020. Singapore's quarter-on-quarter growth rate in the third quarter of 2020 rebounded to 7.9%, up from -13.2% in the previous quarter⁸. The GDP data of various countries indicates that economies are gradually recovering from the initial negative impact of the lockdowns enforced due to COVID-19.

Furthermore, in 2020, governments around the world built their experience and practices in managing the pandemic, through the implementation of standard operating procedures and movement controls in targeted areas, thus mitigating the economic impact and contributing to a positive economic outlook moving forward. Google Mobility data also showed improvements in retail footfall traffic between March and August in many countries, indicating an improvement in production activities and consumer spending⁹. In addition, as countries progress in the development of a vaccine, economic activities are expected to recover in 2021, contributing to growth rates that are expected to nearly offset the estimated GDP losses for 2020.

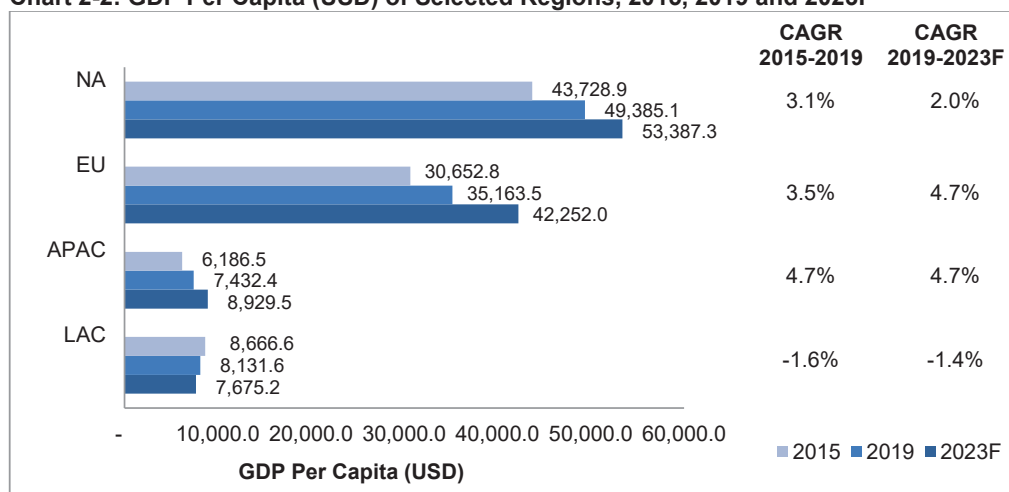
Among the **selected countries**, China was the fastest-growing economy, with its GDP growing at a CAGR of 7.3%, followed by Malaysia (4.9%) and Singapore (4.8%), respectively, from 2015 to 2019. Additionally, the Hong Kong and US economy grew at a CAGR of 4.3% and 4.1%, respectively, within the same period. China is forecast to continue recording high GDP growth rates, with a CAGR of 7.6% from 2019 to 2023, driven by extensive investments by the Government in upgrading and modernising its manufacturing sector to promote innovation in its economic planning¹⁰. Malaysia's GDP is forecast to grow at a CAGR of 5.3% during the same period, driven by the recovery of commodity prices and considerable export growth. Meanwhile,

⁶ World Economic Outlook Update, October 2019⁷ CGTN, China's Q3 GDP grows 4.9%, economic recovery picks up pace, October 2020⁸ Ministry of Industry and Trade, Singapore's GDP Contracted by 7.0 Per Cent in the Third Quarter of 2020, October 2020⁹ Financial Times, Pandemic crisis: Global economic recovery tracker, July 2020¹⁰ Congressional Research Service, China's Economic Rise: History, Trends, Challenges, and Implications for the United States, June 2019

the forecasts for the GDP growth of the US and Hong Kong stand at 2.8%, while the forecast for Singapore stands at 1.6% during the same period.

In Singapore, the COVID-19 outbreak caused a slowdown of the tourism industry and domestic consumption in 2020¹¹. Hong Kong's GDP in 2020 was also impacted by the COVID-19 pandemic, the ongoing US-China trade war and the significant decline in terms of tourism expenditure in the short term¹². Overall, all other global economies, including those of the US, China and Malaysia were impacted in 2020 due to the COVID-19 pandemic¹³. In order to mitigate the impact on the economy, Malaysia¹⁴, Hong Kong¹⁵ and Singapore¹⁶, among others, introduced economic stimulus packages to provide economic support to ensure national stability amid the virus outbreak.

Chart 2-2: GDP Per Capita (USD) of Selected Regions, 2015, 2019 and 2023F



Source: IMF (WEO Database October 2020); Frost & Sullivan

Table 2-2: GDP Per Capita (USD) of Selected Countries, 2015, 2019 and 2023F

	2015	2019	2023F	CAGR 2015–2019	CAGR 2019–2023F
US	56,848.5	65,253.5	71,537.7	3.5%	2.3%
China	8,084.8	10,522.3	13,963.9	6.8%	7.3%
Hong Kong	42,325.4	48,626.6	53,191.3	3.5%	2.3%
Singapore	55,645.6	65,233.9	66,383.8	4.1%	0.4%
Malaysia	9,663.1	11,193.0	13,084.1	3.7%	4.0%

Source: IMF (WEO Database October 2020); Frost & Sullivan

Between 2015 and 2019, the **regions** with the highest GDP per capita were NA and the EU. Despite the negative market sentiment caused by Brexit and the drop of the Euro currency due to the Asset Purchase Programmes by the European Central Bank, the GDP per capita of the EU region grew at a CAGR of 3.5% between 2015 and 2019. The GDP per capita of the APAC region grew at a CAGR of 4.7% during the same period.

The GDP per capita in APAC is expected to continue to be lower than in the Western regions by 2023, but it is expected to grow at a positive CAGR of 4.7% between 2019 and 2023. The main contributors to this are expected to be nations with large populations and robust economic growth, such as China, India, Bangladesh and Indonesia.

¹¹ Al Jazeera, Singapore cuts growth outlook as virus increases recession risk, February 2020

¹² CNBC, Hong Kong cuts GDP forecast for 2020 after economy contracts 9% on-year in the second quarter, August 2020

¹³ CNBC, Coronavirus live updates: China's death toll exceeds 1,000, Royal Caribbean eases restrictions, February 2020

¹⁴ Ministry of Finance Malaysia, Economic Stimulus Package 2020, February 2020

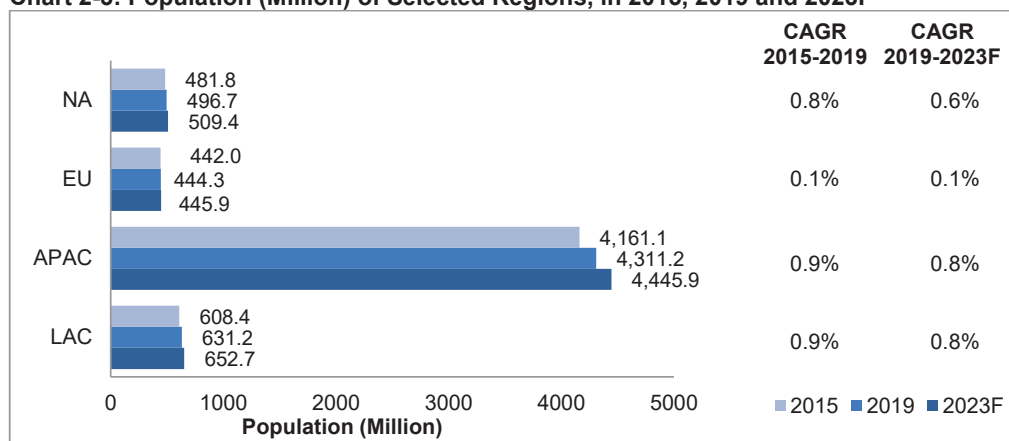
¹⁵ Bloomberg, "Every Adult in Hong Kong to Get Cash Handout of \$1,284", February 2020

¹⁶ Singapore Budget 2020, "Budget 2020: Advancing As One Singapore", February 2020

Among the **selected countries**, China is forecast to continue recording a positive GDP per capita growth, at a CAGR of 7.3% between 2019 and 2023, mainly driven by growing exports as a result of strong external demand¹⁷, together with the slow growth of population expected in China. Similarly, Malaysia is also expected to record strong growth in its GDP per capita, at a CAGR of 4.0% during the same period.

2.2 POPULATION AND POPULATION GROWTH

Chart 2-3: Population (Million) of Selected Regions, in 2015, 2019 and 2023F



Source: IMF World Economic Outlook, October 2020; Frost & Sullivan

Table 2-3: Population (Million) of Selected Countries, 2015, 2019 and 2023F

	2015	2019	2023F	CAGR 2015–2019	CAGR 2019–2023F
US	320.8	328.5	334.3	0.6%	0.4%
China	1,374.6	1,400.1	1,414.1	0.5%	0.2%
Hong Kong	7.3	7.5	7.7	0.7%	0.6%
Singapore	5.5	5.7	6.0	0.8%	1.1%
Malaysia	31.2	32.6	34.3	1.1%	1.3%

Source: IMF (WEO Database October 2020); Frost & Sullivan

The **NA, the EU, and the APAC regions** accounted for more than 5 billion people or three-quarters of the world's population in 2019. Between 2015 and 2019, the population in all these regions recorded a CAGR of less than 1%, caused by the low fertility rates and high emigration rates in certain countries¹⁸.

Between 2019 and 2023, the population in the EU region is expected to grow slowly at a CAGR of 0.1%, with the population in selected Eastern European countries forecast to decline, contributing to the low growth rate of the region¹⁹. The population in APAC is expected to grow at a CAGR of 0.8% during the same forecast period. The region is expected to continue registering high population growth, from 4.3 billion in 2019 to 4.4 billion in 2023. The growth is expected to be underpinned by higher disposable income and infrastructure developments in the region.

Among the **selected countries**, China recorded the highest population in 2015. China is the third-largest country, with over 9 million km² of land area. In 2019, the population in China stood at 1.4 billion, which accounts for 18.5% of the global population.

Malaysia will continue to record strong population growth from 2019 to 2023, compared to its historical growth, due to the higher national levels of life expectancy driven by improvements in

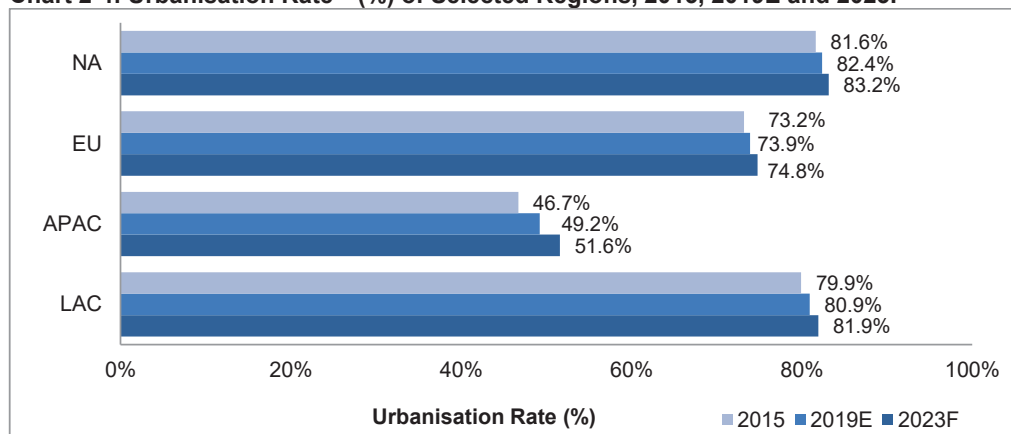
¹⁷ Bloomberg, Economists Boost China Outlook on Trade Deal, December 2019

¹⁸ UN World Population Prospects 2019

¹⁹ Quartz, "The fastest shrinking countries on earth are in Eastern Europe", January 2018

economic growth and public health development. On the contrary, China is forecast to record the slowest growth among the selected countries during the same period.

Chart 2-4: Urbanisation Rate²⁰ (%) of Selected Regions, 2015, 2019E and 2023F



Source: United Nations (World Urbanization Prospects 2018); Frost & Sullivan

Table 2-4: Urbanisation Rate (%) of Selected Countries, 2015, 2019E and 2023F

	2015	2019E	2023F
US	81.7%	82.5%	83.3%
China	55.5%	60.3%	64.6%
Hong Kong	100.0%	100.0%	100.0%
Singapore	100.0%	100.0%	100.0%
Malaysia	74.2%	76.6%	78.7%

Source: United Nations, World Urbanization Prospects 2018; Frost & Sullivan

NA and LAC were the two regions with the highest urbanisation rate in 2019, with 82.4% and 80.9%, respectively. The urbanisation rate in APAC increased at a rapid pace from 2015 to 2019, reaching 49.2%, driven by the growth of its developing nations.

In Asia, both Singapore and Hong Kong reached an urbanisation rate of 100%. The Chinese urban population is expected to grow from 2019 to 2023, driven by the Government's efforts to encourage urbanisation by easing permanent residency requirements for large cities²¹.

2.3 FOREIGN EXCHANGE TRENDS

Table 2-5: Singapore Dollar ("SGD") against the Major Foreign Exchange Currency Pairs

Year	SGD/USD	SGD/EUR	SGD/GBP	SGD/CNY	SGD/HKD	SGD/MYR
2015	0.71	0.65	0.48	4.59	5.48	3.04
2016	0.69	0.66	0.56	4.81	5.36	3.10
2017	0.75	0.63	0.56	4.88	5.85	3.04
2018	0.73	0.64	0.58	5.04	5.74	3.03
2019	0.74	0.66	0.57	5.18	5.78	3.04
2020	0.76	0.62	0.56	4.94	5.87	3.04
CAGR 2015-2020	1.4%	-1.0%	3.1%	1.5%	1.4%	0.0%

Note: Exchange rates figures are as at 31st December of the respective years. Figures may slightly differ due to rounding.

Source: Monetary Authority of Singapore; Frost & Sullivan

In 2015, the SGD performed well before depreciating in August 2015, decreasing to its lowest point since 2010. This was mainly caused by the devaluation of CNY by the Chinese

²⁰ Urbanisation rate is calculated by dividing Annual Urban Population at mid-year with Annual Total Population at mid-year, as published by the United Nations

²¹ South China Morning Post, "Three reasons China cannot count on urbanisation to boost consumption and bolster its economy", December 2019

Government, which had impacted the countries with strong trade connections, including Singapore. In early 2016, the SGD started stabilising for a short period before declining again in April of the same year due to the measures taken by the Monetary Authority of Singapore (“MAS”) to reduce the rate of appreciation of the SGD to 0%, given that the economy was expected to expand at a more modest pace than projected²². In 2017, the SGD appreciated against the USD, and following the fluctuations in 2018 and 2019, the SGD showed signs of a stable outlook²³. As Singapore is highly dependent on trade and has an ultra-open economy, it will likely remain highly exposed to the geopolitical issues of other nations. However, MAS closely monitors and manages the monetary policy by adjusting the rate of appreciation or depreciation according to the movement of the SGD against the currencies of its major trading partners. In 2020, the SGD strengthened against the USD, which weakened against other major currencies. The confidence of investors is expected to remain firm, as Asian economies gradually recover from the pandemic²⁴. The Government is expected to announce its Singapore Budget 2021 in February 2021, targeting sectors most impacted by the pandemic, with efforts to revitalise the economy and boost trade.

3 GLOBAL MARKET FOR IOT AND DATA COMMUNICATION PRODUCTS

3.1 INTRODUCTION

Industry Evolution

Frost & Sullivan defines IoT as the connection of objects, sensors, and devices into an Internet-like structure and organisation. The concept of IoT was first introduced in 1999 with the idea of reinventing radio-frequency identification (“RFID”) as a networking technology. However, IoT only gained acceptance in 2010, when the Chinese Government announced that it would adopt IoT as a strategic priority in the five-year national plan. By 2013, IoT had evolved into an ecosystem that integrated multiple technologies, ranging from the Internet to wireless communication to embedded systems. The traditional fields of automation (including the automation of buildings and homes), wireless sensor networks, Global Positioning System (“GPS”), control systems, among others, support the integration of IoT technology. The use of Internet Protocol version 6 (“IPv6”) and the emergence of cloud computing further enhanced the growth of the IoT industry. IPv6 offers more effective security solutions running an end-to-end encryption, providing a unique identifier (IP address) for different connected devices and offering a better connection. With the emergence of cloud computing, data storage and processing will be more efficient due to the ability to handle a larger amount of data simultaneously. The roll-out of 5G cellular mobile communications is another recent major milestone in the evolution of the market for IoT and data communication products. 5G is expected to be ten times faster than the present LTE networks, allowing IoT devices to communicate and share data more quickly.

Industry Applications

To date, the IoT industry has grown significantly and is forecast to continue growing until 2023 and beyond. Globally, the proliferation of IoT is evident in virtually all industries (e.g., manufacturing, healthcare, automotive, power and utilities, and oil and gas) as organisations seek to emphasise efficiency whilst sustaining high profitability. This can be achieved through the utilisation of data. In addition to industrial applications, IoT is also broadly used at the enterprise and consumer levels. At the consumer level, IoT devices include connected smart entertainment devices, connected cars, wearables such as fitness trackers, internet-enabled home control systems, smartwatches and smart security cameras. IoT-enabled devices provide convenience to consumers as they can be remotely controlled. Driven by the rapid expansion of IoT, the existence of smart cities is growing rapidly across countries such as Malaysia, Singapore, China, Denmark and Holland. The widespread adoption of IoT systems has been mainly driven by the added value provided to both consumers and organisations, such as improved productivity improvement. At the enterprise level, IoT systems allow the monitoring

²² Reuters, “Singapore central bank drops appreciation to ease policy”, April 2016

²³ Strait Times, “Singdollar holds steady despite year of ups and downs”, December 2019

²⁴ The Business Times, “Singapore currency to stay strong until 2021 on broad USD weakness”, 25 August 2020

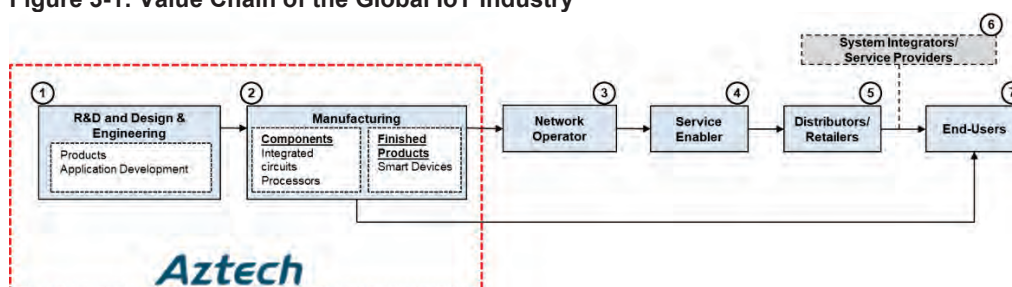
and control of different processes; facilitate operational optimisation, predictive analysis and rapid responses; and reduce human error. Additionally, IoT systems provide easy access to information, improve communication over a network of interconnected devices and allow for the automation of tasks.

Industry Ecosystem

At the consumer level, the phenomenon of technology convergence has enabled an ecosystem of connected devices. Collectively, the number of IoT connected devices (i.e., short-range IoT and wide-area IoT devices) grew from 4.2 billion in 2015 to 10.7 billion in 2019. The convergence of technologies such as sensors, wearables, robotics, and smart appliances is an essential component of an IoT ecosystem. IoT technologies have further enhanced home systems with smart devices that are more connected. Among other benefits, this improves security (e.g., smart security cameras) and entertainment (e.g., smart speakers) and provides greater automation and control (e.g., temperature sensors, mobile applications). The data communication products that support the IoT technologies are modems, Wi-Fi mesh routers, fibre gateways, HomePlugs and other accessories. They enable data transmission to a network or a platform. Data communication devices are an integral part of the success of an IoT system as they connect the local network to IoT-enabled devices. For example, a data communication device might receive data from a temperature sensor in a smart home, which is then sent to the network, and data is further transmitted to a smart air conditioner for it to automatically adjust the temperature. Predominantly driven by convenience, the adoption of home systems is expected to grow significantly at a CAGR of 16.9% globally during the period 2019-2023.²⁵

Industry Segmentation and Value Chain Analysis

Figure 3-1: Value Chain of the Global IoT Industry



Note: (1) The dotted box comprising of "R&D and Design & Engineering" and "Manufacturing" denotes the area where Aztech primarily operates. (2) The box of "System integrators/service providers" denotes value-added services that may be complementary to the main value chain of the IoT industry.

Source: Frost & Sullivan

- 1) **R&D and Design & Engineering:** R&D refers to activities that are undertaken by companies to innovate, introduce new products and services to the market, and improve existing products and processes. Meanwhile, the design process is crucial in determining the appearance of the end product as it takes into account the product's dimensions, environmental and ergonomic factors, as well as the type of materials to be used and the different types of components to be utilised. The design process can be split into two parts: (i) the industrial design, which covers the concept and idea development stage, and (ii) the mechanical design, which focuses on the design for the manufacturing of the product. The design and engineering process focuses on achieving maximum efficiency and effectiveness at an economical cost. This step also encompasses the development of applications, which also includes cloud application development for smart devices. The applications are built into the products and aimed at providing a user-friendly experience for the end customers.
- 2) **Manufacturing:** The manufacturing process includes the procurement of components such as embedded chips, processors, integrated circuits and lenses, for use in smart devices.

²⁵ IDC Worldwide Quarterly Smart Home Device Tracker, March 29, 2019

The end products of the manufacturing process are smart devices such as smart door locks, smart security cameras, and various sensors ranging from smoke sensors to humidity sensors.

- 3) **Network Operators:** A network operator is a company that provides a network or method of wireless connectivity through which messages are transmitted, from a smart device that collects and sends the data to an application or an interface chosen by the end-user.
- 4) **Service Enablers:** Service enablers are companies that provide cloud services or platforms that allow for the processing of information from IoT devices/sensors. These services include device management, communication protocols, security and data analytics.
- 5) **Distributors/Retailers:** Distributors/retailers are companies that market and sell the products and solutions to end-users.
- 6) **System Integrators/Service Providers:** System integrators are the executors of IoT projects, providing end-to-end system integration and software development services, while service providers offer end-to-end solutions to design, implement, secure and analyse data. They also enable decision support such as solution development across the IoT infrastructure, mainly to enterprises or corporations. This revolves around the use of analysis to improve the efficiency of business processes.
- 7) **End-Users:** End-users comprise customers in consumer and non-consumer market segments. The consumer market refers to the IoT purchases made by residential customers, including smart homes, smart monitoring and security systems, smart appliances and smart wearables. The non-consumer market covers customers in sectors such as manufacturing, utilities, transportation, healthtech, insurance, and retail.

Key industry players generally focus on a limited number of steps on the value chain. However, Frost & Sullivan has observed that some players in the industry plan to expand into Distribution and System Integration, in addition to R&D, Design and Engineering, and Manufacturing. Aztech focuses on R&D and Design and Engineering to introduce new products and to improve existing products. In addition, Aztech focuses on application development and cloud application development for its smart devices, while providing application services to the end-users. The products manufactured by Aztech are equipped with built-in applications, allowing customers to set up the device themselves, without the involvement of system integrators or service providers.

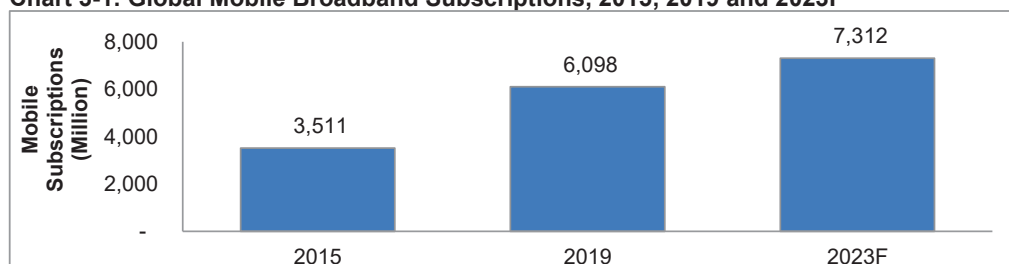
3.1.1 Market Drivers and Restraints

Market Drivers

Increasing mobile subscriptions globally

The growth in the number of mobile devices and mobile broadband subscriptions (e.g., smartphones and mobile PCs) supports the overall ecosystem of IoT-enabled devices. Mobile devices connect users to their smart devices to enable them to complete various business and domestic activities. For example, businesses can leverage IoT applications to automate tasks such as asset tracking or real-time inventory management. Furthermore, the growth in the number of mobile devices and mobile broadband subscriptions drives the adoption of data communication devices such as routers and gateways to provide stable and secure internet connection for connected devices.

Chart 3-1: Global Mobile Broadband Subscriptions, 2015, 2019 and 2023F



Source: Ericsson Mobility Report; Frost & Sullivan

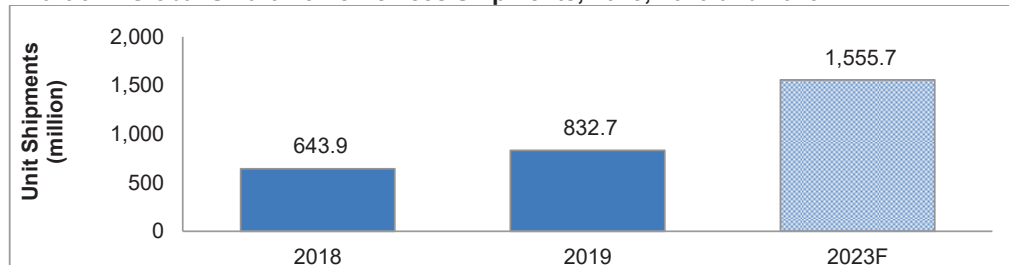
The number of mobile broadband subscriptions (subscriptions that have data speeds of 256 Kbits/s or greater through a smartphone, feature phone, tablet, portable modem or other mobile device²⁶) increased from 3,511 million in 2015 to 6,098 million in 2019, at a CAGR of 14.8%. China added about 60 million mobile subscriptions in 2019, accounting for 24.5% of the mobile subscriptions added globally in 2019. The high growth in China is due to the intense competition among operators, which increased the number of subscribers with multiple mobile subscriptions per user. Mobile broadband subscriptions are forecast to grow at a CAGR of 4.6% between 2019 and 2023, reaching 7,312 million subscriptions by that year²⁷.

In addition to mobile broadband, the growth of fixed broadband subscriptions has contributed to the adoption of home networking applications, such as streaming TV shows and movies from the internet to televisions. The availability of a stable fixed broadband network has contributed to multiple IoT devices being installed in the same premises. While broadband connections in developed countries are nearing saturation, developing countries such as China, India, Indonesia and Brazil remain high growth markets for fixed broadband subscriptions. In 2019, the market penetration of fixed broadband subscriptions (per 100 people) in India and Indonesia were 1.45 and 3.48, while the global average stood at 14.8²⁸. In 2019, while the fixed broadband subscriptions in China and Brazil were 31.34 and 15.43 per 100 people, respectively, these countries remain attractive markets considering their large populations.

Increasing acceptance of new innovative IoT products and solutions

Within the consumer segment, the acceptance of home energy management and automation gadgets, such as smart thermostats, smart plugs, smart speakers, lighting controls and security gadgets, has increased since the early 2000s as internet technology has developed fast and smart homes have become a more affordable option. The smart home devices covered for shipment estimation are home monitoring/security systems, lighting, smart speakers, thermostats and video entertainment devices. Smart home devices shipments grew 29.3% to reach 832.7 million shipments in 2019, up from 643.9 million shipments in 2018. This segment is expected to grow at a CAGR of 16.9% to reach 1,555.7 million shipments in 2023.

Chart 3-2: Global Smart Home Devices Shipments, 2018, 2019 and 2023F



Source: IDC Smart home devices tracker; Frost & Sullivan

Smart assistants using Artificial Intelligence (“AI”) technologies are gaining popularity in developed countries. Smart assistant products such as the Amazon Alexa and Google Assistant are integrated with home devices like speakers, thermostats, security cameras and lighting controls. Smart assistants are integrated with the existing HVAC and lighting systems for full automation and control. This enables users to control room temperature, humidity and light colour, to automate blinds, shutters, and garage doors, and to automate outdoor applications from their phones or tablets. This technology, when integrated with home devices, enhances user accessibility and the functionalities of the devices connected to it. These smart assistants are expected to evolve with increasing consumer awareness and growing accessibility to other home devices. This would result in an enhanced user experience and drive the adoption of smart home devices. Amazon made a partnership announcement in 2019

²⁶ OECD.org

²⁷ Mobility-visualizer, Mobility Report, Ericsson (Accessed: January 2021)

²⁸ Fixed broadband subscriptions (per 100 people), World Bank & International Telecommunication Union (Accessed: January 2021)

as a part of its Interoperability Initiative, which aims to ensure smart devices work with multiple smart assistants at the same time. The initiative has seen the participation of an array of companies that build both hardware and software for voice assistants²⁹. Over 30 global companies have supported the effort, which includes global brands such as Baidu, BMW, Bose, Cerence, Ecobee, Harman, Logitech, Microsoft, Salesforce, Sonos, Sound United, Sony Audio Group, Spotify and Tencent.

The increasing adoption of smart home devices is driven by the installation of smart security systems by homeowners, as domestic safety and security become a priority. Cameras integrated with smart assistants enable the continuous monitoring of homes and trigger alert signals to users in emergency situations. Home monitoring and security systems (including cameras) witnessed an annual growth rate of 43.6%, to reach 140.3 million global shipments in 2019, up from 97.7 million shipments in 2018. This segment is expected to grow at a CAGR of 25.8% between 2019 and 2023, reaching 351.7 million shipments in that year. Smart security cameras, door/window sensors, smart locks and alarms, have increased the security features of a home, hence attracting more homeowners to adopt smart home products.

The smart speakers segment grew at an annual rate of 44.6% to reach 144.3 million global shipments in 2019, up from 99.8 million shipments in 2018. This segment is expected to grow at a CAGR of 13.6% between 2019 and 2023, reaching 240.1 million shipments in that year. The sales of smart speakers by Amazon and Google grew between 2017 and 2019. Amazon's Echo smart speaker shipments grew at a CAGR of 30.4% between 2017 and 2019, from an estimated 22.0 million units to 37.4 million units. Google's smart speaker shipments grew at a CAGR of 44.5% between 2017 and 2019, from 11.2 million units to 23.4 million units.

In non-consumer segments, such as manufacturing and utilities, the burgeoning demand for technological advancements and innovations to improve operational efficiency has led to the increased adoption of IoT products and solutions. Companies use IoT as a tool to improve work efficiency, reduce operating costs, gain competitiveness and attain financial growth. For example, in 2014, over 150 companies united to form the Industrial Internet Consortium. This consortium was created to accelerate the development, adoption and widespread use of interconnected machines and devices, and intelligent analytics. The companies that are part of this consortium have been cooperating to help define industry requirements and standards, establish interoperability standards across environments and accelerate the adoption of IoT. This has led to increasing compatibility between technologies that function in the IoT environment and thereby driven the adoption of IoT among non-consumer segments.

With the robust growth of IoT-enabled devices, the need for continued network connectivity equipment and services is expected to grow. The global growth of connected devices will be a catalyst for the data communication industry as it complements the IoT industry. The success of connected homes, buildings and smart cities relies on data communication, as it enables the interaction between smart devices via local connectivity systems such as Wi-Fi and Bluetooth. With the expanding array of smart devices adopted in residential homes, the volume of wireless traffic is expected to grow. This will increase the demand for data communication products, such as Wi-Fi routers, which ensure fast and secure connections.

Increasing importance of big data analytics

Driven by new technology capabilities and new thinking, the use of data is rapidly evolving and becoming vital in decision-making. The real-time insights and information collected from IoT devices and infrastructures create a network of knowledge and solutions that allows a better understanding of business processes, consumer preferences, buying trends and market preferences. Big data analytics is becoming progressively important, which is evident in the non-consumer segment. Here, large organisations are increasing their investments to identify new business opportunities, develop strategies and increase business efficiency, which leads to higher profit generation. Companies have started to consider data a key business asset and adopted big data analytics to ensure a positive impact on operations, productivity and efficiency. Leveraging the huge volume of data collected from IoT devices, companies use big data

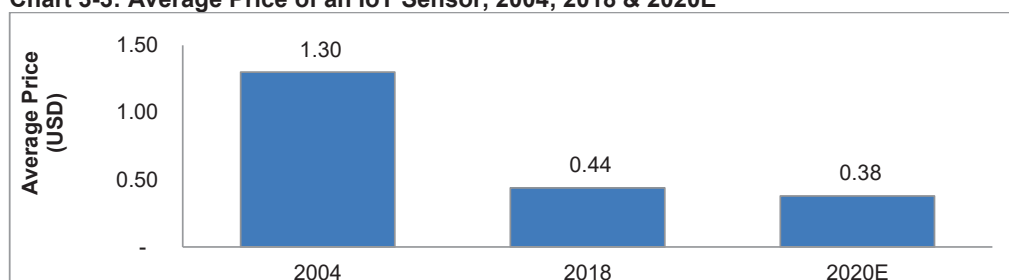
²⁹ The Verge, "Amazon creates a huge alliance to demand voice assistant compatibility", September 2019.

analytics to identify probable events in advance to prevent unexpected issues. Data communication products and services, supported by relevant software, enable organisations to undergo large and complex data analytics processes, drawing data from multiple sources to assist in the overall decision-making process. The necessity to obtain valuable data and insights is further strengthening the growth of the IoT and data communication industry, as organisations increasingly turn to IoT devices to enable the efficient collection of data and information.

Decreasing price of sensors

As smart sensors are integral components of IoT devices, the decrease in sensor prices has enabled users to collect more data and make informed decisions at a lower cost.

Chart 3-3: Average Price of an IoT Sensor, 2004, 2018 & 2020E



Source: Microsoft, 2019 Manufacturing Trends; Frost & Sullivan

The estimated decline in the average price of an IoT sensor³⁰ is mainly due to increasing competition and the constant optimisation of sensor technologies in the market. To date, available sensors can collect large volumes of data, while modern embedded systems are more energy-efficient, eliminating the possibility of an increase in energy costs. The lower pricing of sensors would ultimately influence the pricing of IoT devices, which in turn would generate higher demand from consumers. This would be beneficial to manufacturers as the lower price for components would significantly reduce the manufacturing costs of IoT devices.

The emergence of 5G is likely to be a catalyst for the IoT and data communication industry as it will provide greater speed in transmissions, lower latency, greater energy savings and a higher system capacity, among other benefits. For example, activities requiring lower latencies, such as autonomous vehicles or remote surgery, when supported by 5G will enhance capabilities and enable users to perform remote actions in real time. The emergence of 5G will also allow organisations to handle massive data volumes and high transaction rates from remote locations. Organisations would have the ability to capture data from remote sensors, transfer it to large data centres, and apply both machine learning and data science techniques for real-time analysis. 5G will enable manufacturers to employ emerging technologies such as machine to machine communication, machine learning algorithms and sensor technologies, which will advance the organisation's operational abilities. As companies use numerous data-intensive machines in close proximity, 5G enables these machines to communicate in real time. The availability of 5G technology has been observed to increase the adoption rate of IoT-enabled products, supporting data communication products, as 5G enables the maximum reliability and responsiveness of each connected device. This is crucial for devices such as locks, security cameras and other monitoring systems that require real-time updates. The emergence of 5G will increase the appeal of IoT devices as consumers do not expect only convenience, but also a high degree of reliability, especially when they need to control these products remotely. The widespread adoption of such IoT devices will require the adoption of supporting data communication products, resulting in higher customer demand. With working from home becoming the new trend during the COVID-19 pandemic, companies tend to purchase various IT products for their employees to ensure a fast, secure internet. This also results in a higher demand for data communication products such as wireless routers, hubs, and gateways.

³⁰ Microsoft, 2019 Manufacturing Trends

The global number of 5G subscriptions increased to 11.8 million subscriptions in 2019 from 0.2 million subscriptions in 2018. Several countries, such as the US, Canada, the United Kingdom, Germany, Italy, Spain, Japan, China, South Korea, Taiwan and Australia have rolled out 5G initiatives. Countries like India plan to introduce 5G in 2021. As the 5G rollout is expected to be followed in more countries, the global number of 5G subscriptions is forecast to grow at a CAGR of 240.6% over the period 2019-2023, to reach 1,639.1 million subscriptions in 2023³¹. As of September 2020, about 34 countries are in the pre-release stage, where 5G tests are performed before the commercialisation of the technology³².

IoT as a key enabler of Industry 4.0

Industry 4.0 refers to a new phase in the industrial revolution that focuses heavily on interconnectivity, automation, machine learning and real-time data. Industry 4.0 has been revolutionising industry management and business processes, by enhancing the productivity of manufacturing technologies through field data collection and analysis, thus creating real-time digital twins³³ of industrial scenarios. Emerging technologies such as autonomous robots, big data analytics and augmented reality are used to create a “smart factory”, in which machines, systems and humans communicate with each other to coordinate and monitor progress along the assembly line. The interconnectivity in Industry 4.0 is made possible by the deployment of IoT devices. Many manufacturers use IoT solutions to track assets in their factories, consolidate their control rooms and increase their analytics capabilities through the installation of predictive maintenance systems. This has led to significant improvements for the companies in terms of cost reduction, enhanced quality control, real-time detection and reaction to supply chain issues, reduction in time spent on planning activities, and optimisation in the employment of resources. As more companies transition towards Industry 4.0, the key enabling technology, IoT, is expected to be widely adopted among manufacturers.

Market Restraints

High cost of smart devices

Smart home devices and control systems are costlier than their conventional counterparts, as they integrate multiple technologies such as sensor fusion, wireless communication and voice-activated technologies. The costs can significantly increase, depending on the extent and degree of control granted to these smart home devices. These technologies and their fully integrated systems are costly, and may hinder smart home devices from gaining large-scale customer acceptance and reaching the mass market. Additionally, newer devices with the capability to handle more sophisticated functions than previous devices will drive up the cost, as they require higher-end chips, better processors and increased memory space. Some smart home devices might offer subscription-based packages, such as an all-in-one security package, which would only add to the cost of owning a smart device.

Technical failures of smart home hubs and devices

The hub in a smart home is connected to several smart devices, enabling centralised automation. The failure of a single sensor in a device or the inability of the hub to respond to voice-activation signals can cause the shutdown of, or disruption to, the entire smart home system. The smart home network relies heavily on sensor fusion. During the replacement of the failed device parts in a connected network, that part of a connected home ecosystem may be required to remain inactive, causing an extended period of time to lapse before its effective operation.

³¹ Mobility-visualizer, Mobility Report, Ericsson (Accessed: January 2021)

³² Ookla 5G Map (Accessed: September 2020)

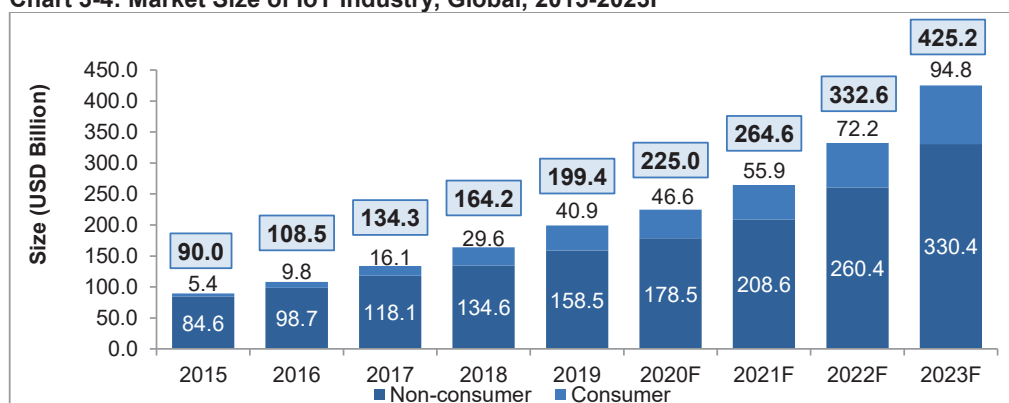
³³ A digital twin is a virtual model of a product, process or service. The pairing of this virtual model with the physical world allows data analysis and monitoring systems to identify problems before they even occur, and to plan for the future using simulations.

3.1.2 Market Size

IoT industry: The market size of the IoT industry refers to the revenue generated from the purchase of IoT products (hardware only) in the form of devices, modules and sensors by both consumer and non-consumer segments. The total market size of the IoT industry grew at a CAGR of 22.0%, from USD90.0 billion in 2015 to USD199.4 billion in 2019. The growth is mainly derived from the increasing adoption of IoT technologies across various industries and by consumers (with these devices becoming part of their daily routine). Additionally, emerging technologies and devices that integrate or use IoT technologies are also contributing to the growing demand for IoT-enabled devices. These technologies range from consumer-oriented devices, such as wearables and smart home solutions, to connected equipment in enterprises and industrial assets, such as machines and robots. Moving forward, the industry is expected to continue growing at a CAGR of 20.8% to reach USD425.2 billion by 2023. The future growth of IoT devices is closely linked to the increasing importance of determining how data can be generated from connected devices, in order to assist businesses in making better decisions and managing operations more efficiently. On the consumer level, the availability of data will enable consumers to be better-informed about the state of their houses, vehicles and health, among other aspects.

The consumer market segment constituted 20.5% of the total IoT market in 2019, and this segment's share is expected to increase to 22.3% in 2023. The increasing spending in smart appliances, home automation security and monitoring, and personal wearables is expected to drive this segment to grow at a CAGR of 23.4% between 2019 and 2023, reaching USD94.8 billion in that year. The non-consumer market constituted 79.5% of the total IoT market in 2019 and is forecast to grow at a CAGR of 20.2% between 2019 and 2023, to reach USD330.4 billion in 2023. The growth of the non-consumer market is driven by the increasing focus on IoT solutions to support manufacturing operations, production asset management, freight monitoring, fleet management and smart grids.

Chart 3-4: Market Size of IoT Industry, Global, 2015-2023F

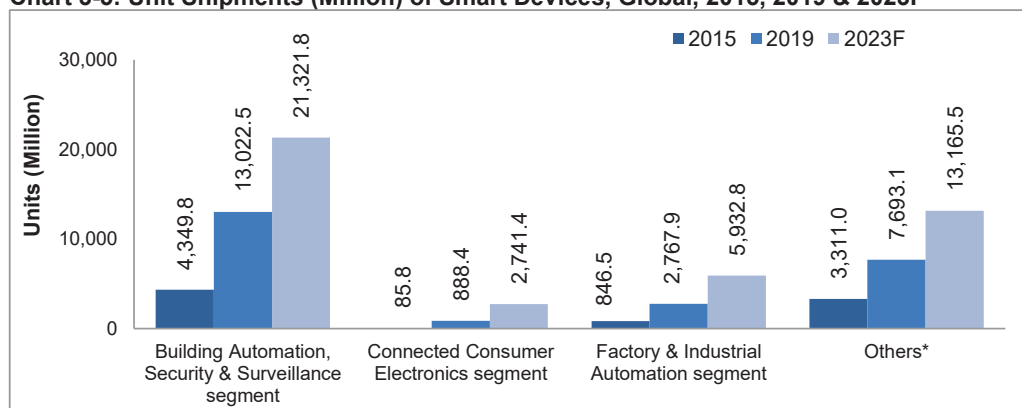


Note: Sum may not add up to the total due to rounding

Source: Frost & Sullivan

In 2019, the worldwide shipments of smart devices were estimated at 24,371.9 million units, of which Building Automation, Security & Surveillance - which includes home monitoring and security systems - constituted 53.4% (13,022.5 million units) of the total. Smart devices refer to the electronic products that are embedded with IoT module/sensors, and which enable these products to connect to a network and communicate with each other. The global shipment of smart devices is forecast to grow at a CAGR of 15.4% during 2019-2023, to reach 43,161.5 million units in 2023. Connected Consumer Electronics, which includes smart entertainment devices and AI personal assistants, is expected to witness the highest CAGR (32.5%) during 2019-2023, to reach an estimated shipment of 2,741.4 million units in 2023, up from 888.4 million units in 2019. The Building Automation, Security & Surveillance segment and the Factory & Industrial Automation segment is expected to witness a CAGR of 13.1% and 21.0% between 2019 and 2023, to reach 21,321.8 million units and 5,932.8 million units in 2023, respectively.

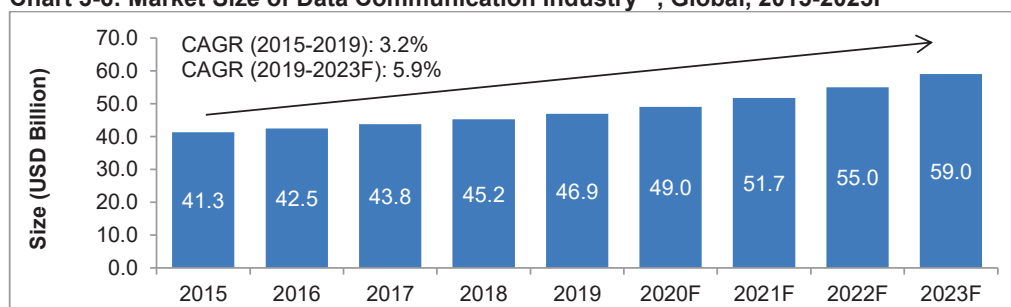
Chart 3-5: Unit Shipments (Million) of Smart Devices, Global, 2015, 2019 & 2023F



Note: * Others include Healthcare & Medical Devices, Fixed Asset monitoring, Portable Asset Tracking, OEM Telematics, AMI & Smart meters, Smart Grids, etc.

Source: Frost & Sullivan

Data communication industry: The data communication devices included in standard estimates of the market size are routers, DSL Modems, cable modems and switches. The global market for the data communication industry was estimated at USD46.9 billion in 2019, growing at a CAGR of 3.2% during the period 2015 to 2019, and driven by the growing number of devices designed to be connected to the internet. Customer demand for higher bandwidth and faster internet connectivity to address the growing IP traffic contributed to the sales of new data communication products. Furthermore, the advent of IoT devices and the higher sales of gadgets capable of operating with internet connectivity propelled the growth of the data communication devices market. The global market for the data communication industry is estimated to witness a CAGR of 5.9% between 2019 and 2023, to reach USD59.0 billion by 2023. The routers and switches segment is forecast to grow at a CAGR of 6.1% between 2019 and 2023, reaching reach USD48.4 billion in that year, whereas the cable modems segment is expected to grow at a CAGR of 6.5% during the same period to reach USD9.4 billion.

Chart 3-6: Market Size of Data Communication Industry⁽¹⁾, Global, 2015-2023F

Note: (1) The market size refers to the revenue generated from the purchase of data communication devices by the end-users. Data communication devices refer to products that connect and translate the data or information from the internet service provider to the connected devices.

Source: Frost & Sullivan

3.1.3 Key Risks and Challenges

Interoperability Issues

The true experience of a smart home can be realised only if connected devices can interoperate with third-party vendor devices while maintaining compatibility with multiple protocols. Interoperable devices are most likely to have higher adoption rates than non-interoperable devices. Device manufacturers need to address interoperability challenges to ensure a true smart home experience for homeowners and increase market penetration rates.

Vulnerability to Cybersecurity Threats

Since IoT devices are connected to the internet, they are vulnerable to hackers, just like any other internet-enabled devices. Once the security of a device is breached, this could extend to other devices and potentially affect the entire IoT ecosystem and supporting data communication systems as they are all interconnected. For governmental agencies or large corporations especially, this could result in severe loss or damage, causing electrical blackouts, the failure of military equipment or the disruption of production lines in factories, among other issues.

As the IoT industry continues to evolve, the market seeks a seamless integration of smart devices rather than having to connect multiple devices through different protocols. The trend for the connectivity of IoT devices is gradually shifting towards the use of Wi-Fi, as this is readily available and has proven to be less complex compared to other protocols. This enables smart devices to connect to the internet and the cloud through Wi-Fi networks, and allows users to have a single consolidated hub for all their devices. However, the fact that these devices become more connected through one single protocol poses higher security risks, as a breach on one device would allow hackers to access other connected devices that are operating on the same protocol.

Cloud Attacks

Given that a large amount of data from IoT devices will be stored in a cloud platform, it is highly likely that the cloud service providers would become targets of cyber threats. This could lead to leaks of customer data. It is reported that the takedown of any cloud providers would cause economic damage worth approximately USD50 billion to USD120 billion³⁴.

Secure Communication

Another IoT challenge is ensuring secure communication across the network between devices and cloud services or apps. Many IoT and data communication devices do not encrypt data before sending it across the network, as these devices are (i) constrained by a limited amount of memory and processing capability, and (ii) often required to run on low power. Hence, these devices are not capable of performing quick complex encryption to transmit data securely in real-time³⁵. As a result, these devices are susceptible to potential data breaches.

Data Security and Privacy Concerns

Security and privacy are critical for homeowners as they are concerned with personal data or credentials being stolen through cyberattacks. Hackers use internet-connected devices such as CCTV cameras, smart locks and other devices to hack into home networks. Cybersecurity attacks against connected devices (e.g., smart TVs, smart security cameras and smart locks) which are mostly connected via ZigBee, Z-Wave, and/or Wi-Fi networks are increasing. In 2017, the total number of attacks against IoT-enabled devices was 57,691 cases. Overall, the number of IoT attacks remained high, albeit decreasing slightly to 57,553 cases in 2018³⁶. Routers and smart cameras were major targets, accounting for approximately 75% and 15%, respectively, of the attacks in the same year.

Although the number of IoT connected devices is increasing, consumers are concerned about the level of security of these devices. Approximately 90% of consumers lack confidence in their security, while 65% of consumers are concerned about a hacker controlling their IoT device³⁷. Additionally, data is constantly being collected, stored and processed through IoT devices. It is critical for data transmitted through the network to be processed and stored securely, especially sensitive data that must remain protected to ensure personal information is not leaked from IoT databases. To overcome this, it is critical for device manufacturers to continually innovate and develop products with updated cybersecurity features to prevent future attacks, thereby increasing levels of trust among users and further promoting the adoption of IoT products.

³⁴ World Economic Forum, Global Risk Report 2018

³⁵ IBM, Top 10 IoT security challenges, 2017

³⁶ Symantec, Internet Security Threat Report 2019

³⁷ Gemalto, State of IoT Security, 2017

Managing Device Updates

Updates are vital in ensuring the longevity of IoT devices, as they usually include security patches or firmware updates that may carry minor bug fixes. However, the process this involves can be challenging as it requires the constant tracking of available updates for each device, especially if devices are a combination of different brands or communicate with a range of different network protocols. Furthermore, not all devices would be able to support over-the-air updates or updates without downtime, thus requiring manual updates. A lack of updates, especially for older devices or devices no longer in production, would require an upgrade to a newer version of the device, which can result in higher costs for users.

3.1.4 Regulatory Landscape

This section illustrates the relevant laws and regulations related to the IoT and data communication industry in Singapore, the US, and the EU.

Singapore

Table 3-1: Relevant Laws & Regulations Related to the IoT and Data Communication Industry in Singapore

Laws & Regulations	Description
Cybersecurity Act	The Act establishes a legal framework for the oversight and maintenance of national cybersecurity in Singapore, which includes strengthening the protection of the Critical Information Infrastructure (CII) against cyberattacks, authorising the Cyber Security Agency of Singapore (CSA) to prevent and respond to cybersecurity threats and incidents, establish a framework for sharing cybersecurity information and establish a licensing framework for cybersecurity service providers.
Personal Data Protection Act 2012	A law that governs the collection, use and disclosure of personal data by all private organisations.
TR 38: 2014 Sensor network for Smart Nation (public areas)	Provides guidance on the communication and application interface standards for the development and deployment of sensor network(s) for public areas in Singapore.
TR 40: 2014 Sensor networks for Smart Nation (homes)	Provides the framework and a minimum set of communication and application interface standards for the development and deployment of sensor networks for homes in Singapore.
TR 47: 2016 IoT reference architecture for Smart Nation	This Technical Reference ("TR") recommends a minimum set of coherent international or industry standards for the interface interoperability of information and services that support a variety of applications across multiple industries and that are suitable for deployment on a nation-wide scale.
TR 50: 2016 IoT information and services interoperability for Smart Nation	This TR specifies a form of technology-independent reference architecture in support of the development of specific architectures for applications or systems for IoT or sensor networks that are mutually interoperable through a set of well-defined interfaces to achieve seamless data exchanges and information use.
TR 64: 2018 Guidelines for IoT security for Smart Nation	This TR introduces the foundational security concepts and terminology for Internet of Things (IoT) systems and demonstrates their applications. The TR provides guidance for managing threats to and vulnerabilities of IoT systems. In addition, it identifies four basic IoT security design principles and demonstrates their application. Guidance is also provided on the classification of IoT security requirements and their usefulness in supporting the identification of security requirements.
IoT Cyber Security Guide	Provides baseline recommendations, foundational concepts and checklists, focusing on the security aspects of the acquisition, development, operation and maintenance of IoT systems.

Source: Frost & Sullivan

US**Table 3-2: Relevant Laws & Regulations Related to the IoT and Data Communication Industry in the US**

Laws & Regulations	Description
California's IoT Security Law (SB 327)	The law requires a manufacturer of a connected device, as those terms are defined, to equip the device with a reasonable security feature or features that are appropriate to the nature and function of the device, and appropriate to the information it may collect, contain or transmit. The features are designed to protect the device and any information contained therein from unauthorised access, destruction, use, modification or disclosure, as specified.
Oregon House Bill 2395	The bill requires connected devices sold in Oregon to be equipped with reasonable security features that are appropriate to the device's nature, function and data it collects or transmits. The features must be designed to protect the device and the information from unauthorised access, use or disclosure.
Developing Innovation and Growing the Internet of Things (DIGIT) Act	This Act convenes a working group of federal entities and experts from the private and academic sectors, who are tasked with providing recommendations to Congress on how to facilitate the growth of connected IoT technologies. The group's recommendations would focus on how to plan for and encourage the development and deployment of the IoT in the US.
The IoT Cybersecurity Improvement Act 2019	As IoT devices are shipped with factory-set, hardcoded passwords, they are often impossible to update or patch. Hence, these devices create a weak point in a network's security, leaving the rest of the network vulnerable to attack. The IoT Cybersecurity Improvement Act aims to address this issue by encouraging IoT manufacturers to build devices that are secure in their design by having in-built security features and considerations from the beginning. This act requires the National Institute of Standards and Technology (NIST) to issue recommendations for secure development, identity management, patching and configuration management for IoT devices. Furthermore, this Act entitles the Office of Management and Budget (OMB) to issue guidelines based on these recommendations for the purchase of any internet-connected device by the Federal Government and ensure compliance.

*Source: Frost & Sullivan***EU****Table 3-3: Relevant Laws & Regulations Related to the IoT and Data Communication Industry in the EU**

Laws & Regulations	Description
General Data Protection Regulation (GDPR)	Ensures that personal data can only be gathered under strict conditions and for legitimate purposes. Organisations that collect and manage an individual's personal information must also protect it from misuse and respect certain rights. The Regulation states that any company holding data in regard to an EU citizen must offer the individual the right to reject sharing that data just as easily as the company was granted consent to acquire it. Secondly, that consent, even when granted, must be flexible. Citizens can restrict how their data is processed, give consent for data storage but not consent to their data being processed at all, and must give consent for data to be transferred or shared to a third party or outside the EU.
ePrivacy Directive	Regulates EU telecoms and data protection frameworks to ensure that all communications over public networks maintain respect for fundamental rights, in particular, a high level of data protection and privacy, regardless of the technology used.
ETSI TS 103 645: Cyber Security for Consumer IoT	The standard requires implementers to forgo the use of universal default passwords, which have been the source of many security issues. It also requires the implementation of a vulnerability disclosure policy to allow security researchers and others to report security issues, make deleting personal data easy for consumers, make systems resilient to outages, ensure software integrity and keep the software updated.
EU Cybersecurity Act	The EU Cybersecurity Act revamps and strengthens the EU Agency for Cybersecurity (ENISA) and establishes an EU-wide Cybersecurity certification framework for digital products, services and processes.

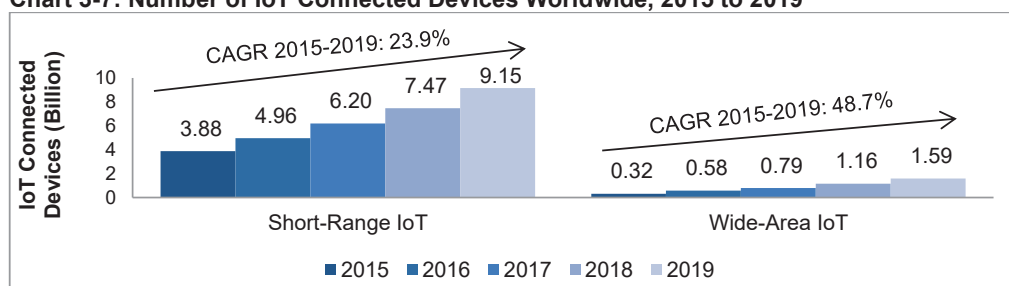
Source: Frost & Sullivan

With more devices connected, a larger volume of data has now moved online. This raises concerns about cybersecurity and the ability to keep networks secure from cyberattacks. This threat of securing networks can also be observed for data communication devices. Legislators around the world have been attempting to address this issue through cybersecurity and data protection laws. Although such laws are being increasingly adopted by countries around the world, there is a lack of regulation to ensure that manufacturers or vendors adhere to certain standards and requirements for protecting end-users. IoT devices are either protected by the network using tools such as firewalls, or by security built into the device that detects and blocks attacks, authenticates access and analyses communication. However, in many cases, security breaches are simply attributed to a manufacturer's oversight. Hence, cybersecurity regulations may look at embedded devices to ensure manufacturers adhere to certain standards. The compliance with such standards requires stringent quality control processes to be in place, thus increasing costs for manufacturers. However, this reduces concerns about cybersecurity risks among consumers, thereby increasing the demand.

3.1.5 Technology Trends

Growing numbers of connected devices

Chart 3-7: Number of IoT Connected Devices Worldwide, 2015 to 2019



Source: Ericsson Mobility Report; Frost & Sullivan

The short-range IoT segment consists of devices connected by unlicensed radio within a range of up to 100 metres, such as Wi-Fi, Bluetooth and ZigBee³⁸. Meanwhile, wide-area IoT consists of devices using cellular connections, such as a low-power wide-area network ("LPWAN"), 4G or 5G³⁹, which have wider coverage ranges.

The number of short-range IoT connected devices grew from 3,883.9 million in 2015 to 9,148.6 million in 2019 at a CAGR of 23.9%. Wide-area IoT connected devices recorded a stronger growth at a CAGR of 48.7%, from 324.5 million to 1,588.1 million connected devices within the same period. The rapid growth in wide-area IoT is due to the rise in complex IoT projects such as smart cities and smart agricultural practices, which demand a new level of connectivity standards.

Enhanced safety and comfort for homeowners

Smart home adoption has been increasing in recent years, whereby enhanced safety and comfort for homeowners have been known to contribute to the growth of the IoT industry. In 2018, about 15% of the households in the US used smart home systems⁴⁰. The percentage of US households with Smart Assistants reached about 41% in 2018⁴¹. Several home automation systems have developed the ability to integrate with existing HVAC and lighting systems for full automation and control. A mere tap of a phone or a tablet enables homeowners to change room temperature or humidity; change light colours; automate blinds, shutters and garage doors; and automate outdoor applications.

³⁸ ZigBee is a type of mesh technology which is mostly used for in-house applications such as smart lighting or remote controls.

³⁹ Ericsson Mobility Report, Internet of Things forecast

⁴⁰ Eeworldonline, "US leads the world in Smart home adoption", March 2019

⁴¹ Forbes Business Council, "Will Your Smart Home Product Achieve Mass Adoption?", October 2019

Home automation also enables the continuous monitoring of the home in case there is a need to monitor the elderly or young. Several smart home assistants and robots assist residents, while smart home devices and sensors will alert users in cases of break-ins or other emergency situations. Video doorbells, automated locking and unlocking of doors, and continuous monitoring with cameras enable users to monitor visitors. This further enhances security, given that video doorbells can alert the user before the doorbell is rung. Smart assistants are increasingly integrated with security cameras that enable continuous monitoring of the house and trigger alert signals to users in emergency situations.

Smart devices are providing increased convenience for homeowners

Connected home ecosystems can be scheduled for timely operations and managed easily with voice commands and via smartphone apps. For example, such ecosystems can help turn on lights only when required and also inform the user when appliances are used. Smart appliances for the kitchen, such as smart refrigerators, can alert users when food items need to be refilled and generate shopping lists by studying the habits of users. This provides convenience and time savings for residents of a smart home since most daily activities are taken care of.

[THE REST OF THE PAGE IS INTENTIONALLY LEFT BLANK]

3.2 COMPETITIVE LANDSCAPE

3.2.1 Overview

The IoT market is highly competitive and fragmented due to the presence of many large and small industry players operating in the domestic as well as the international market. In addition, the market consists of players that solely market IoT devices and solutions, players that are engaged in both the manufacturing and marketing of IoT enabled devices (both own brand and third-party brands) and companies that are diversified and focus on other electronic products in addition to IoT devices.

3.2.2 Profiles of Key Players

Table 3-4: Profile of Key Global IoT and Data Communication Players ⁽¹⁾, 2020

Company (Year of Establishment)	HQ	Company Overview	Status (Listed/ Non- Listed)	Key Product Categories	Global Presence ⁽³⁾	Products Manufactured
Amazon (1994)	US	A multinational technology company focusing on e-commerce, cloud computing, digital streaming and artificial intelligence. The company engages in online retailing and sales of computing, storage and database services.	Listed	Smart speakers, Automated Voice Assistant, Smart security cameras and connected doorbells, etc. ⁽²⁾	US, Canada, Mexico, Germany, France, Italy, Poland, Spain, UK, China, Japan, India	Own brand products
Aztech (1986)	Singapore	An integrated manufacturer of electronic products with competence in R&D, design, engineering and production services. It also offers OEM, ODM, JDM and CMS services to brand owners.	Non-Listed	Smart Security Cameras, Smart Home Plugs, Smart Switch, Smart Hub, Smart Locks, Smart Sensors, etc. ⁽²⁾	China, Malaysia, Hong Kong, Singapore	Own brand products, Third-party products
Cisco (1984)	US	An American multinational technology conglomerate, focused on developing, manufacturing and selling network hardware, software and telecommunications equipment.	Listed	Routers, Switches, Modems, etc.	US, Canada, Australia, New Zealand, China, Indonesia, India, Japan, Philippines, Malaysia, Thailand, Vietnam, Austria, Sweden, Netherlands, Denmark, France, Germany, Greece	Own brand products
Google (1998)	US	A multinational technology company that specialises in internet-related services and products, which include online advertising technologies, search engines, web-based services, cloud computing, software and hardware.	Listed	Smart speakers, smart displays, thermostats, smoke detectors, Smart video doorbells, security systems, etc. ⁽²⁾	China, Taiwan, Malaysia, US, Canada, UK, Australia, Germany, Austria, France, Spain	Own brand products

APPENDIX G – INDEPENDENT MARKET RESEARCH REPORT

Company (Year of Establishment)	HQ	Company Overview	Status (Listed/ Non- Listed)	Key Product Categories	Global Presence ⁽³⁾	Products Manufactured
Honeywell (1906)	US	A multinational conglomerate operating in Aerospace, Building Technologies, Performance Materials & Technologies and Safety & Productivity Solutions.	Listed	Smart cameras, smart thermostats and wireless doorbells, Smart sensors and platforms, energy management systems, etc. ⁽²⁾	US, Canada, France, Germany, India, Italy, Netherlands, Poland, Norway, Spain, UK, Indonesia, Malaysia, China, Japan, Singapore	Own brand products
Huawei Technologies (1987)	China	A leading global provider of Information and Technology infrastructure. The company focuses on manufacturing communication devices, building telecommunication networks, and operational and consulting services to enterprises.	Non-Listed	Routers, Switches, Modems, etc.	China, US, Canada, UK, Germany, France, Italy, Spain, Sweden, Belgium, Netherlands, Australia, India, Japan, Indonesia, Malaysia, Singapore	Own brand products
Johnson Controls (1885)	Ireland	A multinational conglomerate focusing on providing systems and digital solutions for enhancing the intelligence of buildings. The company offers building products, technologies, software and services under its smart buildings portfolio.	Listed	IoT-based smart systems for temperature control, HVAC systems, Security, and alarm applications, etc. ⁽²⁾	US, Canada, UK, Spain, France, Germany, Norway, Poland, Portugal, Switzerland, Singapore, China, Japan, Australia	Own brand products
LG Electronics (1958)	South Korea	A multinational electronics company providing products and solutions in home entertainment, mobile communications, home appliances, air solutions and vehicle components	Listed	Smart cameras, smart appliances, smart wearables and security systems, etc. ⁽²⁾	China, Singapore, Indonesia, Malaysia, India, US, Canada, France, Germany, India, Italy, Netherlands, Poland, Norway, Spain, UK	Own brand products
Samsung (1938)	South Korea	A Korea-based conglomerate focused on producing consumer and industry electronics, including appliances, digital media devices, semiconductors, memory chips and integrated systems.	Listed	Smart cameras, smart appliances, smart wearables, smart sensors and security systems, etc. ⁽²⁾	China, India, Singapore, Malaysia, Japan, Philippines, South Korea, Germany, Hungary, Czech, Ireland, Israel, Italy, Poland, Spain, Sweden, Switzerland, UK, Canada, Mexico, US, Australia	Own brand products
Schneider Electric (1836)	France	European-based company providing energy and automation digital solutions for efficiency and sustainability. The company combines energy technologies, real-time automation, software and services to target customers at home, or in buildings like data centres, infrastructure and industries.	Listed	Smart sensors, Smart energy management systems, Automation and control systems, etc. ⁽²⁾	US, Canada, France, Germany, Japan, China, Thailand, Singapore, Sweden, Italy, Spain, India, Australia	Own brand products

APPENDIX G – INDEPENDENT MARKET RESEARCH REPORT

Company (Year of Establishment)	HQ	Company Overview	Status (Listed/ Non- Listed)	Key Product Categories	Global Presence ⁽³⁾	Products Manufactured
Siemens (1847)	Germany	A German multinational conglomerate focusing on intelligent infrastructure for buildings and decentralised energy systems, automation and digitalisation in manufacturing industries and for smart mobility solutions.	Listed	IoT-based smart systems for building automation and controls, HVAC systems, IoT sensors and platforms, energy management systems, etc. ⁽²⁾	US, Canada, Germany, Spain, France, UK, Norway, Sweden, China, Thailand, Singapore, Malaysia, Australia, Mexico, Brazil, Argentina	Own brand products
Sony (1946)	Japan	A Japanese multinational conglomerate focusing on electronics manufacturing. The company also provides products and solutions in the entertainment, gaming and financial services sectors.	Listed	Smart appliances, smart wearables, smart cameras, etc. ⁽²⁾	Japan, US, Canada, Germany, France, Italy, Poland, Spain, UK, China, Singapore, Malaysia, Indonesia, Australia, India	Own brand products
ZTE Corporation (1985)	China	A China-based technology company specialising in telecommunications. ZTE operates carrier networks, terminals and telecommunications. The core business focuses on wireless, exchange, optical transmission, data communications gear, mobile phones and telecommunications software.	Listed	Routers, Switches, Modems, etc.	China, Thailand, Indonesia, Australia, Singapore, Malaysia, India, Sri Lanka, Taiwan, Philippines, US, Mexico, Brazil, UK, Spain, Italy, Belgium, Netherlands	Own brand products

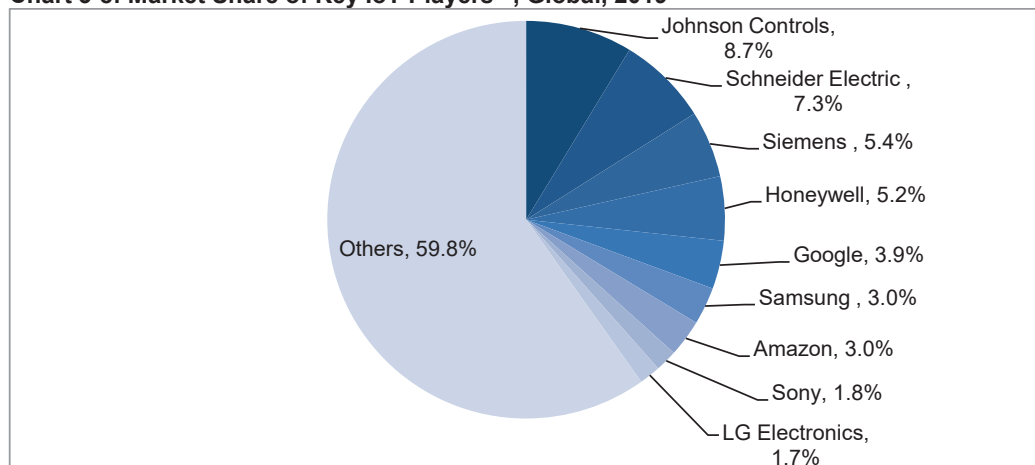
Note: (1) The companies listed in the table are sorted alphabetically (2) These companies are not limited to the manufacturing of IoT-enabled products. (3) Global presence refers to the countries where the companies have manufacturing, R&D, design, service facilities and/or offices.

Source: Frost & Sullivan

3.2.3 Market Share

IoT industry: The market for IoT devices is highly fragmented, as it is still at the nascent stage of its growth. In 2019, Johnson Controls emerged as the market leader, commanding over 8.7% of the total IoT market. Johnson Controls has built a strong capability in providing smart home and building solutions. The company has a strong presence in Europe, providing IoT-based smart solutions for temperature control, HVAC systems, Security, and alarm applications. In 2020, Johnson Controls acquired Qolsys Inc., a residential and commercial security and smart home devices manufacturer. The acquisition was aimed at enhancing the suite of products and scale across the global market. Johnson Controls witnessed a 24.1% increase in sales revenue from IoT devices in 2019. However, the company is expected to have grown moderately in 2020⁴². This is attributed to the reduced commercial and industrial activities in early 2020 owing to COVID-19. The market also witnessed the dominance of Industrial Automation companies such as Schneider Electric, Siemens and Honeywell. These companies have a strong presence among industrial customers in non-consumer markets such as manufacturing and utilities, delivering IoT-based devices and sensors. Schneider Electric constituted about 7.3% of the total market in 2019, while Siemens and Honeywell constituted about 5.4% and 5.2%, respectively. Honeywell also provides smart home solutions such as smart cameras, smart thermostats and wireless doorbells, focusing on the IoT market for consumers.

Chart 3-8: Market Share of Key IoT Players⁽¹⁾, Global, 2019



Note: (1) The market share data is estimated based on reported revenue of sales of IoT products. The estimated revenue takes into account the sales of IoT-based hardware in the form of devices, modules and sensors to perform Device, Application and Network management. (2) "Others" comprises the large number of smaller global and regional companies.

Source: Frost & Sullivan

Aztech offers smart home devices such as Smart Security Cameras and Home Automation Systems. The Aztech IoT-based home automation system enables users to control devices in their homes wirelessly through an application, thereby facilitating personalisation according to user needs. These systems are designed to be modular and can also be synergised with other sensory devices such as motion sensors and door/window sensors, giving users the full home automation experience. In 2019, the IoT devices manufactured by Aztech, and sold either to third-parties or to end-consumers, are estimated to account for about 0.3% of the total market for IoT devices.

Technology firms such as Google and Amazon focus on providing smart home devices to consumer markets. In addition, these companies provide smart security and alarm systems to small offices and businesses in the non-consumer segment. In 2019, Google constituted about 3.9% of the total IoT market, while Amazon constituted 3.0% of this market. Under its product

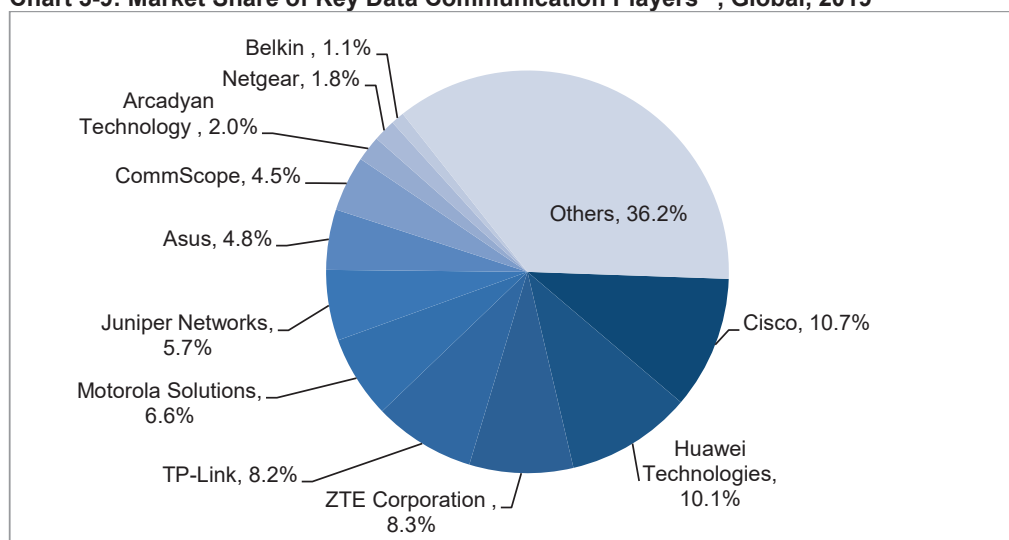
⁴² Forbes.com, "Johnson Control's revenue could touch \$25 billion by 2020 despite divesting Power solutions unit", October 2019

family Google Nest, Google provides IoT-based smart home devices that include smart speakers, smart displays, streaming devices, thermostats, smoke detectors and security systems. In 2020, Google formed a partnership with the security firm ADT to increase the adoption of Google's IoT security devices. Under this partnership, Google Nest smart home devices, such as Nest cameras and Nest Hub Max, will be sold and installed by ADT, targeting homes and small businesses. Amazon has been expanding its smart home products portfolio through a series of acquisitions. In 2018, Amazon acquired Ring, a smart home company selling connected doorbells, security cameras and floodlights. This acquisition enabled Amazon to provide smart home security and monitoring systems integrated with Echo and Alexa devices. Amazon's market share increased from less than 1% in 2015 to 3.0% in 2019. Samsung, LG Electronics and Sony, having a strong presence in the home appliances market, have been transitioning to provide smart home devices. Samsung constituted about 3.0% of the total market in 2019, while LG Electronics and Sony constituted about 1.8% and 1.7% of the market, respectively.

Data communication industry: The market for data communication devices is highly fragmented. In 2019, Cisco emerged as a market leader, commanding 10.7% of the total data communication devices market. In April 2019, Cisco launched its new Wi-Fi 6 wireless networking routers, as well as switches aimed at providing a huge boost to the network capacity and reliability of the enterprise. These Wi-Fi 6 routers perform up to four times better than the previous Wi-Fi 5 routers. In 2019, Huawei Technologies launched new lines of routing products that include the Huawei A2 Wi-Fi Router, the first to feature one-touch Near Field Communications (NFC) support on a network router. This is expected to reduce the issues associated with network routers and boost its networking capabilities. ZTE Corporation launched its 5G Indoor router MC801 in 2019 and constitutes about 8.3% of the total data communication devices market. TP-Link has a strong market positioning through its modem products and constitutes 8.2% of the total market. The other notable players are Motorola Solutions with a 6.6% market share, while Juniper Networks and Asus hold a market share of 5.7% and 4.8% respectively. CommScope acquired Arris International in 2019, to expand its product portfolio and grow in new markets. The acquisition is aimed at positioning CommScope in the end-to-end communications infrastructure and in connectivity solutions.

In 2019, the data communication devices manufactured by **Aztech**, sold either to third-parties or the end-consumers, are estimated to account for about **0.1%** of the total market for data communication devices.

Chart 3-9: Market Share of Key Data Communication Players⁽¹⁾, Global, 2019



Note: (1) The market share data is estimated based on reported revenue of data communication devices. The estimated revenue takes into account the sales of devices such as Routers, DSL Modems, Cable modems and Switches. (2) "Others" comprises the large number of smaller global and regional companies.

Source: Frost & Sullivan

3.3 MARKET OUTLOOK

IoT products are increasingly gaining traction in the market, in terms of industrial, enterprise and consumer applications. This is mainly driven by the development of IoT and other complementary technologies (e.g., integrated smart home devices, smart wearables and gadgets, and 5G Technology), declining costs associated with owning IoT devices, as well as the growing demand for large data gathering that enables better decision-making and reduces human errors. Among the industries that will benefit from the growing adoption of IoT are healthtech, factory automation and consumer electronics. Between 2015 and 2019, the IoT industry grew from USD90.0 billion to USD199.4 billion, supported by technological improvements and higher usage levels of connected devices. Frost & Sullivan forecasts the IoT industry to continue growing at a CAGR of 20.8%, to reach USD425.2 billion by 2023. As the demand for IoT devices is expected to increase due to the growing adoption rate, the prospects for manufacturers are promising. This is evident in the establishment of various Chinese manufacturers of IoT devices to meet the existing and future market demand.

The demand for data communications devices is also forecast to increase, as they facilitate the efficient transmission of data, driving the usage of IoT devices. Frost & Sullivan forecasts the data communication industry to continue to grow at a CAGR of 5.9% during the period 2019-2023, to reach USD59.0 billion by 2023. This will be driven by the growing access to the internet and internet-connected devices, the demand for faster and reliable connections, and the increasing exchange of data.

4 GLOBAL MARKET FOR LED LIGHTING PRODUCTS

4.1 INTRODUCTION

Industry Evolution

Lighting has evolved (e.g., fire, oil lamps, candles and kerosene lamps) to the creation of advanced lighting technologies. Since then, the adoption of technology has allowed the development of improved types of lighting which include energy-efficient light bulbs.

As lighting constitutes a major component of total power consumption, the global industry is progressively shifting away from conventional products such as incandescent lamps, halogen, fluorescent lamps and compact fluorescent lamps (“CFL”). The demand for more energy-efficient solutions has spurred the increase in LED lighting adoption across continents, in response to growing concerns about greenhouse gas (“GHG”) emissions, among others. An increasing number of measures have been taken to increase energy efficiency levels. Municipal councils across the globe are taking the initiative in retrofitting conventional street lighting systems to LED fittings. The key industries with high levels of application of LEDs in the general lighting space are the architectural, hospitality, industrial, office, residential and retail segments. In comparison to conventional lighting products, LED lighting has a higher conversion rate of energy to light, resulting in less heat being generated. Other general benefits of LEDs are a longer life span, up to with a maximum of 100,000 hours, and greater design flexibility, ranging from different colours and shades depending on the type of applications.

Industry Competition

The LED lighting market is deemed to be highly competitive with the presence of major players, such as Signify Holding (“Signify”) (formerly known as Phillips Lighting), General Electric (“GE”) Lighting, OSRAM Licht AG (“OSRAM”), and Zumtobel Group (“Zumtobel”), among others. With various application segments in the lighting industry, market participants are required to have a niche advantage to gain market traction globally. For example, Anolis Lighting, Aura Light International AB, ERCO GmbH, Schréder SA and Zumtobel Lighting GmbH focus on architectural lighting. To date, the APAC region has the highest number of market participants, followed by the EU region. The emergence of many local Chinese manufacturers has resulted in major disruption, as these players offer highly competitive prices against the current industry standards, which has led to the fragmentation of the global market. With the advent of new commercial business models such as smart lighting and Light-as-a-Service (“Laas”), the industry is forecast to grow by 2023. Smart lighting is a lighting system that comprises single or multiple types of sensors, electronic controllers and controllable switches/relays, that is capable of various automation activities like automatic light dimming,

remote control and monitoring. LaaS refers to a delivery model in which light services are charged based on a subscription basis, without requiring high upfront capital investment.

Industry Segmentation and Value Chain Analysis

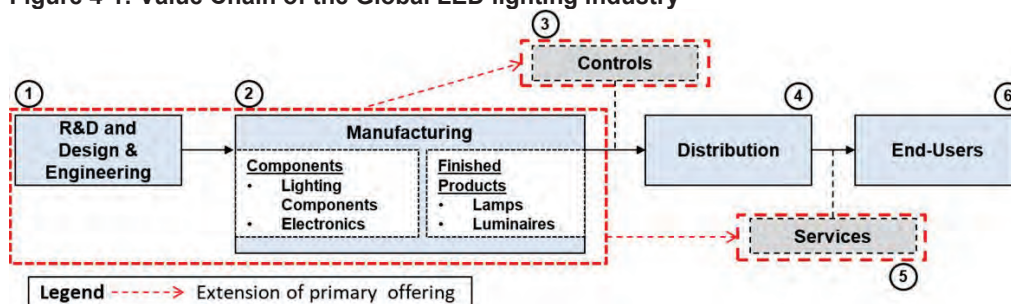
The LED lighting industry can be broadly segmented by end-user applications and product types. The application of LED lighting is present across the general lighting, automotive lighting and backlighting sectors. This report focuses on the general lighting sector, in which Aztech primarily operates.

General Lighting: Also known as “ambient lighting”, it refers to the background levels in general spaces. Ambient lighting can be further categorised into seven distinct applications, namely architectural, hospitality, office, outdoor, residential, retail and industrial.

Automotive Lighting: Refers to the lighting systems of motorised vehicles, which consist of electronic components to provide lighting and signalling capabilities. Generally, these components are mounted or integrated on the front, rear and sides of the vehicle.

Backlighting: To illuminate objects which can be typically found in small displays to increase readability in low lighting settings. Examples include wristwatches, smartphones, computer displays and LCD televisions.

Figure 4-1: Value Chain of the Global LED lighting industry



Note: (1) The dotted boxes covering “R&D and Design & Engineering”, “Manufacturing”, “Controls”, “Services” denote the areas in which Aztech primarily operates. (2) The boxes of “Controls” and “Services” denote value-added services that may be complementary to the main value chain of the LED lighting industry.

Source: Frost & Sullivan

- 1) **R&D and Design & Engineering:** Lighting technology is rapidly evolving, impacting lighting components, lamps, electronics, luminaires and controls. To keep pace with this development, companies invest in R&D to further innovate their products and services portfolio. R&D is vital in ensuring that companies are keeping pace with consumer demand and manufacturing LEDs with the right design that would suit different consumer requirements (e.g., specifications, shapes, sizes and wattages).
- 2) **Manufacturing:** Materials that are used in lighting technologies are vital to ensure the right luminous efficacy and efficiency. Luminous efficacy is a measurement used in the industry to indicate the ability of a light source to produce visible light using a given amount of power. Meanwhile, luminous efficiency is a unit-less measurement used as an indication of electrical performance. LEDs are made from various combinations of semiconductor materials such as gallium, indium, arsenic, nitrogen and phosphors. The manufacturing models commonly offered are OEM, ODM and JDM.

Manufacturing of LEDs includes the following key components:

Table 4-1: Key Components in LED lighting Manufacturing

Components	Descriptions
Lighting component	Lighting components are the basic components that constitute a light source, such as semiconductor materials and filaments.
Electronics	Electronic components convert AC to DC and regulate the current in the light source of the luminaire, including drivers' ballast and optics.

Source: Frost & Sullivan

Once the manufacturing processes are completed, LED lighting finished products are categorised as follows:

Table 4-2: Categories of LED Finished Products

Components	Descriptions
Lamps	These form the heart of a lighting system and include the light source, which is the LED lamp/bulb/tube. LED lamps will continue to displace conventional lighting products such as incandescent, fluorescent and CFL.
Luminaires	Luminaires are the lighting fixtures that house the lamp and drivers, and can also include sensors and controls. Luminaires may use a primary and secondary optic. The primary optic is built into the LED lighting itself and designed to maximise the light output of the LED lighting. The secondary optics, such as reflectors, are then used to shape the light, rendering the beam narrower.

Source: Frost & Sullivan

- 3) **Controls:** External units that are engaged to control the lighting system based on sensors using various wired and wireless protocols, which can be further administered using applications or voice automation, among others.
- 4) **Distribution:** LED fittings are distributed through direct or indirect sales channels. Direct sales refer to the movement of products from manufacturers directly to end-users (e.g., consumers, government agencies or construction agencies), while indirect sales are the sales of products through wholesalers or retailers.
- 5) **Services:** These are the associated services and business models adopted to enhance the entire lighting experience, such as the LaaS model, where lighting equipment and maintenance are delivered as a service to clients. For projects in the public or private sectors, system integrators are usually involved in providing end-to-end services that include system design, testing, installation, commissioning and after-sales support to clients based on the project requirements and specifications.
- 6) **End-Users:** The end-users for LED lighting consist of groups from various market segments, including architectural, office, outdoor, residential and retail, among others.

Aztech has built strong capabilities in the R&D, Design & Engineering and manufacturing of LED lightings. The LED lightings manufactured by Aztech are used in a variety of applications for general lighting, in particular residential, commercial and industrial lighting. Aztech manufactures the key components of the LED lightings such as the driver and optics, while the LED chips and heat sinks are procured from reliable vendors. Aztech also provides associated after-sales service to support and enhance the lighting experience of the end-users.

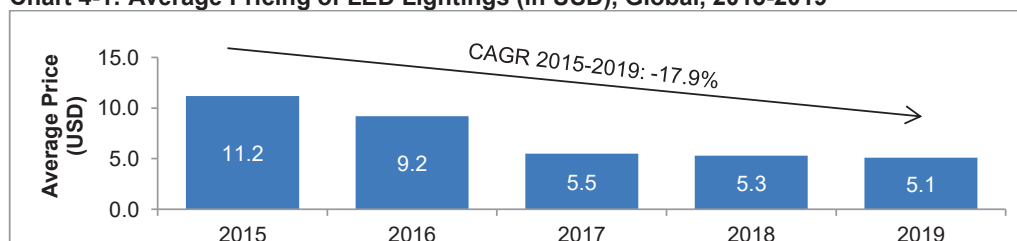
4.2 MARKET ANALYSIS

4.2.1 Market Drivers and Restraints

Market Drivers

Decline in average global LED Lighting pricing

Chart 4-1: Average Pricing of LED Lightings (in USD), Global, 2015-2019



Note: (1) Pricing of LED lightings is based on the average manufacturer selling price and only refers to LED replacement lamps.

Source: US Department of Energy ("DOE"); Frost & Sullivan

Prior to 2014, LED lightings were known as a costly alternative to traditional incandescent lamps and CFLs. However, the increase in manufacturing units in several parts of Asia, namely China and India, has led to the mass production of LED lightings. This resulted in the decline in

LED lighting prices to levels that are comparable with CFLs. The significant price decline has contributed to higher market penetration, as the products have become more affordable and their adoption has increased across various functional spaces.

While the declining prices of LED lightings are beneficial to consumers, manufacturer revenues are affected since most end-users in this segment are price-sensitive and not brand-conscious. Several manufacturers, especially multinational companies, have been affected, as their products are priced generally higher than domestic or Chinese-manufactured products. However, the growing demand for LED lightings is expected to offset the negative impact of lower prices for manufacturers. Additionally, manufacturers continuously look to replace costly raw materials with more affordable alternatives and provide innovative as-a-service offerings to improve their sales of LED lightings. As at 2019, the main factors contributing to the costs of LED lamps were fixtures (37%), drivers (23%), overhead (15%), optics (11%), assembly (10%) and LED package (4%)⁴³. Companies are also looking to expand their product offerings to smart LED lightings, with features such as scheduling and colour change, that are controllable with wireless protocols like Bluetooth and/or Wi-Fi. The price of smart LED lightings may vary according to the types of communication protocols embedded into the products and the manufacturing country of origin. For example, it is observed that US brands are commonly priced higher than Chinese and Indian brands. Since 2015, smart LED lightings have not witnessed a significant decline in prices compared to normal LED lightings, as smart LED lightings are yet to be considered a commoditised product among consumers. The adoption rate of smart LED lighting is different across different global regions. Higher adoption rates have been observed in developed countries, especially in the NA and EU regions.

Global sustainability trend and increasing demand for green building applications

The World Green Building Council promotes the global creation of green buildings. Lighting is known as a major aspect of developing a green building, while LED lightings are preferred for Green Building projects, mainly due to their energy efficiency, controllability and cost-saving benefits compared to CFLs. The Leaders in Energy and Environmental Design (“LEED”) rating system identifies buildings based on their construction, sustainability and energy performances, among others. LED lightings play a significant role in obtaining the LEED certification for a building. According to the LEED Guidelines v4, a maximum of 26 points is tied to the use of LED lightings in buildings, while a minimum of 40 points, along with other mandatory credits, are needed for a building to be LEED-certified.

Table 4-3: LEED Guidelines v4 – Rating Points related to LED lightings

Credit	Details	Credit Points
Sustainable Sites – Credit 6	Reduce Light Pollution – Related to buildings’ interior and exterior lights, reducing glare and automatic on/off based on occupancy.	1
Energy and Atmosphere – Prerequisite 2	Related to Minimum Energy Performance – Buildings should offer a minimum of 80% energy efficiency and this can be achieved through the installation of LED lightings.	Mandatory
Energy and Atmosphere – Credit 2	Related to Optimised Energy Performance – The buildings manage to offer 80% energy efficiency. The higher the efficiency, the higher the rating.	18
Energy and Atmosphere – Credit 7	Related to Green Power and Carbon Offsets – Aimed at the reduction of GHG emissions through the use of renewable energy technologies and carbon mitigation projects.	2
Indoor Environmental Quality – Credit 6	Related to Lighting Controllability – Interior lighting control offered to the occupants of a building – Maximise the usage of daylight, thereby reducing the need for electrical lighting. This can be achieved through dimmers and sliders.	5

Source: LEED; Frost & Sullivan

Several key countries, namely the US, the UK, China, India and Singapore are looking to develop green buildings as part of a sustainable future, as follows:

⁴³ DOE BTO Lighting R&D Program, “2019 Lighting R&D Opportunities”, January 2020

- i. **US:** In the US, governmental and private organisations have established several programmes to drive green buildings development in the country. The U.S. Green Building Council (USGBC), a non-profit trade organisation, promotes sustainability in aspects of building designs and operations. The organisation has developed the Leadership in Energy and Environmental Design (LEED) rating system and organises the green building conference Greenbuild, to promote the green building industry. The country also has an Energy Star programme, developed by the United States Environmental Protection Agency, that rates buildings for energy efficiency and provides Energy Star qualifications for buildings that meet the standards of energy-efficient building design. In the US, green building policies include mandate- and incentive-based policies to drive green building implementation in the country. These policies are formed at federal, state, and local levels. Policies at Federal Level aim to decrease environmental footprints and focus on buildings constructed and occupied by the Government. The Executive Order 13693 – “Planning for Federal Sustainability in the Next Decade” directs federal buildings to reduce energy usage by 2.5% per year between 2015 and 2025. Green building policies at state and local levels focus on non-government buildings and are likely to attract the involvement of private developers.
- ii. **Singapore:** The Singapore Government expects to have 80% of its buildings certified as sustainable under its Green Mark scheme by 2030. As of 2019, Singapore has greened more than 40% of its buildings (by gross floor area), and as of 2020 it is on track to meet the set target⁴⁴. One key initiative is the Energy Efficiency Improvement Assistant Scheme – a fund designed to support companies in the industrial sector in becoming more energy-efficient. Additionally, the development of the Green Buildings Innovation Cluster will help to grow the capability to establish green buildings in Singapore as a measure to develop a sustainable environment nationwide.
- iii. **UK:** The UK Green Building Council released a framework in 2019 to shape the country’s construction sector as part of an effort to reach its 2050 climate goals. The framework focuses on net-zero carbon buildings, and outlines a series of targets for both existing and new buildings to improve energy efficiency levels.
- iv. **China:** Various initiatives have been implemented to promote the growth of zero-carbon buildings in China. For example, in 2020, the Chinese Government set a goal for 70% of new buildings to be certified green by 2022, an increase from 56% in 2018⁴⁵. The provincial governments also provide subsidies for green buildings, such as those with integrated photovoltaics.⁴⁶
- v. **India:** In 2019, the country reached approximately 7 billion square feet of green building footprint, and aims to reach 10 billion square feet of green building area by 2022⁴⁷. India has managed to contribute to energy savings of up to 15,000 MW per million square feet per annum. The National Development Council of India stated its plans to tighten regulations on the Energy Conservation Building Code to increase the energy efficiency in buildings across the country.

Increasing demand for energy-efficient lighting

LED lightings provide a viable alternative to power-consuming light sources by reducing the proportion of electricity used for lighting and aiding a reduction in GHG emissions. In 2017, the US installed a total of 1.44 billion LED lighting units, comprising residential (71.53%), commercial (22.36%), outdoor (5.21%), and industrial (0.69%) uses⁴⁸. Similarly, there is an increasing demand for outdoor and street lighting in developing countries, in regions such as

⁴⁴ Straitstimes.com

⁴⁵ Sixth Tone, China Eyes Green Future for Domestic Construction, November 2020

⁴⁶ 163.com, Photovoltaic Headlines: 31 provinces released BIPV green building plan for 3~5 years! These 13 places have clearly issued subsidy policies!, January 2021

⁴⁷ Indian Green Building Council

⁴⁸ DOE BTO Lighting R&D Program, “2019 Lighting R&D Opportunities”, January 2020

South Asia (i.e., India and Pakistan), which is expected to further drive the sales of LED lamps. In 2019, the global penetration rate of LED lightings (defined as a percentage of LED lighting out of total lighting) was approximately 25.3%, while the penetration rate in the US was estimated at 35%^{49, 50}. In the US, for 2019, the commercial sector had the highest penetration rate of LED lighting with 44% of the total, while the residential and industrial sectors had a penetration rate of 33% and 29%, respectively.

Table 4-4: Comparison of Traditional Incandescent lighting with energy-efficient bulbs (with similar light levels)

	60W Traditional Incandescent	15W CFL	12W LED
Energy Saved (%)	-	~75%	~75% - 80%
Bulb Life (hours)	1,000	10,000	25,000

Source: US DOE

Residential LED lightings emit less heat, use approximately 75% less energy, and last 25 times longer than traditional incandescent lighting, since LED bulbs require less wattage and generate light 90% more efficiently compared to incandescent lights. Additionally, LED lightings have longer longevity, which provides greater cost savings for consumers and contributes to higher energy efficiency; this is beneficial for the environment. This would result in more consumers switching to LED lightings for long-term benefits, driving the demand for LED lighting. By 2027, the wider adoption of LED lightings would save approximately 348TWh of electricity (equivalent to an annual electrical output of 44 electric power plants with 1,000MW each) and save more than USD30 billion, based on the current US electricity price⁵¹.

To date, LED lighting is known to be the most energy-efficient form of lighting. It also reduces long-term cost overheads compared to other technologies. Hence, the installation of LED lightings would significantly drive global energy efficiency.

Increased regulatory support for higher adoption of LED lightings

Globally, governments are implementing various regulations to encourage the use of LED lightings, spurring market development and demand for the products. Major countries such as India, the US and China are adopting a phased-out approach to replace CFLs with LED lightings nationwide. Among the initiatives implemented by governments globally is the prohibition of the manufacture, distribution and sale of incandescent and halogen bulbs. The phased-out or banned approach in multiple countries, is viewed as an initiative to promote more efficient lighting sources to further reduce the burden of electricity bills and national carbon emissions for a long-term sustainable environment. GE was one of the pioneer lighting manufacturers to respond to these regulations, as the company stopped the production of incandescent light bulbs in 2010⁵², and subsequently the production of CFLs in 2016⁵³. Similarly, in 2016, PT Panasonic Gobel Indonesia closed its manufacturing facility that produced CFLs, amidst the growing global demand for LED lightings⁵⁴. Following its divestiture from OSRAM, LEDVANCE also shifted its focus to energy efficiency, as the company closed its conventional lighting manufacturing facilities in Germany⁵⁵, France⁵⁶ and the US⁵⁷ in 2018.

⁴⁹ JRC Technical Reports, "Status of LED Lighting world market in 2017", 2018

⁵⁰ International Energy Agency and the United Nations Environment Programme, "2018 Global Status Report: towards a zero-emission, efficient and resilient buildings and construction sector", 2018

⁵¹ US DOE

⁵² The Guardian, "General Electric moves production from its lamp plant in Virginia to China", November 2010

⁵³ GE Reports, "Say Goodbye, Say Hello: GE Stops Making CFLs, Says Go, Go, Go to LEDs", February 2016

⁵⁴ Indonesia Investments, "Panasonic & Toshiba Restructuring its Business in Indonesia", February 2016

⁵⁵ Investment Portal of Smolensk Region, "LEDVANCE will move its production facilities to Smolensk", August 2018

⁵⁶ Lexington Herald Leader, "Versailles plant closing. Here's how many will lose their jobs, and when", December 2018

⁵⁷ NPR, "Lighting industry's future dims as efficient LED bulbs take over", November 2019

Table 4-5: Phased-Out Approach or Ban on Incandescent Bulbs, Global, 2014 – 2024

Region	Year Initiatives Introduced	Description
EU	2008	In October 2008, the Council of Energy Ministers invited the EU Commission to submit a draft regulation that would encourage the phased-out approach until incandescent lamps and all other non-environmentally friendly lighting products were completely banned in the region ⁵⁸ . The phasing-out process was initiated in September 2009 through the introduction of the Ecodesign law, with the imposition of a complete ban starting from 1 st September 2012. The ban covers 25W, 40W, 60W, and 100W incandescent lamps across all 27 member states of the EU. The EU reviewed and amended the Ecodesign Law in May 2018, which outlined a minimum efficiency requirement of 85 lumens/watt for all light sources. This has effectively rendered tungsten halogen lamps and CFLs of 60 lumens per watt rating and below, outlawed by the newly revised regulation.
	2018	Montenegro announced the phasing-out of incandescent bulbs, starting with 100W bulbs in July 2018. Incandescent bulbs with lower power ratings were gradually phased out over the next two years, which led to the complete ban on incandescent bulbs from 1 st January 2020 ⁵⁹ .
	2018	Starting September 2018, non-directional halogen bulbs were banned in order to promote the adoption of LED lightings. However, the ban does not include special lighting types such as spotlights and incandescent light bulbs that are found in desk lamps and floodlights.
	2021	From 1 September 2021, under the Regulation for eco-design requirements for light sources and separate control gear (EU) 2019/2020, most halogen lamps, and the traditional fluorescent tube lighting common in offices, will be phased out from September 2023 onwards.
NA	2007	US President George W. Bush signed the Energy Independence and Security Act ("EISA"), which entailed new energy efficiency standards for light bulbs in 2007. The EISA outlined that general lighting products had to achieve a minimum efficiency of 45 lumens per watt by 2020 ⁶⁰ .
	2014	In January 2014, the Canadian Federal Government banned the importation and sales of 75W-100W incandescent bulbs.
	2019	In November 2019, the California Energy Commission ("CEC") voted to ban incandescent and halogen lamps, effective January 2020. The imposed ban was part of the EISA restrictions that were initiated under the previous administration.
APAC	2010	Starting in 2010, the Malaysian Government gradually started phasing out incandescent lamps, which then led to a complete ban in 2014.
	2012	The National Development and Reform Commission of China announced a ban on incandescent lamps in three phases, starting from October 2012. In October 2016, the final phase of the ban was implemented, and incandescent light bulbs are no longer allowed to be imported and/or sold in China.
	2014	The Korean Government decided to ban incandescent light bulbs from January 2014.
	2019	In November 2019, the Singapore Government announced its plans to start phasing out halogen and incandescent lamps.
MEA and LAC	2010	In 2010, Argentina was one of the earliest countries to effectively ban incandescent bulbs, with Brazil, Chile and Ecuador following suit. Similarly, Venezuela introduced an exchange programme to phase out incandescent lamps in the country.
	2014	The Emirates Standardisation and Metrology Authority banned the sales of incandescent light bulbs from December 2014.
	2015	Mexico started phasing out incandescent light bulbs in January 2015.
	2016	The Qatar General Electricity and Water Corporation ("KAHRAMAA"), the Ministry of Municipality and Environment, and other relevant government agencies imposed a ban on incandescent lamps effective 1 st May 2016.
	2016	Kenya, Morocco, Namibia, and Tanzania implemented an exchange programme to replace incandescent bulbs with more efficient lighting. In January 2016, Zambia phased out the use of incandescent light bulbs.
	2017	On 7 th June 2017, the Public Authority for Industry, Kuwait issued a regulation that prohibited the importation of incandescent and halogen lamps, with the ban placed into motion effectively from 1 st August 2017.

Source: Frost & Sullivan

Several key countries, namely the US, EU, China, Singapore and India, are looking to replace bulbs consuming high levels of energy, as follows:

⁵⁸ European Parliament, "Parliamentary questions", February 2009

⁵⁹ Balkan Green Energy News, "Phased ban of incandescent bulbs starts July 1 this year in Montenegro", January 2018

⁶⁰ Natural Resources Defense Council, "Fact Sheet: New Light Bulb Energy Efficiency Standards Would Save Billions & Cut Pollution, But Administration Wants To Roll it Back", November 2019

- i. **Singapore:** The National Environment Agency (“NEA”) of Singapore recently raised the Minimum Energy Performance Standards (“MEPS”) of lamps to phase out halogen bulbs and accelerate the shift towards more energy-efficient lamps among consumers. This measure has been viewed as a catalyst in achieving Singapore’s target of ensuring all light bulbs sold from 2023 onwards would be as energy-efficient as LED bulbs, which would translate into household savings of up to SGD3.5 million in annual energy costs.
- ii. **US:** From 1st January 2014, the tungsten filaments of the 40-watt and 60-watt incandescent bulbs were no longer allowed to be manufactured in the US as they do not meet the federal energy efficiency standards. This was the last stage of a phase-out that started in 2012 with the 100-watt incandescent bulbs. The 2014 phase-out was a significant development, as the 40- and 60- watt bulbs represented approximately 50% of the consumer lighting market in the US. Energy-efficient light bulbs commonly use 25% to 80% less energy compared to traditional incandescent ones. This contributed to the decrease in national energy use in both the residential and commercial sectors in 2018, as consumers gradually shifted from incandescent bulbs. The Federal government offers tax deductions to commercial entities of between USD0.30 to USD1.80 per square foot on any investment made towards making the building more energy-efficient⁶¹. This includes the installation of efficient LED lightings. In addition to this, incentives and rebates are also provided by state governments to help reduce installation costs.
- iii. **EU:** In 2018, the EU established a new regulatory framework for improving efficiency which caused the energy-intensive and inefficient halogen light bulbs to be phased out as they no longer met the required standards. This policy measure will facilitate consumers’ replacement of their old, inefficient halogen lamps with new LED lamps. These will contribute to the EU’s goal of achieving its energy-efficient target of 32.5% by 2030. By 2020, the lighting regulations were expected to bring electricity savings of 93 TWh/year and reduce annual emissions in the EU by the equivalent of 35 million tonnes of CO₂.
- iv. **China:** Chinese regulators have implemented regulations to phase out the use of incandescent bulbs. China is also one of the earliest worldwide adopters of LED street lighting. Chinese manufacturers are taking measures to produce LED lightings faster and more cheaply than their global competitors. Additionally, China has adopted the labelling programme, which informs customers of the higher efficacy of LED lightings. These labelling schemes could further encourage consumers to shift from halogen and fluorescent lamps to LED lightings. China has been providing financial subsidies through the Ministry of Finance (MOF) and National Development and Reform Commission (NDRC) to promote LED lightings. In addition to this, local governments play a key role in implementing LED lighting subsidies. The Guangzhou Government announced in 2019 its support for companies investing in novel display technologies, including Mini/Micro LED lightings. The Government will provide a one-time subsidy of USD114.3 million to companies that begin the trial production of related display technologies. In addition, if a company reaches a revenue of USD857.2 million for the first time, it can also receive a reward of USD85.7 million. Moreover, if a company doubles its growth in the following year with a revenue of USD1.7 billion, it can again apply for a subsidy of USD85.7 million.⁶²
- v. **India:** The Government has introduced initiatives such as the Unnat Jyoti by Affordable LEDs for All (“UJALA”) and LED Street Lighting National Programme (“SLNP”) to adopt LEDs, which drives the demand for LED light sources in the country. From December 2020, 11.0 million LED streetlights were installed across India under the LED SNLP, which enabled annual energy savings of 7.34 billion kWh⁶³. Similarly, 361.3

⁶¹ U.S. Department of Energy’s Office of Energy Efficiency & Renewable Energy

⁶² China_subsidy_display_technology, ledinside.com, December 2019

⁶³ The True Picture, “National Energy Conservation Day: Has India Progressed on the Key Paris Accord Commitment of Greater Energy Efficiency?”, 14 December 2020

million LED bulbs were distributed under the UJALA programme during the same period, which resulted in estimated energy savings of 46.92 billion kWh and an annual reduction of GHG emissions of 38 million tCO₂⁶⁴. The UJALA programme has encouraged the replacement of incandescent lamps with LED lightings, resulting in lower electricity bills and better lighting systems in people's homes. In 2018, 21,508 villages in India with poor households were provided with LED bulbs at subsidised prices. Such actions should, in turn, drive higher household disposable income and savings, and essentially improve the quality of life in India.

In key markets, the phasing-out of halogen and incandescent bulbs, has accelerated the adoption of LED lightings. These markets provide greater opportunities for LED lighting manufacturers to expand their customer base in existing markets and enter new markets.

Increasing number of Smart City infrastructure development projects

Smart cities have the capability to transform daily life, with IoT supporting the development of smart cities. Major global economies such as the US and the UK, and developing economies such as India and China, have invested heavily in smart city development. Municipal councils are actively engaging industry players to install smart lighting along the streets. LEDs contribute to public safety in smart cities and are a valuable component in smart traffic control and smart parking, apart from their primary application area of indoor and outdoor lighting, which includes streetlights.

For example, the Chicago municipality (in the US) initiated a city-wide smart lighting programme to replace over 270,000 High-Pressure Sodium ("HPS") light fixtures with energy-efficient LED lights and a lighting management system to provide synergy in repair and maintenance. The implementation of the programme would be conducted in four phases until 2021⁶⁵. Similarly, the trend of smart lighting as an integral part of smart cities can be observed across many other locations, such as Barcelona, Copenhagen and the UK. Even certain countries in APAC have pledged their commitment to reduce their carbon footprints, including Malaysia, Singapore and Indonesia. In Singapore, the Land Transport Authority plans to replace all of its HPS light lamps with LED lighting fixtures by 2022⁶⁶. In 2017, Zumtobel deployed nearly 100,000 LED luminaires along the Thomson-East Coast Line⁶⁷.

As the smart lighting industry consists of a broad spectrum of value chain activities such as lighting, controls and networks, the industry has seen many players committing to collaborate with municipalities to achieve their energy-efficient goals. Notable players involved are Signify, Itron Inc., Telensa Limited and Trilliant Incorporated, among others.

Market consolidation activities to spur the growth of the smart LED lighting industry

Between 2016 and 2019, the LED lighting industry observed increasing merger & acquisition ("M&A") activities, driven by the increasing competition from Chinese LED lighting manufacturers in the APAC region and the disruption of the industry's supply chain. As market consolidation continues, companies are transitioning from a traditional lighting business model to a technology-based business model, and focusing on smart lighting supported by the growth of the emerging global IoT industry.

This transition can be observed from the sales of LEDVANCE (i.e., OSRAM's lamps business) to a consortium (involving IDG Capital, MLS and Yiwu) in March 2017 for USD500 million⁶⁸. In 2017, OSRAM sold its lamp business to concentrate on its digital business unit that focuses on creating smart LED lighting solutions. The potential growth of the smart LED lighting industry influenced OSRAM to acquire Digital Lumens and BAG Electronics in 2017 and 2018, respectively. In Europe, the Sweden-based Fagerhult Group acquired Organic Response, an

⁶⁴ Ministry of Power, Government of India, "Government of India's UJALA & Street Lighting National Programme Complete Five Successful Years of Illuminating India", January 2020

⁶⁵ Chicago Department of Transportation

⁶⁶ The Straits Time, "LTA Installing smarter, energy-saving streetlights", January 2017

⁶⁷ Zumtobel Group, "Safe and reliable lighting for one of the world's longest driverless rapid transit lines: Thorn awarded Singapore's Thomson-East Coast Line lighting project", October 2017

⁶⁸ OSRAM, "Osram completes sale of Ledvance", March 2017

Australian IoT lighting specialist company, for an undisclosed sum in 2017⁶⁹. Additionally, OSRAM agreed to combine its lighting management product (known as Encelium) with Somfy Systems Inc.'s automated shading solutions to offer smart lighting solutions focused on commercial buildings⁷⁰ in March 2020.

Market Restraints

Disruptions in supply chain

Potential unanticipated negative events, such as natural disasters (e.g., earthquakes, hurricanes or floods), disease outbreaks (e.g., COVID-19)⁷¹, or trade tensions (e.g., the US-China trade war) may disrupt the flow of products and materials within a supply chain.

The recent outbreak of COVID-19 has caused the operations of many major manufacturing facilities in China to suddenly halt. The extensive shutdown of factories in the country has resulted in the disruption of global trade, the shortage of products, especially for major global companies, and depressed asset prices. This has impacted daily business operations, thus pressuring companies to make difficult decisions with very limited information based on the current situation⁷². The COVID-19 outbreak not only strained the Chinese economy, but also the economy of its global trade partners, especially companies with major manufacturing facilities located in China. In February 2020, several companies announced that they would resume operations of their factories, while several others extended the shutdown period of their operations until further notice. In the second quarter of 2020, the COVID-19 outbreak further impacted many other countries globally, including key European countries such as Germany, France, Austria, Italy and Spain, causing a decline of production activities and consumption. At a global level, the reliance on Chinese intermediaries for production significantly impacted the entire electronics manufacturing sector. However, notwithstanding that it was the first country to be impacted by the COVID-19 outbreak, the Chinese economy was also among the first to recover. Many companies in China fully resumed their operations from May/June 2020.

Meanwhile, trade tensions may also cause potential disruptions to the supply chain. Trade activity between the US and China declined owing to the ongoing trade disputes between these countries. US imports from China dropped 16.2% to USD452.4 billion in 2019, down from USD539.6 billion in 2018, while exports dropped 20.9% to USD122.7 billion in 2019, down from USD155.1 billion in 2018⁷³. The US-China trade war has exerted pressure on the entire lighting industry, including major players such as Signify and OSRAM. The NA region accounts for the majority of the LED lightings export market for most players with manufacturing facilities in China. In the first half of 2019, the US accounted for about 26.1% of China's total LED lightings exports⁷⁴. As a result, the tariffs imposed by the US on HTS 8541.40.20⁷⁵ and HTS 8541.10.00⁷⁶, which include LED lightings and materials used to make the finished product, have had an adverse impact on the companies' operational costs. In January 2020, the US and China signed the first phase of an economic and trade deal which outlined various key aspects of the agreement, including tariff reductions and increasing exports of US products to China, among others⁷⁷. By signing the trade deal, the US agreed to reduce the tariffs on USD120 billion of Chinese products from 15% to 7.5%⁷⁸. However, tariffs on Chinese goods worth more than USD250 billion remain unchanged, with no tariff revision on LED lighting products. As a result, companies with manufacturing facilities in China that are aiming to continue exporting to the US will continue to be impacted due to unchanged import tariffs.

⁶⁹ LEDs Magazine, "Fagerhult buys IoT lighting specialist Organic Response", April 2017

⁷⁰ Somfy Systems "Somfy and OSRAM create unified experience for managing natural and artificial light", March 2020

⁷¹ World Health Organization

⁷² The Wall Street Journal, "Coronavirus Closes China to the World, Straining Global Economy", February 2020

⁷³ South China Morning Post, "China's imports from the US fell by a fifth in 2019, as trade war stripped away demand", January 2020

⁷⁴ Brandon Lighting, "LED lighting manufacturer china data to USA in half year of 2019", November 2019

⁷⁵ HTS 8541.40.20 refers to LED

⁷⁶ HTS 8541.10.00 refers to Diodes, other than photosensitive or LED

⁷⁷ Office of the United States Trade Representative

⁷⁸ CNN, "China just agreed to buy \$200 billion worth of US products", January 2020

To overcome this, foreign companies are implementing mitigation plans or shifting their business strategies by establishing new manufacturing facilities and shipping arrangements outside China in order to avoid US tariffs on product imports from China. Countries with lower production costs, such as Vietnam, India, Taiwan and Malaysia, are benefiting from the trade tensions, resulting in increasing global trade movements⁷⁹. With the ongoing trade war between the US and China, companies are looking to form joint ventures with international companies with strong market capabilities. For example, in 2017, San'an Optoelectronics Co., Ltd formed a joint venture with Cree Inc. (now under Ideal Industries Inc.) to develop mid-power LED components focusing on indoor general illumination applications for NA, South America, Europe, Japan and China, among others⁸⁰. Additionally, several players with manufacturing facilities in China are shifting their focus towards domestic or non-US markets to avoid incurring additional costs from the imposed tariffs on imported Chinese goods in the US.

Unstable policy environment as an enabler to older lighting technologies

Globally, governments are gradually introducing policies to phase out incandescent and halogen lamps, as observed across the NA region, through the introduction of the EISA in 2007. Since 2009, the EU Commission initiated the phasing-out process of traditional lighting technologies. In November 2016, a total of 189 countries signed the Paris Agreement to pledge emissions abatement targets through their respective National Determined Contributions⁸¹.

However, the US Government announced its intention to reverse the restriction, which sets a minimum standard of energy efficiency on lighting products in the country, following the withdrawal of the US from the Paris Agreement in 2017. This resulted in the Natural Resources Defense Council ("NRDC"), supported by various environmental groups and consumer advocates, filing a lawsuit against the US DOE. Separately, 15 states in the US (led by the New York and California administrations) have also filed claims that the US DOE had illegally reversed the ruling on energy efficiency regulations⁸². Despite the decision made by the Federal Government to lift the ban on incandescent lamps, California continued to impose the absolute ban on incandescent light bulbs. Starting on 1st January 2020, all General Service Lamps had to have an efficacy of 45 lumens per watt to be legally sold in California. Almost all halogen and incandescent light bulbs would no longer meet this standard, apart from LED lightings and CFLs⁸³. The US Government rejoined the Paris Agreement in January 2021 following the executive order signed by the newly elected president, Joe Biden, which may lead to new restrictions on non-energy-efficient lightings.

Within the household segment across the regions, CFLs are still considered an alternative to energy-efficient lighting compared to incandescent light bulbs. Hence, CFLs have a higher market penetration rate in the household segment as they require lower capital expenditure compared to LED lightings. However, the market penetration of CFLs remains lower than LED lightings when commercial and Industrial segments are taken into consideration along with the residential segment. The global CFLs penetration in 2019 was estimated at about 19.8%, whereas LED lightings penetration was estimated at 25.3%⁸⁴.

⁷⁹ The Wall Street Journal, "Manufacturers Move Supply Chains Out of China", July 2019

⁸⁰ Cree, "Cree Inc. announced mid-power LED joint venture with San'an Optoelectronics Co., Ltd", April 2017

⁸¹ United Nations Treaty Collection, "Paris Agreement", December 2015

⁸² Natural Resources Defense Council, "NRDC Sues Department of Energy over Illegal Lighting Efficiency Standards Rollback", November 2019

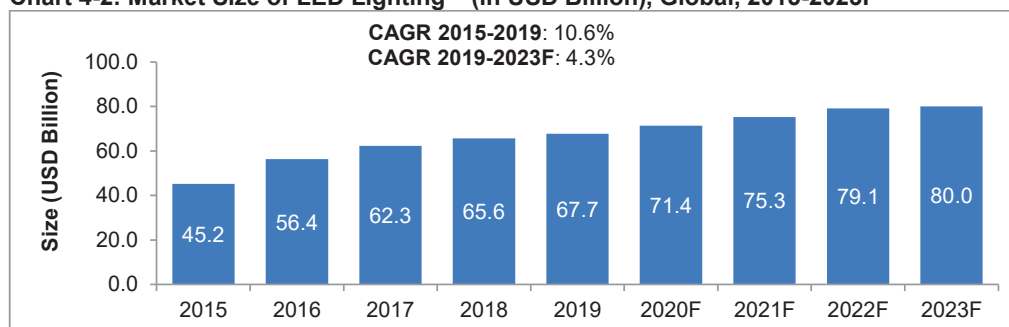
⁸³ San Francisco Chronicle, "Ruling allows California to start enforcing efficiency standards for light bulbs", Jan 2020

⁸⁴ JRC Technical Reports, "Status of LED Lighting world market in 2017", 2018

4.2.2 Market Size

The number of installed LED lighting increased over the period 2015 to 2019, contributing to the growth of the industry.

Chart 4-2: Market Size of LED Lighting⁽¹⁾ (in USD Billion), Global, 2015-2023F



Note: Market size refers to the general lighting industry (including smart lighting) based on manufacturer revenue earned from the sales of LED lighting products manufactured in-house and sold to third parties and end-consumers.

Source: Frost & Sullivan

The global LED lighting market for general lighting grew from USD45.2 billion in 2015 to USD67.7 billion in 2019 at a CAGR of 10.6%. In 2019, APAC contributed to 47.7% of the market, followed by the EU (24.0%), NA (22.3%), the Middle East and Africa (3.6%), and LAC (2.4%). China and India hold a significant share of LED revenues in APAC, with residential, retail and outdoor applications contributing to the increase in historical sales.

Between 2019 and 2023, the global LED lighting market is forecast to grow from USD67.7 billion to USD80.0 billion at a CAGR of 4.3%. The APAC and the EU regions are forecast to remain the two regions contributing most to the growth of the global LED market.

4.2.3 Key Risks and Challenges

Change in government policies

Globally, governments are pushing for the adoption of LED lighting to households to promote energy-efficient lighting to reduce carbon footprints. For example, the New South Wales Government subsidises the cost⁸⁵ and installation fee for LED lights for households. The Government of India launched the UJALA scheme⁸⁶ for households to obtain LED lights at about 40% of the market price. Government subsidies are helping households to reduce the costs of installing LED lights at their homes. However, if governments decide to stop or reduce the subsidies, it may adversely affect the adoption rate of LED lighting by households, especially lower-income households, as the cost of an LED bulb is much higher than that of an incandescent bulb.

Additionally, governments have also implemented measures to phase out incandescent light bulbs, such as implementing regulations relating to energy efficiency requirements and/or banning the manufacturing, importation or sale of incandescent light bulbs, in favour of more energy-efficient lighting alternatives, such as LED lighting. For example, the US Government issued two regulations on the existing standards of general service lamps and general service incandescent lamps in January 2017, which were meant to take effect in January 2020. This could have been beneficial to the LED lighting industry as the two regulations would have broadened the range of products covered. However, the two regulations were withdrawn in October 2019 as it was determined that the existing standards didn't need to be amended⁸⁷.

⁸⁵ Energy NSW (under the New South Wales Government department)

⁸⁶ Ministry of Power, Government of India, "Government of India's UJALA & Street Lighting National Programme Complete Five Successful Years of Illuminating India", January 2020

⁸⁷ United States Environmental Protection Agency, How the Energy Independence and Security Act of 2007 Affects Light Bulbs, accessed on 20 January 2021.

Any US Government decision to reverse the implementation of the new regulations could adversely affect the growth of the LED lighting industry.

LED lighting industry's dependency on the construction sector

Aside from households, the LED lighting industry is also dependent on the development of the construction sector. During an economic downturn, construction is one sector that will be impacted. With a slower demand for new construction projects, construction companies may opt to reduce the number of workers to cut costs, thus causing delays in the completion of on-going projects. A significant increase in raw material prices may also cause delays or cancellations of construction projects. In 2018, the construction sector in the US observed a 10% increase in raw material prices from 2017, especially those of key construction materials like iron, steel and softwood lumber, which prompted contractors to resist taking on projects until these material prices declined⁸⁸. Furthermore, with the outbreak of COVID-19 in 2020, builders sourcing materials from manufacturers in China were exposed to material cost fluctuations and slower project completion times. The lockdown measures undertaken in countries like Singapore and India contributed to project delays, with construction workers quarantined and restrictions on workforce mobility within the country. The stringent lockdowns imposed in several countries to contain the COVID-19 pandemic resulted in restrictions on mobilising a workforce from other countries, such as from Malaysia to Singapore. Hence, any adverse developments in the construction sector could impact the growth of the LED lighting industry.

4.2.4 Regulatory Landscape

Singapore

The NEA is the government agency responsible for ensuring a clean, green environment, as well as the sustainable development of Singapore. The NEA introduces national rules and regulations relating to the LED lighting industry.

Table 4-6: Key Relevant Laws & Regulations Related to the LED Lighting Industry in Singapore

Laws & Regulations	Description
Energy Conservation Act 2012	An Act to mandate energy efficiency requirements and energy management practices to promote energy conservation, improve energy efficiency and reduce any environmental impact.
Mandatory Energy Labelling Scheme ("MELS")	MELS was introduced in 2008 to help consumers compare energy efficiency and make more informed purchasing decisions on regulated electrical goods ⁸⁹ . Registered suppliers of these goods are required to register such goods with the NEA before they can be sold in Singapore.
MEPS	MEPS was introduced in 2011 to raise the average energy efficiency of regulated electrical goods in the market. Only electrical goods that meet or exceed the prescribed MEPS are permitted to be sold in Singapore.

Source: Frost & Sullivan

Aside from the NEA, the Building and Construction Authority ("**BCA**") is a government agency that is responsible for promoting energy efficiency. For example, to achieve the Green Mark Award from BCA under the BCA-HPB Green Mark for Healthier Workplaces scheme, one of the requirements is the provision of fluorescent luminaires and LED lighting that avoids flickering and stroboscopic effects.

US

The responsibility of the DOE is to ensure the security and prosperity of the US by addressing its energy, environmental and nuclear challenges through transformative science and technological solutions. The DOE introduces rules and regulations relating to household and industrial appliances, as well as equipment in the country, including LED lighting.

⁸⁸ South Bay Construction: Rising Construction Cost, March 2019

⁸⁹ Regulated electrical goods refers to certain types of air-conditioner, refrigerator, clothes dryer, television, lamp, ballast for fluorescent lamp and motor, in accordance with NEA requirements.

Table 4-7: Key Relevant Laws & Regulations Related to the LED Lighting Industry in the US

Laws & Regulations	Description
Energy Policy and Conservation Act ("EPCA") of 1975	The EPCA enforces compliance with the energy and water conservation standards established for certain consumer products, and commercial and industrial equipment.
National Appliance Energy Conservation Act ("NAECA") of 1987	NAECA establishes minimum efficiency standards for many common household appliances.
Energy Policy Act ("EPAct") of 1992	The EPAct added standards for some fluorescent and incandescent reflector lamps, plumbing products, electric motors, commercial water heaters, and heating, ventilation and air conditioning systems.
Energy Independence and Security Act ("EISA") of 2007	EISA enacted new or updated standards for 13 products that were already listed under the EPAct.

Source: Frost & Sullivan

EU

The European Commission regulates the LED lighting industry for the EU. The industry is generally subject to the following laws and regulations:

Table 4-8: Key Relevant Laws & Regulations Related to the LED Lighting Industry in the EU

Laws & Regulations	Description
Regulation (EU) No 874/2012	The Regulation establishes requirements for the labelling and provision of supplementary product information on electrical lamps, such as LED lamps and LED modules, among others.
Regulation (EC) No 244/2009	The Regulation establishes ecodesign requirements for placing on the market non-directional household lamps, including instances when they are marketed for non-household use or when they are integrated into other products. It also establishes product information requirements for special purpose lamps.
Regulation (EU) No 1194/2012	The Regulation establishes ecodesign requirements for placing on the market electrical lighting products, such as LED lamps and others.

Source: Frost & Sullivan

4.2.5 Technology Trends**Improved controllability and functionality through smart LED bulbs****Figure 4-2: Control and Functionality of Smart LED bulbs**

Source: Frost & Sullivan

Lighting is one of the fundamental components of smart city programmes and the emergence of smart lighting solutions within smart cities is on the rise. Smart bulbs use LEDs and hubs or connectivity technologies that offer controllability through mobile devices.

In key markets, such as in developed countries in NA (e.g., the US and Canada), the EU (e.g., Germany and France), and APAC (e.g., Singapore and Japan), smart bulbs are controlled through personal assistants such as Amazon Alexa, Apple HomeKit and Google Assistant, among others. Smart bulbs are accompanied by a mobile application used to adjust light intensity (dimmable), change colours and schedule on-off times. Some bulbs offer geofencing capabilities; the bulbs automatically switch off when the mobile device is out of the range specified by the user. Smart features embedded in an LED bulb will help their adoption in

residential and architectural applications. Multiple smart bulbs in a home or a building can be grouped and programmed to function specifically through mobile applications.

LaaS emerges as the new business model focusing on cost and energy efficiency

LaaS provides a cost-effective lighting solution for LED lighting applications by shifting from an 'asset ownership' model to an 'as-a-service' model. LaaS provides benefits for both service providers and customers as it helps to maximise the asset value for service providers, hence reducing initial investments and risk of ownership for customers. The switch to LaaS will ensure the installation of higher-quality LED lightings, as the service provider is accountable for the products throughout the contract period. High-quality LED lightings have the ability to provide consistency in illumination, longer life-spans and a more reliable lighting source.

Given that the LaaS model requires high initial investments or capital expenditure for lighting retrofit projects, the consumer base for such services are generally municipal councils mandated to replace conventional street lighting systems with LED lighting fixtures. New LaaS businesses are often assisted with the existence of energy service companies that manage the planning and implementation of energy-efficient equipment projects. For example, the concept synergy can be observed through the implementation of smart lighting projects in the states of Johor and Terengganu in Malaysia by GE Current, through its master distributor, Midwest Green Sdn Bhd⁹⁰. In 2009, Panasonic Electric Works Co. Ltd (a subsidiary of Panasonic), was among one of the first early providers of energy-efficient lighting solutions adopting the LaaS business model, jointly executed with Sumitomo Mitsui Finance and Leasing Co⁹¹. Companies that have yet to offer these services would be less preferable as most lighting consumers would prefer not to commit such high capital investment upfront. Centropi, the largest LaaS company in Japan since 2009, has been expanding its service to other APAC countries out of its new HQ in Singapore. Centropi has a track record of providing LaaS in Japan, with some key customers including Gakken Logistics, Pacific Marks Esaka Office Building, Yoshinoya and Godai Pharmacies. Gakken Logistics has achieved annual energy savings of USD26,000, while Yoshinoya has achieved annual energy savings of USD2.8 million.⁹²

[THE REST OF THE PAGE IS INTENTIONALLY LEFT BLANK]

⁹⁰ The Edge Markets, "CURRENT to save at least RM300m in smart lighting in Malaysia", November 2017

⁹¹ Japan For Sustainability, "Panasonic launches instalment service for switching to efficient lighting", January 2010

⁹² LaaS Case Studies, Centropi.com

4.3 COMPETITIVE LANDSCAPE

4.3.1 Overview

The global LED lighting market is fragmented, with major international players dominating the industry. Among others, the industry comprises a large number of Chinese manufacturers that are capable of offering innovative products at competitive prices. Notwithstanding the fragmentation of the industry, between 2015 and 2019, the LED lighting industry also witnessed some acquisitions of regional and global brands.

Moving forward, LED lighting manufacturers globally are increasingly looking to comply with the regulations established by regulatory bodies in various countries. In fact, regulators are banning the sale of LED bulbs that do not comply with specific manufacturing regulations and quality assurance criteria. This is likely to reduce the sales of non-compliant products in countries with stricter regulations, thus limiting the growth opportunities for LED lighting manufacturers that are unable to meet specific levels of quality standards.

4.3.2 Profiles of Key Players

Table 4-9: Profile of Key Global LED Lighting Players^{(1) (2)}, 2020

Company (Year of Establishment)	HQ	Company Overview	Status (Listed/Non- Listed)	Key Brands	Manufacturing Locations	Products Manufactured	Key Clients/ Customers
Acuity Brands Lighting, Inc. ("Acuity Brands") (2001)	US	Provide conventional and smart LED lighting products ranging from general lighting, emergency lighting, controls and building management, among others.	Listed	Alight, Aculux, American Electric Lighting (AEL), Eureka	US, Mexico, Europe, Canada	Own brand products	Target Corp., US; The Maine Department of Transportation, US; Port of Seattle, US
American Industrial Partners (1989)	US	Following the divestiture in 2019 to American Industrial Partners, GE Current is a company independent from GE. The company offers LED lighting products, including conventional and smart systems, and energy management consulting services	Non-listed	GE Current	US	Own brand products	San Diego Municipality, US; Sainsbury, UK
Aztech (1986)	Singapore	Manufactures lighting products, focusing mainly on residential, commercial and industrial lighting. The company provides manufacturing services through OEM, ODM, CMS and JDM.	Non-Listed	AZ e-lite, Kyla	China, Malaysia	Own brand products, third-party products	Town Councils in Singapore; Changi Airport

APPENDIX G – INDEPENDENT MARKET RESEARCH REPORT

Company (Year of Establishment)	HQ	Company Overview	Status (Listed/Non-Listed)	Key Brands	Manufacturing Locations	Products Manufactured	Key Clients/ Customers
Ideal Industries Inc. (1916)	US	The company entered the LED lighting business through its acquisition of Cree Lighting in March 2019. Cree Lighting offers a range of products in the indoor, outdoor and intelligent LED lighting segment.	Non-listed	Cree Lighting	US, China	Own brand products	American Airlines Center, US; The City of Newburyport, US; The City of Los Angeles, US
OSRAM (1919)	Germany	Among the top lighting players in the global industry, the company is currently focusing on LED chips, smart LED lighting and services, as well as specialty lighting products.	Listed	Osram, Sylvania, Enceillum, Traxon, Digital Lumens, Fluence, Claypaky, ADB Stagelight, b.a.g, LED Engin	Malaysia, Germany, China, Bulgaria, Philippines	Own brand products	Beijing Daxing, International Airport China; Siemens, Germany; St. Peter's Basilica, Italy; Dubai Mall, United Arab Emirates
Panasonic Corporation (1918)	Japan	Panasonic offers lighting products across all general lighting applications.	Listed	Panasonic – The company signed a patent licence agreement with Tridonic (part of Zumtobel) in 2016	Indonesia, Japan	Own brand products	The Government of Indonesia, Indonesia; Narita International Airport, Japan; AEON, Malaysia; Government of Prague, Czech Republic
Signify (1891)	Netherlands	One of the world's leading LED lighting players in the industry. The company offers conventional and smart lighting products in three major segments namely "LED", "Professional" and "Home".	Listed	Interact, Philips, Modular Lighting-Instruments, Ilti Luce	Benelux, Eastern Europe, Canada, Latin America, US, China, India	Own brand products	Shanghai Municipality; Davos Municipality; The Hamdan Bin Mohammed Smart University (HMSU), Dubai; Accor Group, Singapore
Zumtobel (1950)	Austria	One of the leading professional lighting players in Europe. The company focuses on professional indoor and outdoor lighting, lighting management systems and lighting components, among others.	Listed	Zumtobel, Thorn, Tridonic	Serbia, US, UK, Denmark, Austria, China, Australia, New Zealand	Own brand products	Land Transport Authority, Singapore; St. Martin's Tower, Germany; Elbphilharmonie, Germany; WILKO stores, UK; Allianz Arena, Germany

Note: (1) The key global LED lighting players were selected based on service offerings comparable to Aztech, with each respective company having their own manufacturing facilities and brands. (2) The key global LED lighting players in the table are arranged alphabetically.

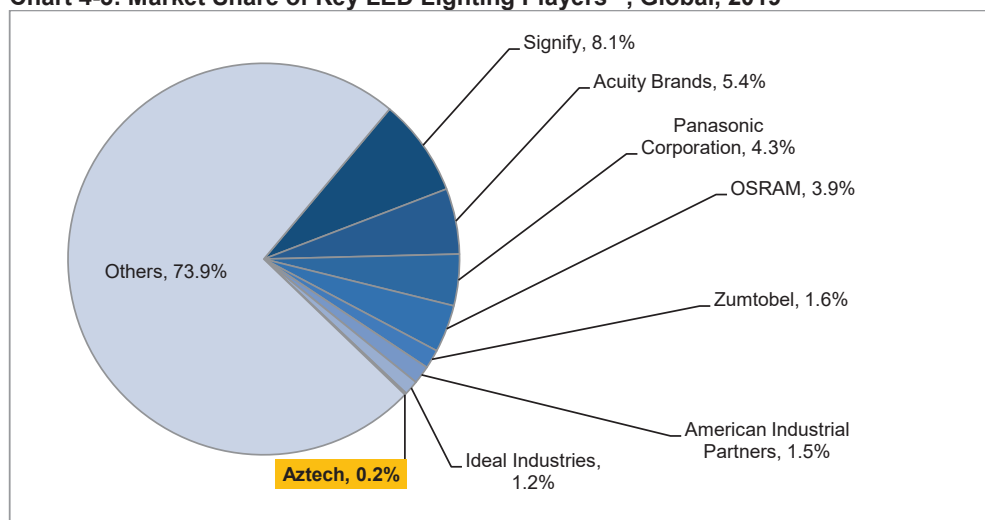
Source: Respective Company Websites; Frost & Sullivan

4.3.3 Market Share

Globally, the top LED lighting companies, namely Acuity Brands, OSRAM, Panasonic Corporation, Signify and Zumtobel are shifting their core businesses to focus on LED components and/or end products, as well as smart lighting. Signify focuses on continuous innovation and a tailored market approach to command a market share of 8.1% in the LED lighting industry in 2019. The company has rolled out Hue, a hub-based smart lighting product for indoor and outdoor applications. In October 2019, Acuity Brands formed an alliance with SmartThings Inc. to co-develop smart lighting products that would natively connect to a mobile application. The alliance is aimed at strengthening Acuity Brands' presence in the smart lighting segment. Acuity Brands' revenue in 2019 constituted about 5.4% of the total market, followed by Panasonic Corporation (4.3%), and OSRAM (3.9%). **Aztech** is estimated to have commanded a market share of **0.2%** in the same year.

Since 2010, Aztech's LED lighting business has built a strong foundation in R&D, design and engineering that is supported by flexible manufacturing models able to cater to a wider range of customer needs.

Chart 4-3: Market Share of Key LED Lighting Players⁽¹⁾, Global, 2019



Note: (1) The market share data is estimated based on the reported LED-based sales which may include both LED components and end products. The revenue reported accounts for LED-based sales to both end-consumer and third parties.

Source: Frost & Sullivan

4.4 MARKET OUTLOOK

Globally, many countries are imposing a phased-out approach or a ban on older lighting technologies (i.e., incandescent and halogen lamps). The NA and EU regions were among the first to adopt energy-efficient regulations and to gradually promote the use of LED lighting products across all general lighting applications. The global LED lighting market penetration rates are forecast to significantly increase in the coming years as governments worldwide proceed with the energy-efficient revolution, in response to the worsening of climate change, with the US forecast to have 2.79 billion units of LED lightings installed by 2020⁹³. Of the 2.79 billion forecast units of LED lightings, the breakdowns by segment are: residential (73.6%), commercial (20.0%), outdoor (5.2%) and industrial (0.9%).

Several factors, such as the outbreak of COVID-19 and the US-China trade war, are impacting manufacturers of LED lighting, and subsequently impacting global LED lighting import and export markets. However, the outlook of the LED general lighting industry remains optimistic. Frost & Sullivan forecasts the global LED general lighting industry to grow at a CAGR of 4.3%

⁹³ DOE BTO Lighting R&D Program, "2019 R&D Opportunities", January 2020

from USD67.7 billion in 2019 to USD80.0 billion in 2023. With the growing development of smart cities globally, companies have the advantage of identifying growth opportunities to expand their portfolio, especially in the smart lighting segment. The smart lighting segment is estimated to have grown at a CAGR of 42.8% to reach USD9.4 billion in 2019, up from USD4.6 billion in 2017⁹⁴. This segment is forecast to grow at a CAGR of 28.3% to reach USD25.4 billion in 2023. The demand for these products is forecast to grow especially in APAC and LAC by 2023. Notable lighting players that are shifting their focus towards the smart lighting segment in China are Zhejiang Yankon Group Co., Ltd (“**Yankon Lighting**”)⁹⁵, Oppl Lighting⁹⁶ and Signify⁹⁷. Additionally, Xiaomi signed a joint declaration with 13 lighting enterprises for smart lighting development, including Forest Lighting (under Mulinsen Co. Ltd), Yankon Lighting and Oppl Lighting in February 2015⁹⁸.

The commoditisation of LEDs in China has resulted in the establishment of both minor and major local Chinese manufacturers, driving the market share of LEDs in the APAC region to approximately 40% of the total global LED general lighting market. The trend will likely continue, with APAC remaining the region with the highest market penetration rates relative to other regions, as many Southeast Asian countries are actively participating in the LED lighting transition.

The global market penetration rate of LED lights is expected to increase as the adoption rates of CFLs, incandescent and Halogen lights decrease. The global penetration rate of LED lightings is estimated to reach 42.8% of the total installed units in 2023, from a penetration rate of 25.3% in 2019⁹⁹. Meanwhile, the global penetration rate of CFLs is estimated to decrease from 19.8% in 2019 to 10.9% in 2023, driven by the absolute ban on CFLs in the EU. The phase-out of incandescent and Halogen lights in key countries like the US will boost the market growth potential of LED lightings.

Aztech as a global brand has developed long-term relationships with leading global lighting players. Aztech's strong core competencies in R&D, design, engineering and manufacturing, enable it to optimise its production and ensure it is efficient and effective. This has enabled Aztech to grow as a manufacturing partner to the leading global lighting players, while providing OEM, ODM, JDM and CMS services to its customers. This commitment to establishing long-term relationships has contributed to Aztech achieving over 250 customers globally as of 2019. Aztech has also developed smart lighting systems to provide urban city smartness with on-demand lighting, reducing light pollution and increasing the lifespan of the LED lighting. These smart lighting systems can be connected to the internet, allowing for remote control of the lighting systems. The high growth potential of LED lightings will create business opportunities for Aztech to focus on its global LED lighting customers in regions with high levels of growth. The internal capabilities of Aztech, the manufacturing models adopted and its long-term relationships with its key stakeholders will prove to be success factors in driving the LED lighting business for Aztech.

[THE REST OF THE PAGE IS INTENTIONALLY LEFT BLANK]

⁹⁴ LED Inside.com, “Smart Lighting Most Widely Adopted in Industrial Market Yet Grows at Fastest Pace in Residential Space”, February 2018

⁹⁵ LEDs Magazine, “Kii and Yankon Lighting collaborate on next-generation IoT smart lighting”, August 2015

⁹⁶ LEDs Magazine, “Networking giant Huawei teams with China's leading LED lighting company Oppl”, May 2016

⁹⁷ Signify, “Phillips Lighting and Xiaomi join forces in smart home lighting in China”, November 2016

⁹⁸ ChinaTechNews, “Xiaomi forms smart home JV with Phillips Lighting”, November 2016

⁹⁹ JRC Technical Reports, “Status of LED Lighting world market in 2017”, 2018

5 PROSPECTS & OUTLOOK FOR AZTECH

With over 30 years of experience in the electronics industry, Aztech has a proven track record as a manufacturer of IoT, data communication and LED lighting products globally. The extensive industrial experience of Aztech has enabled it to acquire capabilities and technologies. Moving forward, Aztech is well-positioned to leverage its strong R&D capabilities and end-to-end manufacturing services, including industrial design, mechanical engineering, software and hardware design, production, testing and packaging. Led by an experienced management team, Aztech is also able to create a sustainable growth environment and strengthen its value proposition to customers.

The IoT industry, together with the data communication industry, is gaining momentum with increasing technological development, supported by the growing demand for IoT and connected devices among domestic consumers and industrial customers. Between 2015 and 2019, the number of connected devices (i.e., short-range IoT and wide-area IoT devices) collectively grew at a CAGR of 26.4% from 4.2 billion to 10.7 billion devices globally.

Specifically, the consumer segment growth within the IoT industry is driven by the increasing acceptance and adoption of new innovative IoT products and solutions, partly due to consumer awareness and increasing accessibility. This increasing adoption in the non-consumer segment is driven by the need to improve operational efficiency, and this has been accelerated through the increasing compatibility between technologies functioning in the IoT environment. The transition towards Industry 4.0 has also contributed to the adoption of IoT. Overall, the advent of IoT devices and the higher purchase of gadgets capable of operating with internet connectivity have propelled the growth of the data communication devices market.

The emergence of 5G technology has also been suggested as a strong catalyst that will further enhance the growth of the IoT industry, as it will allow organisations to handle larger volumes of data and acquire real-time analysis capabilities to assist in decision-making processes. With its proven track record and strong capabilities in data communication products, Aztech is well-positioned to take advantage of the growing demand for IoT and connected devices, as well as the emergence of 5G technology.

The LED lighting industry is forecast to grow in the near future, anchored by a decline in the average pricing of LED lighting products, favourable regulatory support and a growing awareness of energy-efficient lighting, which in turn will increase the adoption of LEDs globally. Despite several factors impacting the current growth of the industry, such as the outbreak of COVID-19 and the US-China trade war, the outlook of the LED lighting industry remains positive. This is further supported by the increasing development of smart cities which provide opportunities for lighting companies to expand their portfolio, especially within the smart lighting segment.

Aztech's vision is to become a leading manufacturer of electronic products based in Singapore. This is supported by its well-established business relationships with leading global industry players. With strong core capabilities in design and manufacturing, Aztech is able to add value to the entire production process and differentiate itself from other pure-play contract manufacturers. This differentiator enables Aztech to grow as a manufacturing partner of choice, while providing OEM, ODM, JDM and CMS services to its customers. Aztech has consistently retained all of its major customers for over five years, through its diverse range of products and solution-oriented customer focus. The continuous focus of Aztech on customer relationships in fast-growing segments like the IoT Industry, its understanding of market trends, its technological developments and its evolving customer needs, has proven to produce successful long-term results. Aztech's mission statement of "delighting people with smarter solutions" reflects its drive to consistently exceed customer expectations and provide solutions to help its customers achieve their business goals. Aztech's customers include start-ups, some of which have grown to become market leaders in their respective product segments.

Leveraging its market positioning and continuous efforts to develop new products and services, Aztech is poised to benefit from the growing adoption of IoT, data communication and connected devices globally across various market segments, such as the residential, commercial and industrial segments. Its quality products and services allow Aztech to establish strategic partnerships with suppliers and customers in creating market demand, by developing innovative, reliable, durable and sustainable products. These product differentiations allow

Aztech to remain competitive in the industry. Aztech is also expected to benefit from various government efforts, such as the phasing-out of and/or ban on traditional lighting products such as incandescent and halogen lamps, that have favoured the growth of the LED lighting industry. Aztech's proven track record and established reputation also positions it favourably as the go-to manufacturer for the delivery of substantial upcoming LED lighting projects in key markets such as the US, the EU and Singapore, among others.

In addition, Aztech benefits from having manufacturing operations in two countries, which allows the continuity of operations should negative factors, such as geopolitical uncertainties, impact economic or production activities in any one selected location. Aztech plans to serve the business-to-business markets under the brand "Aztech", where it provides OEM, ODM, JDM and CMS services to its customers and also to position itself as a leading design and manufacturing solutions partner under this brand. Furthermore, Aztech plans to leverage its understanding of customer needs by selling products under the brand "Kyla" in the business-to-consumer markets. By combining technology and user comfort, the Kyla product series aims to provide consumers with benefits that fit the technology-savvy and "on-demand" society.

Between 2021 and 2023, Frost & Sullivan anticipates positive prospects for the IoT, data communication and LED lighting (including smart lighting) industries served by Aztech, and accordingly for Aztech itself.

[END OF THE DOCUMENT]

To: Aztech Dongguan Communications Equipment (Dongguan) Co., Ltd.

致：快捷达通信设备（东莞）有限公司

We act for Aztech Dongguan Communications Equipment (Dongguan) Co., Ltd. ("**Aztech Dongguan**") as Chinese Counsel.

敝所作为中国律师代表快捷达通信设备（东莞）有限公司（下称 快捷达公司）。

This legal opinion is issued in connection with the 48.85 mu of land located in Qiangangling (native name), Jiujiangshui village, Changping town, Dongguan city (the "**Land**") and the buildings thereon, for the details of which please refer to the Land Use Contract dated 15 June 2002 entered into between Jiujiangshui Economic Union (the "**JJSEU**") and Aztech Dongguan (the "**Land Use Contract**") set out in the Appendix to this Opinion (the "**Appendix**"). To clarify, the execution date of the Land Use Contract is specified as 15 June 2002 under the Land Use Contract and the execution date handwritten by JJSEU is 11 January 2006, nonetheless the execution date of 15 June 2002 of the Land Use Contract has been confirmed in all the subsequent documents.

本法律意见书依据附件(下称 附件)中提及 2002 年 6 月 15 日由快捷达公司与九江水经济联合社（下称 经济联合社）签订的《土地使用合同书》（下称 土地使用合同），就位于东莞市常平镇九江水村前岗位岭（土名）48.85 亩土地（下称 土地）及地上建筑房屋相关问题提供法律意见。须说明的是，土地使用合同记载的签订日期是 2002 年 6 月 15 日，经济联合社的签字日期手写为 2006 年 1 月 11 日，但之后的文件中均确认是 2002 年 6 月 15 日签订。

Please refer to Annex A of this Opinion for an executive summary of the key events. The executive summary of key events is prepared based on the documents we have reviewed as set out in the Appendix and should be read in conjunction with the full text of this Opinion

有关主要事件的执行摘要，请参见本意见的附件 A。关键事件的执行摘要是根据我们在附录中所审查的文件而准备的，应与本意见的全文一起阅读。

This Opinion only relates to the Chinese laws generally applicable as at the date hereof and currently being applied by the Chinese courts, and is issued on the basis that it will be governed by and construed in accordance with the Chinese laws. We have made no investigation of, and do not express or imply any views on the laws of any countries other than that of the People's Republic of China.

本法律意见书所载之意见仅涉及截至本意见书出具之日中国的一般适用法律以及中国法院目前适用的法律，并基于中国法律及其解释而作出。我们没有对除中国以外的任何国家的法律进行调查，也没有对除中国之外的任何国家的法律进行明示或暗示。

A. Documents Reviewed

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



审阅文件

For the purpose of this Opinion, we have reviewed the documents as follows:

为出具本意见书，我们审阅了下列文件：

- (1) the documents set out in the Appendix; and
附件所列文件；及
- (2) other documents and records we have deemed necessary.
其他我们认为必要的文件或记录。

B. Representations of Aztech Dongguan

陈述依据

For the purpose of this Opinion, we have quoted the representations made by Mr. He Chaoyang, the manager of Aztech Dongguan, at a meeting with our Ms. Wu Fumei on 30 June 2020 in the conference room of Aztech Dongguan at Jiujiangshui village, Changping town, Dongguan city, and by Mr. Michael Mun, the legal representative of Aztech Dongguan, who attended the meeting via telephone (the “Representations of Aztech Dongguan”).

为出具本意见书，我们援引了敝所律师吴伏梅女士于 2020 年 6 月 30 日赴东莞常平镇九江水村快捷达公司会议室，听取的快捷达公司经理贺朝阳先生现场作出的陈述和法定代表人文汉耀先生于电话会议上作出的陈述（下称 快捷达公司陈述）。

C Assumptions

假设

This Opinion is based on the assumptions as follows:

本意见书基于下述假设做出：

- (1) all the documents set out in the Appendix are true, accurate and correct, and have been validly executed by the parties thereto;
附件中所列文件真实，准确且无误，经协议方有效签署；
- (2) all the photocopies provided to us are complete and conform with the originals, and the originals of such photocopies are authentic; and
提交给我方的所有副本的完整性和与正本相符，以及该等副本的正本的真实性和
- (3) all the facts referred to in the documents and the Representations of Aztech Dongguan are true and accurate, and in compliance with the Chinese laws and regulations for the

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com

time being in force as well as the operational standards, ethics and due diligence generally accepted in the legal practice in China.

文件中所含的事实陈述和陈述均真实、准确，符合中国现行法律法规以及中国法律行业普遍认可的业务标准、道德规范和勤勉尽责精神。

D. Summary of Facts and Agreements in relation to the Land

土地相关事实及协议汇总

(1) "Land Use Contract" dated 15 June 2002

2002 年 6 月 15 日《土地使用合同书》

On 15 June 2002, Aztech Dongguan entered into the Land Use Contract with JJSEU, under which, JJSEU granted Aztech Dongguan the right to use the Land free of charges for industrial purpose for 50 years from 1 October 2002 to 30 September 2052 on the terms and conditions as follows:

2002 年 6 月 15 日，快捷达公司与经济联合社签订土地使用合同，约定经济联合社将位于前岗岭的一片面积 48.85 亩的土地使用权无偿给快捷达公司作工业使用，使用期限从 2002 年 10 月 1 日至 2052 年 9 月 30 日止，为期伍拾年，合同约定条件如下：

- (a) Aztech Dongguan shall pay JJSEU the land administrative fee of RMB 2000 per mu per year, and such land administrative fee shall be increased by 10% every five years (the "Land Administrative Fee"); and

快捷达公司向经济联合社每年每亩交纳土地管理费人民币 2000 元，每隔五年土地管理费递增 10%（下称土地管理费）；及

- (b) If Aztech Dongguan requests for a renewal after the expiry of the term, it shall give a notice six months in advance. Upon the consent of JJSEU, Aztech Dongguan shall have the pre-emptive right to use the Land under the same terms and conditions.

期满后如快捷达公司要求续约，要提前六个月通知，经经济联合社同意后，在同等条件下，快捷达公司享有优先权。

(2) Payment of the Land Administrative Fee

土地管理费支付情况

Based on the "e-Receipt of Changping Town Rural Collective Economic Organization" and the Representations of Aztech Dongguan, from January 2015 to June 2020, Aztech Dongguan has paid the Land Administrative Fee under the Land Use Contract

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



and the payment has been received by Dongguan City Changping Town Jiujiangshui Economic Union Limited by Shares ("JJSEUS").

依据《常平镇农村集体经济组织收据（电子）》及快捷达公司人员陈述，2015 年 1 月至 2020 年 6 月期间，快捷达公司已依土地使用合同的约定交纳土地管理费。快捷达公司支付的土地管理费由东莞市常平镇九江水股份经济联合社（下称 股份经济联合社）收取。

Based on the "Certificate" issued by Dongguan City Agriculture and Countryside Bureau, JJSEU was undertaken restructuring through rural share co-operation and changed to JJSEUS, which was verified and registered on 1 December 2006.

依据东莞市农业农村局出具的《证明》可知，股份经济联合社于 2006 年 12 月 1 日核准登记，是由经济联合社进行农村股份合作制改革而成。

By the date of the Third Supplementary Agreement (referred to in paragraph F(8) below), JJSEU had been changed into JJSEUS.

在签订补充协议三时（见下述 D8 段）经济联合社已变更为股份经济联合社。

(3) "Supplementary Agreement" dated 7 July 2005
2005 年 7 月 7 日《补充协议》

On 7 July 2005, a Supplementary Agreement to the Land Use Contract was entered into between JJSEU and Aztech Dongguan (the "First Supplementary Agreement"), under which,

2005 年 7 月 7 日，经济联合社与快捷达公司就土地使用合同签订《补充协议》（下称 补充协议一）

- (a) JJSEU agrees to Aztech Dongguan to apply for the certificate of state-owned (sic) land use right (the "Certificate of Land Use Right") and shall provide assistance in such application; and

经济联合社同意并协助快捷达公司办理国有土地使用证（下称 土地使用证）；

及

- (b) Aztech Dongguan shall pay a sum of land compensation amount of RMB 50,000 per mu.

快捷达公司需补偿人民币 5 万元/亩的土地补偿款。

(4) No payment under the First Supplementary Agreement has been made.
补充协议一中的款项尚未支付

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



Based on the Representations of Aztech Dongguan, the agreed amount under the First Supplementary Agreement has not been paid by Aztech Dongguan, as the application for the Certificate of Land Use Right has not been proceeded to date.

根据快捷达公司陈述，因土地使用证至今仍未办理，快捷达公司尚未实际支付补充协议一中约定的款项。

(5) "Proof of Land Use" dated 8 July 2005

2005 年 7 月 8 日《土地使用证明》

On 8 July 2005, the Villagers' Committee of Dongguan city Changping town Jiujiangshui village (the "JJS Village Committee") issued a proof of land use ("Proof of Land Use") which was also endorsed by the people's government of Dongguan city Changping town that "The facts referred to herein are true." The Proof of Land Use shows that Aztech Communication Equipment (Dongguan) Co., Ltd. is a wholly-owned company established by Aztech System (Hong Kong) Co., Ltd in Jiujiangshui village, Changping town, Dongguan city. The total investment of the company is HK\$157.15 million (registered capital is HK\$107.21 million), of which, HK\$124.594 million is for equipment to be imported, HK\$8.556 million is for procurement of domestic equipment, HK\$8.5 million is for working capital, HK\$5.5 million is for land use fee and HK\$34.5 million is for construction costs. The board of directors of the company has decided to increase the total investment of the company by HK\$38.5 million, of which, HK \$5.5 million is for land use fee, and HK\$33 million is for construction cost. JJS Village Committee will provide 33300 square meters of land to the company (Aztech Dongguan) for consideration for a term of 50 years.

2005 年 7 月 8 日，东莞市常平镇九江水村民委员会（以下简称“九江水村委会”）出具并由东莞市常平镇人民政府加注“情况属实”意见的《土地使用证明》显示：益达系统（香港）有限公司在东莞市常平镇九江水村举办独资企业“快捷达通信设备（东莞）有限公司”，该企业投资总额 15715 万港元（注册资本 10721 万港元），包括进口设备资金 12459.4 万港元，国内购买设备资金 855.6 万港元，流动资金 850 万港元，土地使用费 550 万港元，建造费 3450 万港元。现经企业董事会研究决定，外资企业投资总额增加 3850 万港元，此额包括：土地使用费 550 万港元，建造费 3300 万港元。九江水村委会将有偿提供土地 33300 平方米给该企业（快捷达公司）使用，使用期为 50 年。

Note: The Proof of Land Use is not the Certificate of Land Use Right, but only a written statement made by the JJS Village Committee.

注：该土地使用证明不是国有土地使用证，仅仅是九江水村委会做出一份书面情况说明。

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



(6) "Second Supplementary Agreement" dated 11 June 2007

2007 年 6 月 11 日补充协议二

Under the Supplementary Agreement to the Land Use Contract entered into between the JJS Village Committee and Aztech Dongguan dated 11 June 2007 (the "**Second Supplementary Agreement**"), JJS Village Committee,

依据 2007 年 6 月 11 日, 快捷达公司与九江水村委会签字盖章签订《补充协议》(下称 补充协议二), 九江水村委会:

(a) confirmed that:

确认:

- (i) JJS Village Committee has the right and authority to manage and lease out all the Land under the Land Use Contract;

九江水村委会有权管理、出租土地使用合同所涉之全部土地;

- (ii) there is no dispute over the ownership of the Land;

该土地不存在任何所有权的争议;

(b) warranted to Aztech Dongguan:

向快捷达公司承诺:

- (i) to obtain the collectively-owned land use certificate in respect to 20 mu of the Land; and

取得上述土地其中 20 亩集体土地使用证; 及

- (ii) to proceed with the collectively-owned land use certificate for the remaining 30 mu of the Land after such part of Land has been permitted under the relevant land policies or by the land administrative authority to use for industrial purpose;

其余 30 亩土地待政策或国土管理部门许可将土地规划调整为工业用地后, 办理集体土地使用证;

- (c) shall deliver to Aztech Dongguan a letter of consent approved and signed by more than two-third of the villagers' representatives after the execution of the Second Supplementary Agreement;

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



九江水村委会在补充协议二签订后，将本村三分之二以上村民代表同意并签名确认的意见书交付给快捷达公司；

- (d) warranted not to withdraw the use right of the 50 mu of Land under the Land Use Contract for whatever reasons before the certificate of collectively-owned land use right for such 50 mu of Land is obtained, failing which:

九江水村委会保证在未取得该 50 亩土地的集体使用权证前，不会以任何理由收回上述合同书所涉之 50 亩土地的使用权，否则：

- (i) it shall constitute a breach;
构成违约；

- (ii) JJS Village Committee shall compensate Aztech Dongguan for all the construction costs of factory buildings (net of depreciation) and any relocation costs and expenses incurred by Aztech Dongguan according to the national or local compensation standards; and
九江水村委会需按照国家或地方的补偿标准向快捷达公司补偿全部厂房建设费（折旧后）、任何快捷达公司产生的工厂搬迁费；及

- (e) confirmed and acknowledged all the executed documents, contracts and agreements on the land use right issues in connection with the Land Use Contract, no matter whether such documents, contracts and agreements are entered into by Aztech Dongguan or by Aztech System (Hong Kong) Limited (the parent company of Aztech Dongguan).

还有，九江水村委会确认且承认就原土地使用合同所涉之全部土地使用权问题而产生的一切文件、合同、协议，无论以快捷达公司的名义或“益达系统（香港）有限公司”（快捷达公司的母公司）的名义签订，九江水村委会均予认可。

- (7) “Letter of Consent by Villagers’ Representatives” dated 28 October 2010
2010 年 10 月 28 日村代表意见书

The “Letter of Consent by Villagers’ Representatives” dated 28 October 2010 issued by the JJS Village Committee (the “Letter of Consent”) shows that:
2010 年 10 月 28 日，九江水村民委员会出具《村代表意见书》显示：

- (a) there are 39 villagers’ representatives in the JJS Village Committee;
九江水村村民委员会有村民代表 39 人；

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus’) knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



- (b) on 28 October 2010, the JJS Village Committee convened a meeting of villagers' representatives to discuss on the Land and its proposed use for industrial purpose;
2010年10月28日由九江水村委会召开村民代表会议，讨论位于前岗岭土地及其工业用途；
- (c) 27 villagers' representatives attended the meeting;
参加会议的村民代表有27人；
- (d) all such 27 villagers' representatives agreed that the project is to use the land of the village for industrial purpose;
27人同意该项目使用本村的土地做工业使用；
- (e) all such 27 villagers' representatives signed the Letter of Consent; and
27名村民代表签名；及
- (f) the Letter of Consent comes with a handwritten remark "This Letter of Consent shall only be used for the application of title registration (the **"Title Registration"**) of the factory buildings, and shall not be used for other purposes".
同时手写备注“本意见书只能用于厂房补办房地产权手续（下称 产权证），他用无效”内容。

(8) *"Third Supplementary Agreement" dated 12 May 2014*
2014年5月12日补充协议三

On 12 May 2014, a Supplementary Agreement to the Land Use Contract was entered into between JJSEUS and Aztech Dongguan (the **Third Supplementary Agreement**), in which JJSEUS is novated as Party A, the parties agreed that:

2014年5月12日，股份经济联合社与快捷达公司签订土地使用合同《补充协议》（下称 补充协议三），该补充协议三甲方变更为东莞市常平镇九江水股份经济联合社，双方约定：

- (a) the "Land Administrative Fee" under the Land Use Contract was changed to be called as "Land-use Compensation Amount"; and
将土地使用合同中的涉及的“土地管理费”更名为“土地使用补偿款”；及

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



- (b) all the other terms and conditions of the Land Use Contract and supplementary agreements shall remain unchanged, and Party A and Party B shall be bound by the Land Use Contract and its supplementary agreements;
原合同/协议中的其它条款、内容不变。甲乙双方应当严格遵守原合同/协议书及补充协议的相关内容。

(9) "Certificate" issued by the Jiujiangshui Village Committee
九江水村委会出具的证明

Four copies of "Certificate" issued by the JJS Village Committee show that:
九江水村民委员会出具四份《证明》，显示：

- (a) Aztech Dongguan is located at Jiujiangshui village, Changping town;
快捷达公司位于常平镇九江水村；
- (b) Aztech Dongguan is entitled to the right to use the Land;
土地使用权归快捷达公司所有；
- (c) it is the JJS Village Committee that has granted the use right of the Land; and
宗地权属来源为九江水村委会；及
- (d) the construction of the factory buildings on the Land were completed in September 2005, and the title of such factory buildings belongs to Aztech Dongguan.
土地之上所建房屋于 2005 年 9 月建成，权属归快捷达公司所有。

(10) "Statement" dated 1 March 2020 issued by JJSEUS
2020 年 3 月 1 日股份经济联合社出具《声明》

A "Statement" issued by JJSEUS on 1 March 2020 shows that:
2020 年 3 月 1 日，股份经济联合社出具《声明》，显示：

- (a) Aztech Dongguan may continue to use the Land of 48.85 mu at Qiangangling until 30 September 2052 under the same terms and conditions of the Land Use Contract; and
快捷达公司可以继续使用前岗岭的 48.85 亩土地至 2052 年 9 月 30 日，土地使用合同中的条款不变；及

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



- (b) JJSEUS will not impose any fine on the lessee of the Land of 48.85 mu at Qiangangling (Aztech Dongguan), provided that Aztech Dongguan does not breach the terms and conditions of the Land Use Contract.

在快捷达公司不违反土地使用合同条款的情况下，股份经济联合社不会对前岗岭 48.85 亩土地的承租方（快捷达公司）处予任何罚款。

E. Documents issued in relation to the Land

就土地出具的文件

- (1) "Registration/Filing Receipts of Constructed Property of Dongguan" dated 16 June 2009

2009 年 6 月 16 日《东莞市已建房屋登记备案回执》

- (a) On 16 June 2009, Dongguan City Changping Town Property Rectification Title Registration Office ("Rectification Title Registration Office"), (the office was established by Changping Town Government and was set up in the Planning and Construction Office to deal with Title Registration for buildings with historical outstanding issues.) issued five copies of "Registration/Filing Receipt of Constructed Property of Dongguan" (5 pages in total), agreed to register and file the buildings of Aztech Dongguan 27270224 – 27270228 to allow such buildings to proceed with title registration;

2009 年 6 月 16 日，东莞市长平镇补办产权手续办公室（该办公室当时是由常平镇政府成立的设在规划建设办的用于补办历史遗留问题房屋产权的工作办公室）出具五份《东莞市已建房屋登记备案回执》（共 5 页），同意为快捷达公司申报的房屋编号 27270224-27270228 进行登记备案，纳入可申报补办房地产权手续的台账范围；

- (b) Aztech Dongguan may apply for the title registration of its constructed buildings with such receipts; and

快捷达公司可凭此回执，具体申报补办已建房屋的产权手续。

- (c) As of the date of this Opinion, there is no document showing that Aztech Dongguan has completed the title registration of its constructed buildings.

截止至本法律意见书出具之日，未有文件证明快捷达公司已完成补办已建房屋的产权手续。

- (2) "Administrative Penalty Decision" dated 31 August 2015

2015 年 8 月 31 日《行政处罚决定书》

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



On 31 August 2015, Dongguan Land Resources Bureau ("DLRB") issued an "Administrative Penalty Decision" (Dong Guo Tu Zi (Zhi Fa) Jue Zi [2015] No. 907) to Aztech Dongguan,

2015 年 8 月 31 日, 东莞市国土资源局 (下称 市国土资源局) 对快捷达公司作出的东国土资 (执法) 决字 (2015) 907 号:

- (a) to establish that Aztech Dongguan has since June 2004 occupied the collectively-owned land in Changping town, Jiujiangshui village, Jiujiang road, to build industrial buildings without obtaining approvals in due course, and that the land is classified as construction land and is in compliance with the overall planning for land utilization;

认定快捷达公司未经依法批准, 自 2004 年 6 月起, 擅自在常平镇九江水村九江路占用集体土地建设工业厂房, 土地类别为建设用地, 符合土地利用总体规划;

- (b) to request Aztech Dongguan:
决定处罚如下:

- (i) to pay a sum of fine of RMB347,299 at the rate of RMB10 per square meter for 34729.9 square meters of land illegally occupied; and
对非法占用 34729.9 平方米土地, 按每平方米 10 元处以罚款, 计罚款 347299 元; 及

- (ii) to return the 34729.9 square meters of land illegally occupied to the village within 15 days.
限期十五日内退还非法占用的 34729.9 平方米土地给村集体。

- (c) Aztech Dongguan paid the total fine of RMB347,299 on 14 September 2015.
快捷达公司于 2015 年 9 月 14 日已缴纳该罚款共计 347299 元。

- (3) "Notice regarding Return of Collectively-owned Land" dated 9 September 2015
2015 年 9 月 9 日《关于退还集体土地的通知》

On 9 September 2015, the DLRB issued to the JJSEUS the "Notice regarding Return of Collectively-owned Land" (Dong Guo Tu Zi (Zhi Fa) Han [2015] No. 645), informing JJSEUS that the Administrative Penalty Decision (Dong Guo Tu Zi (Zhi Fa) Jue Zi [2015] No. 907) has come into effect, and requesting JJSEUS to deal with the Land to be returned by Aztech Dongguan at its own discretion.

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



2015年9月9日，市国土资源局向股份经济联合社作出东国土资（执法）函（2015）645号《关于退还集体土地的通知》，告之东国土资（执法）决字（2015）907号《行政处罚决定书》已经生效，请股份经济联合社自行处理快捷达公司退还的土地。

- (4) *"Letter of Notice" dated 26 October 2018*
2018年10月26日通知书

On 26 October 2018, Rectification Title Registration Office issued a "Notice of Acceptance of Application for Land Title Registration", showing that the application submitted by Aztech Dongguan for the Certificate of Land Use Right (Project Name: Plant Area of Aztech Dongguan Communications Equipment (Dongguan) Co., Ltd.) has been accepted after preliminary examination.

2018年10月26日，东莞市常平镇已建房屋补办房地产产权手续工作办公室出具的《同意受理补办土地权利证书手续通知书》显示：快捷达公司提出补办土地权利证书（项目名称：快捷达通信设备（东莞）有限公司厂区）的申请，经初步审查同意受理。

We have not sighted any document showing that Aztech Dongguan has obtained the Certificate of Land Use Right.

我们未审阅到任何文件证明快捷达公司的该补办土地权利证书已完成。

- (5) *"Statement in relation to the Land Use Situation of Aztech Dongguan" dated 26 February 2020*

2020年2月26日《关于快捷达公司用地的情况说明》

On 26 February 2020, the Dongguan Natural Resources Bureau, Changping Branch (previously Dongguan Land Resources Bureau, Changping Branch prior to restructuring) (the "DNRB Changping Branch") issued a "Statement in relation to the Land Use Situation of Aztech Dongguan", stating that:

2020年2月26日，东莞市自然资源局常平分局（机构改革前为市国土资源局常平分局）（下称市自然资源局常平分局）出具的《关于快捷达公司用地的情况说明》显示：

- (a) the land used by Aztech Dongguan is at Jiujiangshui village with an area of 48.85 mu;
快捷达公司用地位于常平镇九江水村，用地面积 48.85 亩；
- (b) the use of the land is in compliance with the overall land utilization plan of Changping town, the constructed factory buildings on the land have been

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



included in the constructed buildings that satisfy the conditions for title registration; and

该用地符合常平镇土地利用总体规划，地上已建厂房已纳入补办台账范围，符合已建房屋补办条件；及

- (c) the relevant process for the title registration is in progress in due course.
相关补办手续正在按程序办理。

(6) "Statement in relation to the Land Use Situation of Aztech Dongguan" dated 18 March 2020

2020 年 3 月 18 日《关于快捷达公司用地的情况说明》

On 18 March 2020, DNRB Changping Branch issued a "Statement in relation to the Land Use Situation of Aztech Dongguan" stating that:

2020 年 3 月 18 日，市自然资源局常平分局出具的《关于快捷达公司用地的情况说明》显示：

- (a) Aztech Dongguan has one piece of land of 61.48 mu located in Jiujiangshui village, Changping town;
快捷达公司有一位于常平镇九江水村的用地，用地面积 61.48 亩；
- (b) the use of the land is in compliance with the overall land utilization plan of Changping town;
该用地符合常平镇土地利用总体规划；
- (c) the constructed factory buildings on the land have been included in the constructed buildings that satisfy the conditions for title registration;
地上已建厂房已纳入补办台账范围，符合已建房屋补办条件；
- (d) the relevant process for the title registration is in progress in due course;
相关补办手续正在按程序办理；
- (e) DNRB opened files in relation to Aztech Dongguan's illegal use of the Land without prior approval on 22 June 2015 and 19 March 2019 respectively, and issued the Administrative Penalty Decisions (the respective of Dong Guo Tu Zi (Zhi Fa) Jue Zi [2015] No.907 and Chang Zi Ran Zi (Zhi Fa) Jue Zi [2019] No.41); and

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



市自然资源局分别于 2015 年 6 月 22 日、2019 年 3 月 19 日对快捷达公司未批先用的违法用地行为进行立案，作出《行政处罚决定书》（东国土资（执法）决字（2015）907 号、常自然资（执法）决字（2019）41 号）

- (f) the party in question has fulfilled its obligations according to the Administrative Penalty Decisions within the applicable statutory time period and the files are closed;

当事人已在法定期限内履行相关的行政处罚决定，目前均已结案。

Based on the Representations of Aztech Dongguan, and the content of the Administrative Penalty Decision (Chang Zi Ran Zi (Zhi Fa) Jue Zi [2019] No. 41, the Administrative Penalty Decision (Chang Zi Ran Zi (Zhi Fa) Jue Zi [2019] No. 41 does not relate to the Land of 48.85 mu.

据快捷达公司人员陈述，结合常自然资（执法）决字（2019）41 号《行政处罚决定书》内容，常自然资（执法）决字（2019）41 号《行政处罚决定书》不涉及上述 48.85 亩土地。

- (7) "Relevant Certificate regarding Aztech Dongguan's Factory Buildings and Land" issued by Dongguan City Changping Town People's Government dated 3 September 2020

2020 年 9 月 3 日，东莞市常平镇人民政府出具的《关于快捷达通信设备（东莞）有限公司厂房和土地的相关证明》

On 3 September 2020, the Dongguan City Changping Town People's Government ("Changping Town Government") issued the "Relevant Certificate regarding Aztech Dongguan's Factory Buildings and Land", stating that:

2020 年 9 月 3 日，东莞市常平镇人民政府出具的《关于快捷达通信设备（东莞）有限公司厂房和土地的相关证明》显示：

- (a) Aztech Dongguan is located in Jiujianghui village, Changping town, Dongguan city, with a land area of 48.85 mu;
快捷达公司位于东莞市常平镇九江水村，用地面积 48.85 亩；
- (b) the use of the land is in compliance with the overall land utilization plan of Changping town, the constructed factory buildings on the land have been included in the constructed buildings that satisfy the conditions for title registration;

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



该用地符合常平镇土地利用总体规划，地上已建厂房已纳入补办台账范围，符合已建房屋补办条件；

- (c) the relevant process for the title registration is in progress in due course; and 相关补办手续正在按程序办理；及
- (d) until March 2022, the factory buildings and the land in Changping town, Jiujianghui village occupied by the company will not be subject to any risk of demolition or being withdrawn from leasing.
在 2022 年 3 月 前，企业位于常平镇九江水村的厂房和土地不存在拆除、退租的风险。

F. Factory Buildings Constructed on the Land
地上所建房屋

(1) *Specific Dormitory*
特殊宿舍

- (a) A red-line zone issued by Dongguan city Changping town's survey team shows that the land occupied by Aztech Dongguan is 29550.88 square meters, equivalent to 44.326 mu.
据东莞市常平镇测量队出具的宗地红线图显示：快捷达公司的宗地面积为 29550.88 平方米，折合 44.326 亩。
- (b) A piece of land of 1809 square meters under a constructed dormitory building of Aztech Dongguan is within the red-line zone planned for a Cong-Guan highway (the "Specific Dormitory").
快捷达公司已建房屋中土地面积为 1809 平方米的一栋宿舍占地位于从莞高速规划红线图之内。（下称 特殊宿舍）

(2) *Other structures*
其他建筑

- (a) Other than the five buildings which have been applied for title registration, there are several steel-sheet structures currently being used as warehouses and workshops, the details of the area of such structures are unknown.
除 5 幢已经申请补办产权证明的建筑外，尚有多处铁皮房，具体面积不详。目前用作仓库、车间使用。

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



- (b) We have not sighted any construction planning permit for such buildings and steel-sheet structures.
我们未看到上述房屋和铁皮房的建设工程规划许可证。

G. Opinion
意见

(1) *Land Use Contract*
土地使用合同

On the basis of the following:
根据下述情况:

- (a) in accordance with:
根据:
- (i) the "Land Administrative Law" for the time being in force and the "Administrative Measures of Guangdong Province in relation to the Circulation of the Use Right of Collectively-owned Land for Construction Purposes"; and
现行有效的《土地管理法》、《广东省集体建设用地使用权流转管理办法》; 及
 - (ii) the "Administrative Measures of Dongguan City in relation to the Circulation of the Use Right of Collectively-owned Land for Construction Purposes",
《东莞市集体建设用地使用权流转管理办法》,

the Land Use Contract entered into between Aztech Dongguan and JJSEU does not violate the compulsory provisions under the current laws and is legal and valid, and more than two thirds of the villagers' representatives have agreed to the use of the Land by Aztech Dongguan;

快捷达公司与经济联合社之间签订的土地使用合同并不违反现行法律的强制性规定, 合法有效, 并有 2/3 以上 村民代表同意快捷达公司使用该土地。

- (b) based on the relevant certificates issued by the Changping Town People's Government and the statements issued by the DNRB, Changping Branch, the Land currently used by Aztech Dongguan is in compliance with the overall land utilization plan of Changping town, the factory buildings constructed on the Land have been included in the constructed buildings that satisfy the conditions

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



for title registration, and such process of title registration is in progress in due course. The factory buildings and Land will not be subject to any risk of demolition or being withdrawn from leasing by March 2022; and
依据东莞市常平镇人民政府出具的上述相关证明以及市自然资源局常平分局出具的情况说明可知, 快捷达公司目前使用的土地符合常平镇土地利用总体规划, 地上已建厂房已纳入补办台账范围, 符合已建房屋补办条件, 相关补办手续正在按程序办理。在 2022 年 3 月 前, 上述厂房和土地不存在拆除、退租的风险;
及

- (c) based on the Statement issued by JJSEUS, the terms and conditions under the Land Use Contract shall remain unchanged by 30 September 2052, the expiry date of the Land Use Contract, and JJSEUS shall not impose any fine on Aztech Dongguan, the lessee of 48.85 mu of land in Qiangangling, provided that Aztech Dongguan has not breached the terms and conditions of the Land Use Contract.

依据股份经济联合社出具的声明可知, 在土地使用合同期限到期 (2052 年 9 月 30 日) 前, 合约中的条款不变; 快捷达公司在不违反合约条款的情况下, 股份经济联合社不会对前岗岭 48.85 亩土地的承租方 (快捷达公司) 处予任何罚款,

We are of the view that

- (a) the above certifications and statements issued by the JJSEUS, Changping Town Government and the DNRB Changping Branch is valid vis a vis Aztech Dongguan, since the land used by Aztech Dongguan is in the jurisdiction of the Changping Town Government and the DNRB Changping Branch; and

基于快捷达公司使用的土地属于东莞市常平镇人民政府以及东莞市自然资源局常平分局辖区内的土地, 常平镇人民政府以及市自然资源局常平分局跟股份经济联合社出具的上述证明对于快捷达公司来讲是有效的。

- (b) until March 2022, Aztech Dongguan will continue to be entitled to the use right of the Land and the buildings (other than the other structures) thereon, there will not be any risk for the Land and such buildings to be demolished by governmental authorities or withdrawn from leasing by JJSEUS or the JJS Village Committee. In accordance with Article 24 of the "Administrative Penalty Law of the People's Republic of China" that two and more fines shall not be imposed to one single illegal act, as such, in principle, there is no risk for Aztech Dongguan to be fined again. However, in order to complete the Title Registration, after the verification

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



of the Title Registration, Aztech Dongguan will have to pay a fine of 5% or 7% of the construction costs, the details of the fine payment shall be subject to the completion time of the construction (5% if the construction is completed by 28 May 2008, or 7% if otherwise).

我们认为，在 2022 年 3 月之前，快捷达公司仍然享有该土地、上述房屋（不包括其他建筑）的使用权，不存在被政府拆除和被股份经济联合社或九江水村委会退租的风险。根据《中华人民共和国行政处罚法》第 24 条之规定，对当事人的同一个违法行为，不得给予两次以上罚款的，因此，原则上快捷达公司不存在针对土地被再次作出罚款的风险。但是，为满足补办不动产权需要，补办手续复核完成后，快捷达公司需按建设工程造价 5% 或 7% 的标准缴纳罚款，具体标准视建筑建成时间而定（以 2008 年 5 月 28 日为界，之前建成的按 5%，之后建成的为 7%）

(2) *Certificate of Land Use Right and Title Registration*
土地使用证及补办产权证

Based on the following:

基于以下几点:

- (a) that Aztech Dongguan obtained the approvals from Rectification Title Registration Office in June 2009 and October 2018 respectively to proceed with the Title Registration;
快捷达公司于 2009 年 6 月和 2018 年 10 月分别收到东莞市常平镇产权补办手续办公室和东莞市常平镇已建房屋补办房地产权手续工作办公室的同意补办产权证的文件;
- (b) that the Letter of Consent by the villagers' representatives issued by the JJS Village Committee on 28 October 2010 with the signatures of more than two-thirds of the villagers' representatives does not specify how the Land may be used by Aztech Dongguan. On 25 October 2018, an "Application Form for Land Construction Permit for Constructed Buildings" with the seal of JJS Village Committee provided by Aztech Dongguan shows that "the applicant: Aztech Dongguan, location of the land: Jiujiangshui village, Changping town, type of land: construction land, ownership: collectively owned, area: 29550.88 square meters, and the mode of land supply: grant by circulation";
九江水村委会于 2010 年 10 月 28 日出具的由三分之二以上村民代表签字的《村民代表意见书》内容没有明确该土地以何种形式给快捷达公司使用。2018 年 10 月 25 日，快捷达公司提供的一份有九江水村委会盖章确认的《已建房屋补

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



办建设项目用地手续审批表》相关栏目显示：申请人为快捷达公司；地块位置：常平镇九江水村；地类：建设用地，权属：集体土地；面积：29550.88 平方米；供地方式：流转出让。

- (c) Under the provisions of the "Dongguan City Title Registration Implementation Plan for Buildings with Historical Outstanding Issues and Public Facilities Illegally Constructed (the "No. 14 Document") issued on 26 February 2020, the current policy in Dongguan relating to buildings with historical outstanding issues and public facilities illegally constructed, and based on the certificates issued by Changping town government and DNRB Changping Branch, the buildings constructed by Aztech Dongguan on the Land are buildings with historical outstanding issues covered by the No. 14 Document and Aztech Dongguan has satisfied the conditions for the Title Registration; and 2020 年 2 月 26 日，东莞市出台了现行有效的《东莞市历史遗留产业类和公共配套类违法建筑补办不动产权手续实施方案》（以下简称“东府办 2020 年 14 号文件”）。快捷达公司在该土地上建造的建筑物属于 2020 年 14 号文件中的具有历史遗留问题的建筑物，依据该方案规定，结合上述东莞市常平镇政府以及市自然资源局常平分局出具的证明等，快捷达公司符合补办产权证的条件；及
- (d) as of the date of this Opinion:
截至本法律意见书出具之日：
- (i) the JJS Village Committee has not specified which type of certificate of land use right Aztech Dongguan may apply for in respect of the Land;
九江水村委会没有明确快捷达公司可以办理何种形式的土地使用证；
- (ii) Aztech Dongguan has not obtained the Certificate of Land Use Right in respect of the Land through the grant and circulation of collectively-owned land;
快捷达公司尚未通过集体土地流转出让方式取得该地块的使用权证；
- (iii) we have not sighted any documents other than those set out in the Appendix in respect of the application or submission by Aztech Dongguan for the Certificate of Land Use Right of the Land and the Title Registration of the buildings;
除附件中所列文件外，我们并未看到任何文件证明快捷达公司就土地和房屋申请提交补办手续相关文件；

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



- (iv) the processes for obtaining the Certificate of Land Use Right and the Title Registration have not been completed,
补办土地使用证及产权证手续至今未能完成,

We are of the opinion that Aztech Dongguan, being the party exerting the land use right and the building ownership right, may simultaneously apply for the Certificate of Land Use Right in respect to the Land as well as proceed with Title Registration of its buildings. However, the Certificate of Land Use Right in respect to the Specific Dormitory is unlikely to be obtained because of the red-line zone planned for the Cong-Guan highway.

我们认为快捷达公司, 作为行使土地使用权和建筑物所有权的一方, 可以同时进行该土地的土地使用证申请及房屋建筑的产权证补办登记, 但鉴于已规划的从莞公路红线图, 特殊宿舍的土地使用证申请不太可能获批。

- (3) **Unless Aztech Dongguan has obtained the Certificate of Land Use Right and completed the Title Registration of the buildings, Aztech Dongguan will not be entitled to any compensation payment arising from any acquisition of the Land.**
在快捷达公司取得土地使用证并完成产权补办手续之前, 任何涉及该土地的征地补偿均不会支付给快捷达公司。

- (4)
According to the relevant provisions of Article 35, Article 36, and Article 40 of the "Administrative Compulsion Law", before an administrative agency makes a decision on compulsory demolition, it needs to provide advanced notice, and the party concerned shall have the right to be heard. The administrative agency must allow the party concerned to state its views and provide its records for review. If the facts, reasons or evidence presented are valid, they shall be accepted. For non-performance within the time limit after a reminder, without proper reasons, the administrative agency may make an administrative enforcement decision. If the party concerned is dissatisfied with the administrative enforcement decision, it may initiate an administrative appeal or administrative litigation, and in accordance with Article 46 of the Administrative Procedure Law of the People's Republic of China which states: "If citizens, legal persons or other organizations directly file a lawsuit with the people's court, they shall file a lawsuit within six months from the day when they knew or should have known the administrative act, unless otherwise provided by law." Further, in accordance with Article 44 of the Administrative Compulsion Law of the People's Republic of China: "If illegal buildings, structures, facilities, etc. need to be demolished compulsorily, the administrative agency shall make an announcement, and the parties shall effect the demolition within a specified time limit. If the party concerned does not, within the statutory time limit, apply for administrative appeal or administrative litigation, and does not effect the demolition, the administrative agency may effect the demolition."

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



As such, in case that Aztech Dongguan fails to obtain the Certificate of Land Use Right and complete the Title Registration by [March 2022], and if any government agency makes any penalty decision under the relevant administrative laws and regulations to require Aztech Dongguan to demolish the buildings or terminate the leasing arrangement, Aztech Dongguan will, prior to such demolition or termination, have at least six months to seek alternative ways to solve the issues in relation to the penalty decision. There is a risk that such a penalty decision could render the Land Use Contract unenforceable.

依据《行政强制法》第三十五条、第三十六条、第四十条的相关规定，行政机关在做出强制拆除的决定前，需要经过事先催告、并由当事人行使陈述和申辩权，行政机关充分听取当事人意见并记录、复核。对提出的事实、理由或者证据成立的，应当采纳。对经催告后仍逾期不履行，并无正当理由的，行政机关可以做出行政强制执行决定，对行政强制执行决定不服，可以提起行政复议或行政诉讼，又依据《中华人民共和国行政诉讼法》第四十六条规定：“公民、法人或者其他组织直接向人民法院提起诉讼的，应当自知道或者应当知道作出行政行为之日起六个月内提出。法律另有规定的除外。”再依据《中华人民共和国行政强制法》第四十四条的规定：“对违法的建筑物、构筑物、设施等需要强制拆除的，应当由行政机关予以公告，限期当事人自行拆除。当事人在法定期限内不申请行政复议或者提起行政诉讼，又不拆除的，行政机关可以依法强制拆除。”

因此，若快捷达公司在[2022年3月]之前未取得土地使用证且未完成产权补办手续，若有关部门根据相关行政法规对其作出拆除、退租处罚决定，在拆除、退租前，快捷达公司将至少有6个月的时间寻求其他解决该处罚决定中涉及的问题的方法。此类处罚决定可能会导致土地使用合同无法执行。

- (5) The latest basis for Aztech Dongguan's rectification application for the Title Registration should be the "No. 14 Document". As of the date of this legal opinion, because it involves issues such as the quota for construction land in Changping Town and the inconsistency of red-line zones of the land parcel, Aztech Dongguan has yet to submit documents in compliance with No.14 Document. Meanwhile, a prerequisite for Aztech Dongguan's Title Registration is that it has to reach an agreement with the

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com



JJS Village Committee in relation to the application for the land use certificate before continuing the application for the Certificate of Land Use Right and the Certificate of Property Right.

补办产权的最新依据应是“东府办 2020 年 14 号文件”，截止至本法律意见书出具之日，因涉及到常平镇建设用地指标、宗地红线图冲突等问题，快捷达公司未能提交符合东府办 2020 年 14 号文件的补办产权文件。同时，快捷达公司补办产权的前提是先与东莞市常平镇九江水村村民委员会就土地使用证办理问题达成一致意见才能进一步办理上述土地的使用权证以及地上房屋的不动产权证。

This Opinion should not be partially or fully quoted or referred to in any other documents without our prior written consent save that this Opinion may be submitted to the Singapore Exchange or quoted in a prospectus prepared by Aztech Dongguan, only for the purpose of its proposed initial public offering.

对本法律意见部分或者全部的摘抄或引用，应当事先征得敝所的书面同意，本意见书可提交至新加坡证券交易所及放入快捷达公司制作的招股说明书中，但前述行为仅供其上市所用。

This Opinion is prepared in both English and Chinese. The English version is for reference only. In case of any inconsistency between the two versions, the Chinese version shall prevail. 本意见书用中英文书就，英文版本仅供参考，若中英文版本有不一致之处，应以中文版为准。

Guangdong Guanghe (Dongguan) Law Firm
广东广和（东莞）律师事务所



23 February 2021

二〇二一年二月二十三日

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contactly8@gmail.com

ANNEX A - EXECUTIVE SUMMARY
执行摘要

	Date of Document	Name of Document	Details
1.	15 June 2002 2002 年 6 月 15 日	<i>Land Use Contract</i> 土地使用合同书	<p>Aztech Communication Device (DG) Ltd ("Aztech Dongguan") entered into a Land Use Contract with Jiujiangshui Economic Union ("JJSEU"), under which, Aztech Dongguan obtained the right to use the Land for industrial purpose for 50 years from 1 October 2002 to 30 September 2052. JJSEU was later restructured through rural share co-operation and changed to Jiujiangshui Economic Union Limited by Shares ("JJSEUS").</p> <p>快捷达通信设备 (东莞) 有限公司 ("快捷达东莞") 与东莞市常平镇九江水经济联合社 (" JJSEU") 签订了土地使用合同。快捷达通信设备 (东莞) 有限公司取得从 2002 年 10 月 1 日至 2052 年 9 月 30 日的 50 年工业土地使用权。JJSEU 后来通过农村股份合作制改革为东莞市常平镇九江水股份经济联合社 ("JJSEUS").</p>

<p>2. 8 July 2005 2005年7月8日</p>	<p><i>Proof of Land Use</i> 土地使用证明</p>	<p>The Villagers' Committee of Dongguan city Changping town Jiujiangshui village ("JJS Village Committee") issued a proof of land use which was also endorsed by the Changping Town Government as follows:</p> <p>(i) acknowledged that Aztech Dongguan is a wholly-owned company established by Aztech System (Hong Kong) Co., Ltd in Jiujiangshui village, Changping town, Dongguan city; and</p> <p>(ii) acknowledged the total investment of the Aztech Dongguan and that JJS Village Committee would provide 33300 square meters of land to Aztech Dongguan for consideration for a term of 50 years.</p> <p>东莞市常平镇九江水村村民委员会（“JJS村委会”）出具了土地使用证明，东莞市常平镇人民政府也认可该证明文件：</p> <p>(i) 快捷达通信设备（东莞）有限公司是由益达系统（香港）有限公司在东莞市常平镇九江水村成立的全资公司；和</p> <p>(ii) 确认快捷达通信设备（东莞）有限公司的总投资，并确定JJS村委会将向快捷达通信设备（东莞）有限公司有偿提供 33300 平方米的土地，期限为 50 年。</p>
-------------------------------------	--	---

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.


LY LOTUS
Mobile: 9698 2716
Email: contact@lylotus.com



<p>3. 31 August 2015 2015 年 8 月 31 日</p>	<p><i>Administrative Penalty Decision</i> 行政处罚决定</p>	<p>Dongguan Land Resources Bureau (“DLRB”) issued an “Administrative Penalty Decision” (Dong Guo Tu Zi (Zhi Fa) Jue Zi [2015] No. 907) to Aztech Dongguan,</p> <p>(a) to request Aztech Dongguan to:</p> <p>(i) pay a sum of fine of RMB347,299 at the rate of RMB10 per square meter for 34729.9 square meters of land illegally occupied; and</p> <p>(ii) return the 34729.9 square meters of land illegally occupied to the village within 15 days.</p> <p>Note: DLRB is now known as Dongguan Natural Resources Bureau (“DNRB”), its Changping branch is at Changping town which is also the assigned agency of the Changping Town Government.</p> <p>东莞市国土资源局 (以下简称 “ DLRB ”) 向快捷达东莞出具了《行政处罚决定书》(东莞国字 (执法) 决字[2015] 907 号) ,</p> <p>(a) 要求快捷达东莞:</p> <p>(i) 对非法占用的 34729.9 平方米土地, 处以每平方米人民币 10 元的罚款, 金额为 347,299 元; 和</p>
--	--	---

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contact@lylotus.com



			<p>(ii) 在 15 天内将非法占用的 34729.9 平方米土地归还给村集体。</p> <p>注意：东莞市国土资源局（“DLRB”）现称为东莞市自然资源局（“DNRB”）。他们在常平镇设有派出机构东莞市自然资源局常平分局，同时该分局也是东莞市常平镇人民政府的派出机构。</p>
4. 14 September 2015 2015 年 9 月 14 日	Payment 付款		<p>Aztech Dongguan paid the total fine of RMB347,299 pursuant to the “Administrative Penalty Decision” (Dong Guo Tu Zi (Zhi Fa) Jue Zi [2015] No. 907).</p> <p>关于《行政处罚决定书》（东莞国字（执法）决字[2015] 907 号），快捷达东莞共缴纳罚款 347,299 元人民币</p>
5. 9 September 2015 2015 年 9 月 9 日	Notice regarding Return of Collectively-owned Land 关于归还集体土地的通知		<p>DLRB issued to JJSEUS the “Notice regarding Return of Collectively-owned Land” (Dong Guo Tu Zi (Zhi Fa) Han [2015] No. 645), informing JJSEUS that the Administrative Penalty Decision (Dong Guo Tu Zi (Zhi Fa) Jue Zi [2015] No. 907) has come into effect, and requesting JJSEUS to deal with the Land to be returned by Aztech Dongguan at its own discretion.</p> <p>DLRB 向 JJSEUS 发出了《关于退还集体土地的通知》（东国土资（执法）函[2015] 645 号），并通知 JJSEUS 行政处罚决定书（东国土资（执法）决字[2015] 907 号）已经生效，并要求 JJSEUS</p>

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contact@lylotus.com



			自行决定处理由快捷达东莞归还的土地。
--	--	--	--------------------

6.	October 2018 2018 年 10 月	<p><i>Dongguan City Changping Town Constructed Property Rectification Title Registration Office</i></p> <p>东莞市常平镇已建房屋补办房地产 产权手续工作办公室</p>	<p>Aztech Dongguan obtained the approval from Dongguan City Changping Town Constructed Property Rectification Title Registration Office to proceed with the Title Registration.</p> <p>快捷达东莞获得东莞市常平镇已建房屋补办房地产产权手续工作办公 室的同意补办产权证书手续的文件.</p>
----	-----------------------------	--	--

<p>7. 25 October 2018 2018 年 10 月 25 日</p>	<p>Application Form for Land Construction Permit for Constructed Buildings (the "Application Form")</p> <p>已建房屋补办建设项目用地手续审批表 (以下简称 "申请表")</p>	<p>The Application Form sealed by JJSEUS acknowledged the following: Applicant: Aztech Dongguan; location of the land: Jiujiangshui village, Changping town, type of land: construction land, ownership: collectively owned, area: 29550.88 square meters, and the mode of land supply: grant by circulation.</p> <p>带有 JJSEUS 盖章的申请表确认了申请人: 快捷达东莞, 土地所在地: 常平镇九江水村, 土地类型: 建设用地, 所有权: 集体所有, 面积: 29550.88 平方米, 土地供应方式: 流转出让。</p> <p>However, the latest basis for Aztech Dongguan's rectification application for the Title Registration should be the "No. 14 Document". As of the date of this legal opinion, because it involves issues such as the quota for construction land in Changping Town and the inconsistency of red-line zones of the land parcel, Aztech Dongguan has yet to submit documents in compliance with No. 14 Document. Meanwhile, a prerequisite for Aztech Dongguan's Title Registration is that it has to reach an agreement with the JJS Villagers' Committee in relation to the application for land use certificate before continuing the application for the Certificate of Land Use Right and the Certificate of Property Right.</p> <p>补办产权的最新依据应是 "东府办 2020 年 14 号文件", 截止至本法律意见书出具之日, 因涉及到常平镇建设用地指标、宗地红线</p>
--	--	---

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contact@lylotus.com



		<p>图冲突等问题，快捷达东莞未能提交符合东府办 2020 年 14 号文件的补办产权文件。同时，快捷达东莞补办产权的前提是先与东莞市常平镇九江水村民委员会就土地使用证办理问题达成一致意见才能进一步办理上述土地的使用权证以及地上房屋的不动产权证。</p>
--	--	---

<p>8. 26 October 2018 2018年10月26日</p>	<div data-bbox="229 1025 304 1509" data-label="Section-Header"> <p>Letter of Notice 通知书</p> </div> <div data-bbox="229 145 512 1025" data-label="Text"> <p>Dongguan City Changping Town Constructed Property Rectification Title Registration Office issued a "Notice of Acceptance of Application for Land Title Registration", showing that the application submitted by Aztech Dongguan for the Certificate of Land Use Right (Project Name: Plant Area of Aztech Dongguan Communications Equipment (Dongguan) Co., Ltd.) has been accepted after preliminary examination.</p> </div> <div data-bbox="560 145 635 1025" data-label="List-Group"> <ul style="list-style-type: none"> • Note: Aztech Dongguan has not yet obtained the Certificate of Land Use Right. </div> <div data-bbox="708 145 927 1025" data-label="Text"> <p>东莞市常平镇已建房屋补办房地产权手续工作办公室出具的《同意受理补办土地权利证书手续通知书》，显示快捷达东莞提出的土地使用权证申请（项目名称：快捷达通信设备（东莞）有限公司厂房）已通过初步审查同意受理。</p> </div> <div data-bbox="991 145 1027 1025" data-label="Text"> <p>•注意：快捷达东莞未获得土地使用权证书。</p> </div>
---	---

LY LOTUS
Mobile: 9698 2716
Email: contact@lylotus.com



<p>9. 26 February 2020 2020年2月26日</p>	<p><i>Statement in relation to the Land Use Situation of Aztech Dongguan</i> 关于快捷达通信设备公司土地使用情况 情况的说明</p>	<p>DNRB Changping Branch issued a statement confirming that:</p> <ul style="list-style-type: none"> (a) the land used by Aztech Dongguan is at Jiujiangshui village with an area of 48.85 mu; (b) the use of the land is in compliance with the overall land utilization plan of Changping town, the constructed factory buildings on the land have been included in the constructed buildings that satisfy the conditions for title registration; and (c) the relevant process for the title registration is in progress in due course. <p>DNRB 常平分局发表声明确认：</p> <ul style="list-style-type: none"> (a) 快捷达东莞使用的土地位于九江水村，面积为 48.85 亩； (b) 该土地的使用符合常平镇的总体土地利用计划，地上已建厂房已纳入补办台账范围，符合已建房屋补办条件；和 (c) 相关补办手续正在按程序办理。
---	--	--

<p>10.1 March 2020 2020 年 3 月 1 日</p>	<p>Statement issued by JJSEUS 东莞市常平镇九江水股份经济联合 社出具的声明</p>	<p>The statement shows that:</p> <p>(a) Aztech Dongguan may continue to use the Land of 48.85 mu at Qiangangling until 30 September 2052 under the same terms and conditions of the Land Use Contract; and</p> <p>(b) JJSEUS will not impose any fine on Aztech Dongguan, provided that Aztech Dongguan does not breach the terms and conditions of the Land Use Contract.</p> <p>该声明指出：</p> <p>(a) 快捷达公司可以继续使用前岗岭的 48.85 亩土地至 2052 年 9 月 30 日，土地使用合同中的条款不变；及</p> <p>(b) 在快捷达公司不违反土地使用合同条款的情况下，股份经济联合社不会对前岗岭 48.85 亩土地的承租方（快捷达公司）处予任何罚款</p>
---	--	---

<p>11. 18 March 2020 2020年3月18日</p>	<p><i>Statement in relation to the Land Use Situation of Aztech Dongguan</i> DNRB 常平分局出具的关于快捷达公司用地的情况说明</p>	<p>The statement by DNRB Changping Branch acknowledges that:</p> <ul style="list-style-type: none"> (a) Aztech Dongguan has one piece of land of 61.48 mu located in Jiujiangshui village, Changping town; the use of the land is in compliance with the overall land utilization plan of Changping town; (b) the constructed factory buildings on the land have been included in the constructed buildings that satisfy the conditions for title registration; (d) the relevant process for the title registration is in progress in due course; (e) DNRB opened files in relation to Aztech Dongguan's illegal use of the Land without prior approval on 22 June 2015 and 19 March 2019 respectively, and issued the Administrative Penalty Decisions (the respective of Dong Guo Tu Zi (Zhi Fa) Yue Zi [2015] No.907 and Chang Zi Ran Zi (Zhi Fa) Yue Zi [2019] No.41); and (f) the party in question has fulfilled its obligations according to the Administrative Penalty Decisions within the applicable statutory time period and the files are closed. <p>DNRB 常平分局出具的《关于快捷达公司用地的情况说明》显示:</p> <p>(a)快捷达公司有一位于常平镇九江水村的用地, 用地面积 61.48</p>
---	---	--

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contact@lylotus.com



		亩; (b)该用地符合常平镇土地利用总体规划; (c)地上已建厂房已纳入补办台账范围, 符合已建房屋补办条件; (d)相关补办手续正在按程序办理; (e)市自然资源局分别于 2015 年 6 月 22 日、2019 年 3 月 19 日对快捷达公司未批先用的违法用地行为进行立案, 作出《行政处罚决定书》(东国土资(执法)决字(2015)907 号、常自然资(执法)决字(2019)41 号) (f)当事人已在法定期限内履行相关的行政处罚决定, 目前均已结案。
--	--	---



<p>12.3 September 2020 2020 年 9 月 3 日</p>	<p><i>Relevant Certificate regarding Aztech Dongguan's Factory Buildings and Land" issued by Dongguan City Changping Town People's Government ("Changping Town Government")</i> 东莞市常平镇人民政府（“常平镇政府”）出具的《关于快捷达通信设备（东莞）有限公司厂房和土地的相关证明》</p>	<p>The statement by Changping Town Government acknowledges that:</p> <ul style="list-style-type: none"> (a) Aztech Dongguan is located in Jiujiangshui village, Changping town, Dongguan city, with a land area of 48.85 mu; (b) the use of the land is in compliance with the overall land utilization plan of Changping town, the constructed factory buildings on the land have been included in the constructed buildings that satisfy the conditions for title registration; (c) the relevant process for the title registration is in progress in due course; and (d) until March 2022, the factory buildings and the land in Changping town, Jiujiangshui village occupied by the company will not be subject to any risk of demolition or being withdrawn from leasing. <p>东莞市常平镇人民政府出具的证明显示：</p> <ul style="list-style-type: none"> (a) 捷达东莞位于东莞市常平镇九江水村，土地面积 48.85 亩； (b) 该土地的使用符合常平镇的总体土地利用计划，地上已建厂房已纳入补办台账范围，符合已建房屋补办条件； (c) 相关补办手续正在按程序办理；和 (d) 在 2022 年 3 月 前，企业位于常平镇九江水村的厂房和土地
---	--	---

This translation (from Simplified Chinese to English) is done by LY Lotus (Registration Number 53229145W) based on a copy of the document provided, and is true and accurate to the best of our (LY Lotus') knowledge.

LY LOTUS
Mobile: 9698 2716
Email: contact@lylotus.com



			不存在拆除、退租的风险。
--	--	--	--------------

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Applications are invited for the subscription for and/or purchase of the Offer Shares at the Invitation Price on the terms and conditions set out below and in the printed application forms to be used for the purpose of the Invitation and which forms part of the prospectus (the “**Application Forms**”) or, as the case may be, the Electronic Applications (as defined below).

Investors applying for the Offer Shares in the Invitation by way of Application Forms or Electronic Applications are required to be paid for in Singapore dollars, the Invitation Price of S\$1.28 per Share, subject to a refund of the full amount or, as the case may be, the balance of the applications monies (in each case without interest or any share of revenue or other benefit arising therefrom, at the applicant’s own risk and without any right or claim against us our Company, the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) where (i) an application is rejected or accepted in part only, or (ii) if the Invitation does not proceed for any reason.

- (1) The minimum initial subscription is for 1,000 Offer Shares. You may subscribe for a larger number of Offer Shares in integral multiples of 100. Your application for any other number of Offer Shares will be rejected.
- (2) You may apply for the Offer Shares only during the period commencing on 9.00 a.m. on 5 March 2021 and expiring at 12.00 noon on 10 March 2021. The Invitation period may be extended or shortened to such date and/or time as our Company and the Vendor may agree with the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, subject to all applicable laws and regulations and the rules of the SGX-ST.
- (3)
 - (a) Your application for the Offer Shares offered in the Public Offer (the “**Public Offer Shares**”) may be made by way of the printed **WHITE** Application Forms or by way of Automated Teller Machine (“**ATM**”) belonging to the Participating Banks (“**ATM Electronic Applications**”) or the Internet Banking (“**IB**”) website of the relevant Participating Banks (“**Internet Electronic Applications**”), or the mobile banking (“**mBanking**”) interface of the relevant Participating Banks (“**mBanking Applications**”, which together with the ATM Electronic Applications and the Internet Electronic Applications, shall be referred to as “**Electronic Applications**”), where available.
 - (b) Your application for the Offer Shares offered in the Placement (the “**Placement Shares**”) may be made by way of the printed **BLUE** Application Forms (or in such other manner as the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters may in their absolute discretion deem appropriate).
- (4) **UNLESS PERMISSABLE IN SUCH OTHER JURISDICTION, YOU MUST BE IN SINGAPORE AT THE TIME OF THE MAKING OF THE APPLICATION FOR THE INVITATION SHARES. YOU MAY NOT USE YOUR CENTRAL PROVIDENT FUND (“CPF”) OR CPF INVESTIBLE SAVINGS TO APPLY FOR THE OFFER SHARES.**
- (5) **Only one (1) application may be made for the benefit of one (1) person for the Public Offer Shares in his own name. Multiple applications for the Public Offer Shares will be rejected, except in the case of applications by approved nominee companies where each application is made on behalf of a different beneficiary.**

You may not submit multiple applications for the Public Offer Shares *via* the Application Forms for Public Offer Shares or Electronic Applications. A person who is submitting an application for the Public Offer Shares by way of the Application Form may not submit another application for the Public Offer Shares by way of Electronic Applications and *vice versa*.

A person, other than an approved nominee company, who is submitting an application for the Public Offer Shares in his own name should not submit any other applications for the

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Public Offer Shares, whether on a printed Application Form or by way of Electronic Application, for any other person. Such separate applications will be deemed to be multiple applications and shall be rejected.

Joint or multiple applications for the Public Offer Shares shall be rejected. Persons submitting or procuring submissions of multiple applications for the Public Offer Shares may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, and such applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications (other than as provided herein) will be liable to be rejected at our discretion.

- (6) Multiple applications may be made in the case of applications by any person for (i) the Placement Shares only (via Application Forms for Placement Shares or such other form of application as the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters may in their absolute discretion deem appropriate) or (ii) the Placement Shares together with a single application for the Public Offer Shares whether via an Application Form for Public Offer Shares of an Electronic Application.**
- (7) Applications from any person under the age of 18 years, undischarged bankrupts, sole proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP will be rejected. Applications may be made by any Joint Securities Account holders of CDP for the Placement Shares.
- (8) Applications from any person whose addresses (furnished in their printed Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Bank, as the case may be) bear post office box numbers will be rejected. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of the application.
- (9) The existence of a trust will not be recognised. Any application by a trustee or trustees must be made in his/her or their own name(s) and without qualification or, where the application is made by way of a printed Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 10 below.
- (10) Nominee applications may only be made by approved nominee companies.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies will be rejected.
- (11) If you are not an approved nominee company, you must maintain a Securities Account with CDP in your own name at the time of your application.** If you do not have an existing Securities Account with CDP in your own name at the time of application, your application will be rejected (if you apply by way of an Application Form) or you will not be able to complete your application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your CDP Securities Account number or provide an incorrect CDP Securities Account number in your Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected.
- (12) Subject to paragraphs 14 to 17 below, your application is liable to be rejected if your particulars such as name, National Registration Identity Card (“**NRIC**”) number or passport number or company registration number, nationality and permanent residence status, and CDP Securities Account number provided in your Application Form, or in the case of an Electronic Application, contained in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained by CDP. If you have more than one individual direct Securities Account with CDP, your application shall be rejected.

**APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND
ACCEPTANCE**

- (13) **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allocation from CDP will be sent to your address last registered with CDP.**
- (14) This Prospectus and its accompanying documents (including the Application Forms) have not been registered in any jurisdiction other than in Singapore. The distribution of this Prospectus and its accompanying documents (including the Application Forms) may be prohibited or restricted (either absolutely or unless various securities requirements, whether legal or administrative, are complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions.

Without limiting the generality of the foregoing, neither this Prospectus and its accompanying documents (including the Application Forms) nor any copy thereof may be taken, transmitted, published or distributed, whether directly or indirectly, in whole or in part in or into the United States or any other jurisdiction (other than Singapore) and they do not constitute an offer of securities for sale into the United States or any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such an offer. The Offer Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state laws. The Offer Shares are being offered and sold outside the United States (including institutional and other investors in Singapore) in offshore transactions as defined in and in reliance on the exemption from registration provided by Regulation S and in a transaction pursuant to an exemption from the registration requirements under the Securities Act. There will be no public offer of Offer Shares in the United States. Any failure to comply with this restriction may constitute a violation of securities laws in the United States and in other jurisdictions.

Our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters reserve the right to reject any application for the Offer Shares where our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters believe or have reason to believe that such applications may violate the securities laws or any applicable legal or regulatory requirements of any jurisdiction.

No person in any jurisdiction outside Singapore receiving this Prospectus or its accompanying documents (including the Application Forms) may treat the same as an offer or invitation to subscribe for any Offer Shares unless such an offer or invitation could lawfully be made without compliance with any regulatory or legal requirements in those jurisdictions.

- (15) Our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters reserve the right to reject any application which does not conform strictly to the instructions or with the terms and conditions set out in this Prospectus (including the instructions set out in the accompanying Application Forms, in the ATMs, IB websites and mBanking interfaces of the relevant Participating Banks) or, in the case of an application by way of an Application Form, the contents of which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up, or improper form of remittance or a remittance which is not honoured upon its first presentation.
- (16) Our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions and terms and conditions set out in this Prospectus (including the instructions set out in the accompanying Application Forms, the ATMs, IB websites and mBanking interfaces of the relevant Participating Banks), and also to present for payment or other processes all remittances at any time after

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof. Without prejudice to the rights of our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, as agents of our Company and the Vendor, have been authorised to accept, for and on behalf of our Company and the Vendor, such other forms of application as the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters may deem appropriate.

- (17) Our Company and the Vendor (in consultation with the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters) reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot, any application, without assigning any reason therefor, and none of our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters will entertain any enquiry and/or correspondence on the decision of our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. This right applies to applications made by way of Application Forms and by way of Electronic Applications and by such other forms of application as the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters may, in consultation with our Company and the Vendor, deem appropriate. In deciding the basis of allocation, our Company and the Vendor, in consultation with the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, will give due consideration to the desirability of allocating the Offer Shares to a reasonable number of applicants with a view to establishing an adequate market for the Offer Shares.
- (18) In the event that our Company lodges a supplementary or replacement prospectus ("**Relevant Document**") pursuant to the Securities and Futures Act or any applicable legislation in force from time to time prior to the close of the Invitation, and the Offer Shares have not been issued, our Company and the Vendor will (as required by law) at our Company and the Vendor's sole and absolute discretion either:
- (a) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to withdraw your application and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document; or
 - (b) within seven (7) days of the lodgement of the Relevant Document, provide you with a copy of the Relevant Document and provide you with an option to withdraw your application; or
 - (c) treat your application as withdrawn and cancelled and refund all monies paid in respect of your application (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters) to you within seven (7) days from the lodgement of the Relevant Document.

Any applicant who wishes to exercise his option under paragraphs 18(a) and 18(b) above to withdraw his application shall, within 14 days from the date of lodgement of the Relevant Document, notify our Company and the Vendor whereupon our Company and the Vendor shall, within seven (7) days from the receipt of such notification, return all monies in respect of such application (without interest or any share of revenue or other benefit arising therefrom, at the applicant's own risk and without any right or claim against our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters).

In the event that the Offer Shares have already been issued and/or transferred at the time of the lodgement of the Relevant Document but trading has not commenced, our Company and the Vendor will (as required by law) either:

- (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

to receive, a copy of the same and provide you with an option to return to our Company and the Vendor the Offer Shares which you do not wish to retain title in and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document; or

- (ii) within seven (7) days from the lodgement of the Relevant Document, provide you with a copy of the Relevant Document and provide you with an option to return the Offer Shares which you do not wish to retain title in; or
- (iii) treat the issue and/or transfer as void and refund all monies paid in respect of your application (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters) within seven (7) days from the lodgement of the Relevant Document.

Any applicant who wishes to exercise his option under paragraphs 18(i) and 18(ii) above to return the Offer Shares issued and/or transferred to him shall, within 14 days from the date of lodgement of the Relevant Document, notify our Company and the Vendor of this and return all documents, if any, purporting to be evidence of title of those Offer Shares to our Company and the Vendor, whereupon our Company and the Vendor shall, within seven (7) days from the receipt of such notification and documents, if any, return to him all monies paid by him for the Offer Shares (without interest or any share of revenue or other benefit arising therefrom, at his own risk and without any right or claim against our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters), and the Offer Shares issued and/or transferred to him shall be treated as void.

Additional terms and instructions applicable upon the lodgement of the Relevant Document, including instructions on how you can exercise the option to withdraw, may be found in such Relevant Document.

- (19) The Offer Shares may be reallocated between the Placement and the Public Offer for any reason, including in the event of excess applications in one and a deficit of applications in the other, at the discretion of the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, in consultation with our Company and the Vendor, subject to any applicable laws.
- (20) Subject to your provision of a valid and correct CDP Securities Account number, share certificates in respect of the Offer Shares will be registered in the name of CDP or its nominee and will be forwarded only to CDP. If your application is successful, it is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Invitation, and subject to the submission of valid applications and payment for the Offer Shares, a statement of account stating that your CDP Securities Account has been credited with the number of Offer Shares allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company and/or the Vendor. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the issue or transfer of the Offer Shares allocated to you. This authorisation applies to applications made both by way of Application Forms and by way of Electronic Applications.
- (21) You irrevocably authorise CDP to disclose the outcome of your application, including the number of Offer Shares allocated to you pursuant to your application, to our Company and the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters and any other parties so authorised by CDP, our Company and the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- (22) Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Offer Shares by way of an Application Form or by way of Electronic Application or by such other manner as the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters may, in their absolute discretion, deem appropriate.
- (23) By completing and delivering an Application Form and, (i) in the case of an ATM Electronic Application, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key on the ATM, or (ii) in the case of an Internet Electronic Application or mBanking Application, by clicking “Submit” or “OK” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen or the mBanking interface of the relevant Participating Bank in accordance with the provisions herein, you:
- (a) irrevocably agree and undertake to subscribe for and/or purchase the number of Offer Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price and agree that you will accept such number of Offer Shares as may be allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and its accompanying documents (including the Application Forms), as well as the Constitution of our Company;
 - (b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and its accompanying documents (including the Application Form) and those set out in the ATMs, IB websites or mBanking interfaces of the relevant Participating Banks, the terms and conditions set out in this Prospectus and its accompanying documents (including the Application Forms) shall prevail;
 - (c) in the case of an application by way of an Application Form for Public Offer Shares or an Electronic Application, agree that the Invitation Price for the Public Offer Shares applied for is due and payable to our Company and the Vendor upon application;
 - (d) in the case of an application by way of an Application Form for Placement Shares or such other forms of application as Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters may in their absolute discretion deem appropriate, agree that the Invitation Price for the Placement Shares applied for is due and payable to our Company and the Vendor upon application;
 - (e) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company, the Vendor, Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters in determining whether to accept your application and/or whether to allocate any Offer Shares to you;
 - (f)
 - (i) consent to the collection, use, processing and disclosure of your name, NRIC/passport number or company registration number, address, nationality, permanent resident status, CDP Securities Account number, Offer Share application amount, the outcome of your application (including the number of Offer Shares allocated to you pursuant to your application) and other personal data (“**Personal Data**”) by the Share Registrar, CDP, Securities Clearing Computer Services (Pte) Ltd (“**SCCS**”), the SGX-ST, the Participating Banks, our Company, the Vendor, Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters and/or other authorised operators (the “**Relevant Parties**”) for the purpose of the processing of your application for the Offer Shares, and in order for the Relevant Parties to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”) and warrant that such Personal Data is true, accurate and correct,
 - (ii) warrant that where you, as an approved nominee company, disclose the Personal Data of the beneficial owner(s) to the Relevant Parties, you have obtained the prior consent

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

of such beneficial owner(s) for the collection, use, processing and disclosure by the Relevant Parties of the Personal Data of such beneficial owner(s) for the Purposes,

- (iii) agree that the Relevant Parties may do anything or disclose any Personal Data or matters without notice to you if the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters consider them to be required or desirable in respect of any applicable policy, law, regulation, government entity, regulatory authority or similar body, and
 - (iv) agree that you will indemnify the Relevant Parties in respect of any penalties, liabilities, claims, demands, losses and damages as a result of your breach of warranties. You also agree that the Relevant Parties shall be entitled to enforce this indemnity (collectively, the **“Personal Data Privacy Terms”**);
 - (g) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendor, the Joint Issue Managers nor the Joint Global Coordinators, Bookrunners and Underwriters will infringe any such laws as a result of the acceptance of your application;
 - (h) agree and confirm that you are outside the United States (within the meaning of Regulation S);
 - (i) understand that the Offer Shares have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and accordingly, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. Accordingly, there will be no public offer of the Offer Shares in the United States and the Offer Shares are only being offered and sold outside the United States in offshore transactions as defined in, and in reliance on, Regulation S or pursuant to another exemption. Any failure to comply with these terms may constitute a violation of the United States securities laws; and
 - (j) agree and confirm that, for the purposes of Rule 229(5) of the Listing Manual, you are not connected to the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters.
- (24) Acceptance of applications will be conditional upon, among others, our Company and the Vendor being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in and for the quotation of all of our issued Shares, the Offer Shares, the Cornerstone Shares, the Award Shares and the Option Shares on the Main Board of the SGX-ST;
 - (b) the Management and Underwriting Agreement, referred to in the section entitled “Plan of Distribution — Management and Underwriting Agreement” of this Prospectus, has become unconditional and has not been terminated; and
 - (c) the MAS has not served a stop order pursuant to Section 242 of the Securities and Futures Act directing that no or no further Offer Shares to which this Prospectus relates be sold, allotted or issued (**“Stop Order”**). The Securities and Futures Act provides that the MAS shall not serve a Stop Order if all the Offer Shares have been issued, sold, and listed for quotation on the SGX-ST and trading in them has commenced.
- (25) In the event that a Stop Order in respect of the Offer Shares is served by the MAS or other competent authority, and:
- (a) if the Offer Shares have not been issued and/or transferred to the applicants, all applications for the Offer Shares shall be deemed to be withdrawn and cancelled, and our

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Company and the Vendor shall, within 14 days of the date of the Stop Order, refund the application monies to you (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without an right or claim against our Company, the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters); or

- (b) if the Offer Shares have been issued and/or transferred but trading has not commenced, the issue and/or transfer will be deemed to be void and our Company and the Vendor shall, within seven (7) days from the date of the Stop Order, refund your application monies to you (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without an right or claim against our Company, the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters).

This shall not apply where only an interim Stop Order has been served.

- (26) In the event that an interim Stop Order in respect of the Shares is served by the MAS or other competent authority, no Offer Shares shall be issued and/or transferred to you until the MAS revokes the interim Stop Order.
- (27) Additional terms and conditions for applications by way of Application Forms are set out in the section entitled “Additional Terms and Conditions for Applications using Printed Application Forms” on pages I-8 to I-11 of this Prospectus.
- (28) Additional terms and conditions for applications by way of Electronic Applications are set out in the section entitled “Additional Terms and Conditions for Electronic Applications” on pages I-13 to I-19 of this Prospectus.
- (29) All payments in respect of any application for Public Offer Shares, and all refunds where (a) an application is rejected or accepted in part only, or (b) the Invitation does not proceed for any reason, shall be made in Singapore dollars.
- (30) All payments in respect of any application for Placement Shares, and all refunds where (a) an application is rejected or accepted in part only, or (b) the Invitation does not proceed for any reason, shall be made in Singapore dollars.
- (31) No application will be held in reserve.
- (32) This Prospectus is dated 4 March 2021. No Offer Shares shall be allotted and/or allocated on the basis of this Prospectus later than six (6) months after the date of registration of this Prospectus by the MAS.

Additional Terms and Conditions for Applications using Printed Application Forms

Applications by way of an Application Form shall be made on, and subject to the terms and conditions of this Prospectus, including but not limited to, the terms and conditions set out below, and elsewhere in this Appendix, as well as the Constitution of our Company.

- (1) Applications for the Public Offer Shares must be made using the printed **WHITE** Application Forms for Public Offer Shares and printed **WHITE** official envelopes “**A**” and “**B**”, both of which accompanying and forming part of this Prospectus.

Applications for the Placement Shares must be made using the printed **BLUE** Application Forms for Placement Shares (or in such manner as the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters may in their absolute discretion deem appropriate), accompanying and forming part of this Prospectus.

Without prejudice to the rights of our Company and the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, as agents of our Company and the

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Vendor, have been authorised to accept, for and on behalf of our Company and the Vendor, such other forms of application, as the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters (in consultation with our Company and the Vendor) deem appropriate.

Your attention is drawn to the detailed instructions contained in the Application Forms and this Prospectus for the completion of the Application Forms, which must be carefully followed. **Our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances or remittances which are not honoured upon its first presentation.**

- (2) You must complete your Application Forms in English. Please type or write clearly in ink using **BLOCK LETTERS**.
- (3) You must complete all spaces in your Application Forms except those under the heading “FOR OFFICIAL USE ONLY” and you must write the words “**NOT APPLICABLE**” or “**N.A.**” in any space that is not applicable.
- (4) Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears on your NRIC (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your common seal (if any) in accordance with your constitution or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your constitution or equivalent constitutive documents must be lodged with the Share Registrar. Our Company, the Vendor and the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters reserve the right to require you to produce documentary proof of identification for verification purposes.
- (5)
 - (a) You must complete Sections A and B and sign page 1 of the Application Form.
 - (b) You are required to delete either paragraph 9 or 10 on page 1 of the Application Form. Where paragraph 9 is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 9 or 10, as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
- (6) You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated, established or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Offer Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated, established or constituted, in which citizens or permanent residents of Singapore or any body corporate incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- (7) You may apply and make payment for your application for the Public Offer Shares in Singapore dollars using only cash. Each application must be accompanied by a cash remittance in Singapore currency the full amount payable in Singapore dollars of the Invitation Price, in respect of the number of Offer Shares applied for. The remittance must in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**AZTECH GLOBAL SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**" with your name, CDP Securities Account number and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. No combined Banker's Draft or Cashier's Order for different CDP Securities Accounts shall be accepted.

Remittances bearing "NOT TRANSFERABLE" or "NON-TRANSFERABLE" crossings will be rejected.

No acknowledgement of receipt will be issued for applications and application monies received.

The manner and method for applications and acceptances of payment under the Placement will be determined by our Company, the Vendor and the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters in their sole discretion.

- (8) Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor and the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) to you by ordinary post, in the event of oversubscription for the Public Offer Shares, within 24 hours of the balloting (or such shorter period as the SGX-ST may require, **PROVIDED THAT** the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account).

Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor and the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) to you by ordinary post at your own risk within 14 Market Days after the close of the Invitation, **PROVIDED THAT** the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.

If the Invitation does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor and the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) will be returned to you within three (3) Market Days after the Invitation is discontinued, **PROVIDED THAT** the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.

- (9) Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
- (10) By completing and delivering the Application Forms, you agree that:
- (a) in consideration of our Company and the Vendor having distributed the Application Form to you and by completing and delivering the Application Form before the close of the Invitation:
 - (i) your application is irrevocable;

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- (ii) your remittance will be honoured upon its first presentation and that any monies returnable may be held pending clearance of your payment (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor and the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters);
 - (iii) you represent and agree that you are located outside the United States (within the meaning of Regulation S); and
 - (iv) you understand that the Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and accordingly, they may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, there will be no public offer of the Offer Shares in the United States and the Offer Shares are only being offered and sold outside the United States in offshore transactions as defined in, and in reliance on, Regulations S or pursuant to another exemption;
- (b) all applications, acceptances or contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (c) in respect of the Public Offer Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of our Company and the Vendor and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company and/or the Vendor;
 - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
 - (e) reliance is placed solely on information contained in this Prospectus and that none of our Company, the Vendor, the Joint Issue Managers, the Joint Global Coordinators, Bookrunners and Underwriters or any other person involved in the Invitation shall have any liability for any information not contained therein;
 - (f) you accept and agree to the Personal Data Privacy Terms set out in this Prospectus;
 - (g) for the purpose of facilitating your application, you consent to the collection, use, processing and disclosure, by or on behalf of our Company and the Vendor of your Personal Data to the Relevant Persons in accordance with the Personal Data Privacy Terms; and
 - (h) you irrevocably agree and undertake to subscribe for and/or purchase the number of Public Offer Shares applied for as stated in the Application Form or any smaller number of such Public Offer Shares that may be allocated to you in respect of your application. In the event that our Company and the Vendor decide to allocate any smaller number of Public Offer Shares or not to allocate any Public Offer Shares to you, you agree to accept such decision as final.

Procedures Relating to Applications for the Public Offer Shares by Way of Printed Application Forms

- (1) Your application for the Public Offer Shares by way of printed Application Forms **MUST** be made using the **WHITE** Application Forms for Public Offer Shares and **WHITE** official envelopes “**A**” and “**B**”.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- (2) You must:
- (a) enclose the **WHITE** Application Form for Public Offer Shares, duly completed and signed, together with correct remittance for the full amount payable based on the Invitation Price and the number of Public Offer Shares applied for in Singapore currency in accordance with the terms and conditions of this Prospectus and its accompanying documents, in the **WHITE** official envelope “**A**” provided;
 - (b) In appropriate spaces on the **WHITE** official envelope “**A**”:
 - (i) write your name and address;
 - (ii) state the number of Public Offer Shares applied for; and
 - (iii) tick the relevant box to indicate form of payment;
 - (c) **SEAL THE WHITE OFFICIAL ENVELOPE “A”**;
 - (d) write, in the special box provided on the larger **WHITE** official envelope “**B**” addressed to **Aztech Global Ltd., c/o B.A.C.S. Private Limited, ASO Building, 8 Robinson Road, #03-00 Singapore 048544**, the number of Public Offer Shares you have applied for;
 - (e) insert the **WHITE** official envelope “**A**” into the **WHITE** official envelope “**B**” and seal the **WHITE** official envelope “**B**”; and
 - (f) affix adequate Singapore postage on the **WHITE** official envelope “**B**” (if dispatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to **Aztech Global Ltd., c/o B.A.C.S. Private Limited, ASO Building, 8 Robinson Road, #03-00, Singapore 048544**, so as to arrive by 12.00 noon on 10 March 2021 or such other date(s) and time(s) as our Company and the Vendor may agree with the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. **Courier services or Registered Post must NOT be used.**
- (3) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected. Except for application for the Placement Shares where remittance is permitted to be submitted separately, applications for the Public Offer Shares not accompanied by any form of payment will not be accepted.
- (4) **ONLY ONE (1) APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Procedures Relating to Applications for the Placement Shares by Way of Printed Application Forms

- (1) Your application for the Placement Shares by way of printed Application Forms must be made using the **BLUE** Application Forms for Placement Shares (or in such other manner as the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters may in their absolute discretion deem appropriate).
- (2) The completed and signed **BLUE** Application Form for Placement Shares, duly completed and signed, and together with the correct remittance for the full amount payable based on the Invitation Price and the number of Placement Shares applied for, in Singapore currency in accordance with the terms and conditions of this Prospectus and its accompanying documents with your name, CDP Securities Account number and address clearly written on the reverse side of the Application Form, must be enclosed and sealed in an envelope to be provided by you. You

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

must affix adequate Singapore postage on the envelope (if dispatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND**, at your own risk, to **Aztech Global Ltd., c/o B.A.C.S. Private Limited, ASO Building, 8 Robinson Road, #03-00, Singapore 048544**, to arrive by 12.00 noon on 10 March 2021 or such other date(s) and time(s) as our Company and the Vendor may agree with the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. **Courier services or Registered Post must NOT be used.**

- (3) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.
- (4) **ONLY ONE (1) APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Additional Terms and Conditions for Electronic Applications

Electronic Applications shall be made on and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions set out below and elsewhere in this Appendix, as well as the Constitution of our Company.

- (1) The procedures for Electronic Applications are set out on the ATM screens of the relevant Participating Banks (in the case of ATM Electronic Applications), the IB website screens of the relevant Participating Banks (in the case of Internet Electronic Applications) and the mBanking interfaces of UOB and DBS Bank Ltd. (including POSB) ("**DBS Bank**") (in the case of mBanking Applications). Currently, UOB, DBS Bank and OCBC (as defined below) are the Participating Banks through which Internet Electronic Applications may be made and UOB and DBS Bank are the only Participating Banks through which mBanking Applications may be made.
- (2) For illustration purposes, the procedures for Electronic Applications for Public Offer Shares through the ATMs, IB websites and mBanking interfaces of UOB and DBS Bank (together, the "**Steps**") are set out on pages I-19 to I-34 of this Prospectus. The Steps set out the actions that you must take at the ATMs, the IB websites or the mBanking interfaces of UOB and DBS Bank to complete an Electronic Application. Please read carefully the terms and conditions of this Prospectus and its accompanying documents (including the Application Form), the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.
- (3) Any reference to "you" or the "Applicant" in these Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for Public Offer Shares through an ATM or the IB website of a relevant Participating Bank or the mBanking interfaces of UOB and DBS Bank.
- (4) If you are making an ATM Electronic Application:
 - (a) You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks. An ATM card issued by one Participating Bank cannot be used to apply for Public Offer Shares at an ATM belonging to other Participating Banks.
 - (b) You must ensure that you enter your own CDP Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or do not key in your own CDP Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own CDP Securities Account number when using the ATM card issued to you in your own name. Using your own CDP Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- (c) Upon the completion of your ATM Electronic Application, you will receive an ATM transaction slip ("**Transaction Record**"), confirming the details of your ATM Electronic Application. The Transaction Record is for your retention and should not be submitted with any printed Application Form.
- (5) If you are making an Internet Electronic Application or a mBanking Application:
 - (a) You must have an existing bank account with, and a User Identification ("**User ID**") as well as a Personal Identification Number ("**PIN**") given by, the relevant Participating Bank.
 - (b) You must ensure that the mailing address of your account selected for the application is in Singapore and you must declare that the application is being made in Singapore. Otherwise, your application is liable to be rejected. In connection with this, you will be asked to declare that you are in Singapore at the time you make the application.
 - (c) Upon the completion of your Internet Electronic Application through the IB website of the relevant Participating Bank or your mBanking Application through the mBanking interface of UOB or DBS Bank, there will be an on-screen confirmation ("**Confirmation Screen**") of the application which can be printed out or screen captured by you for your record. This printed record or screen capture of the Confirmation Screen is for your retention and should not be submitted with any printed Application Form.
- (6) In connection with your Electronic Application for Public Offer Shares, you are required to confirm statements to the following effect in the course of activating the Electronic Application:
 - (a) that you have received a copy of the Prospectus (in the case of ATM Electronic Applications) and have read, understood and agreed to all the terms and conditions of application for the Public Offer Shares and the Prospectus prior to effecting the Electronic Application and agree to be bound by the same;
 - (b) you accept and agree to the Personal Data Privacy Terms set out in this Prospectus;
 - (c) that, for the purposes of facilitating your application, you consent to the collection, use, processing and disclosure, by and on behalf of our Company and the Vendor, of your Personal Data from your records with the relevant Participating Bank to the Relevant Parties in accordance with the Personal Data Privacy Terms; and
 - (d) where you are applying for the Public Offer Shares, that this is your only application for the Public Offer Shares and it is made in your name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction unless you (i) press the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM in the case of an ATM Electronic Application, or (ii) click "Submit" or "OK" or "Continue" or "Yes" or "Confirm" or any other relevant button on the IB website screen in the case of an Internet Electronic Application, or (iii) transmit "Submit" or "Continue" or "Yes" or "Confirm" or any other relevant icon via the mBanking interface in the case of a mBanking Application. By doing so, you shall be treated as signifying your confirmation of each of the four statements above. In respect of statement 6(b) above, such confirmation shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore, including Section 47(2) of the Banking Act, Chapter 19 of Singapore, to the disclosure by that Participating Bank of the relevant particulars of your account(s) with that Participating Bank to the Relevant Parties.

By making an Electronic Application you confirm that you are not applying for the Public Offer Shares as a nominee of any other person and that any Electronic Application that you make is the only application made by you as the beneficial owner. You shall make only (1) one Electronic

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Application for the Public Offer Shares and shall not make any other application for the Public Offer Shares whether at the ATM of any Participating Bank, the IB website of any Participating Bank, the mBanking interface of UOB or DBS Bank or *via* the Application Forms. Where you have made an application for the Public Offer Shares *via* an Application Form, you shall not make an Electronic Application for the Public Offer Shares and vice versa.

- (7) You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which such Electronic Application will not be completed. Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or on the IB website of the relevant Participating Bank or on the mBanking interfaces UOB or DBS Bank, as the case may be, through which your Electronic Application is being made shall be rejected.
- (8) You may apply and make payment for your application for the Public Offer Shares in Singapore currency in cash only. You may apply and make payment for your application in Singapore currency through any ATM or IB website of your Participating Bank or the mBanking interfaces of UOB and DBS Bank (as the case may be) by authorising your Participating Bank to deduct the full amount payable from your bank account(s) with such Participating Bank.
- (9) You irrevocably agree and undertake to subscribe for and to accept the number of Public Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of such Public Offer Shares that may be allocated to you in respect of your Electronic Application. In the event that the Manager decides to allocate any lesser number of such Public Offer Shares or not to allocate any Public Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM or clicking “Submit” or “OK” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website or transmitting “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant icon via the mBanking interface of UOB or DBS Bank) of the number of Public Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Public Offer Shares that may be allocated to you and your agreement to be bound by the Constitution of our Company. You also irrevocably authorize CDP to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the transfer of the Public Offer Shares that may be allocated to you.
- (10) Our Company and the Vendor will not keep any application in reserve. Where your Electronic Application is unsuccessful, the full amount of the application monies will be returned (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) to you by being automatically credited to your account with your Participating Bank, within 24 hours of the balloting (or such shorter period as the SGX-ST may require) provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.

Where your Electronic Application is accepted or rejected in part only, the balance of the application monies, as the case may be, will be returned (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) to you by being automatically credited to your account with your Participating Bank, within 14 Market Days after the close of the Invitation provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.

If the Invitation does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

any right or claim against our Company, the Vendor, the Joint Issue Managers and/or the Joint Global Coordinators, Bookrunners and Underwriters) will be returned to you by being automatically credited to your account with your Participating Bank within three (3) Market Days after the Invitation is discontinued provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.

Responsibility for timely refund of application monies (whether from unsuccessful or partially successful Electronic Applications or otherwise) lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any money to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Public Offer Shares, if any, allocated to you before trading the Shares on the SGX-ST. None of the SGX-ST, CDP, SCCS, the Participating Banks, our Company, the Vendor, the Joint Issue Managers or the Joint Global Coordinators, Bookrunners and Underwriters assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

- (11) If your Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Bank.
- (12) Applicants who make ATM Electronic Applications through the ATMs of the following Participating Banks may check the provisional results of their ATM Electronic Applications as follows:

Bank	Telephone	Other Channels	Operating Hours	Service expected from
UOB	1800 222 2121	ATM – (“Other Transactions – IPO Results Enquiry”)/ IB – https://pib.uob.com.sg/ Phone Banking/ UOB Mighty mobile application ⁽¹⁾	24 hours a day	Evening of the balloting day
DBS Bank	1800 339 6666 (for POSB account holders) 1800 111 1111 (for DBS Bank account holders)	IB – https://www.dbs.com	24 hours a day	Evening of the balloting day
Oversea-Chinese Banking Corporation Limited (“OCBC”)	1800 363 3333	ATM/ IB - https://www.ocbc.com/ Phone Banking	24 hours a day	Evening of the balloting day

Notes:

- (1) Applicants who have made Electronic Application through UOB's ATMs, IB website or mBanking interface by way of the UOB Mighty application may check the results of their Electronic Application through any of the channels listed in the table above.
- (2) Applicants who have made Internet Electronic Applications through the IB website of DBS Bank or mBanking Applications through the mBanking interface of DBS Bank may check the results of their applications through the same channels listed in the table above in relation to ATM Electronic Applications made at the ATMs of DBS Bank.
- (3) Applicants who have made Electronic Application through the ATMs or the IB website of OCBC may check the results of their Electronic Applications through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking services.

**APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND
ACCEPTANCE**

- (13) ATM Electronic Applications shall close at 12.00 noon on 10 March 2021 or such other date(s) and time(s) as our Company and the Vendor may agree with the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. All Internet Electronic Applications and mBanking Applications must be received by 12.00 noon on 10 March 2021, or such other date(s) and time(s) as our Company and the Vendor may agree with the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters. Internet Electronic Applications and mBanking Applications are deemed to be received when they enter the designated information system of the relevant Participating Bank.
- (14) You are deemed to have irrevocably requested and authorised our Company and Vendor to:
- (a) register the Public Offer Shares allocated to you in the name of CDP for deposit into your CDP Securities Account;
 - (b) send the relevant Share certificate(s) to CDP;
 - (c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor, the Joint Issue Managers or the Joint Global Coordinators, Bookrunners and Underwriters) the full amount of the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours after balloting (or such shorter period as the SGX-ST may require), PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated share issue account;
 - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor, the Joint Issue Managers or the Joint Global Coordinators, Bookrunners and Underwriters) the balance of the application monies, should your Electronic Application be rejected or accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 Market Days after the close of the Invitation, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated share issue account; and
 - (e) return or refund (without interest or any share of revenue earned or other benefit arising therefrom, at your own risk and without any right or claim against our Company, the Vendor, the Joint Issue Managers or the Joint Global Coordinators, Bookrunners and Underwriters) the full amount of the application monies, should the Invitation not proceed for any reason, by automatically crediting your bank account with your Participating Bank with the relevant amount within three (3) Market Days after the Invitation is discontinued, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated share issue account.
- (15) You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdown, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Vendor, the Joint Issue Managers and the Joint Global Coordinators, Bookrunners and Underwriters, and if, in any such event our Company, the Vendor, the Joint Issue Managers, the Joint Global Coordinators, Bookrunners and Underwriters and/or the relevant Participating Bank do not receive your Electronic Application, or any data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendor, the Joint Issue Managers, the Joint Global Coordinators, Bookrunners and Underwriters and/or the relevant

**APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND
ACCEPTANCE**

Participating Bank for any Public Offer Shares applied for or for any compensation, loss or damage.

- (16) The existence of a trust will not be recognised. Any Electronic Application by a trustee must be made in his own name and without qualification. Our Company and the Vendor shall reject any application by any person acting as nominee (other than approved nominee companies).
- (17) All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you must promptly notify your Participating Bank.
- (18) You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected. You should promptly inform CDP of any change in address, failing which the notification letter on successful allocation will be sent to your address last registered with CDP.
- (19) By making and completing an Electronic Application, you are deemed to have agreed that:
 - (a) in consideration of our Company and the Vendor making available the Electronic Application facility, through the Participating Banks (acting as agents of our Company and the Vendor) at the ATMs and IB websites of the relevant Participating Banks and the mBanking interfaces of UOB and DBS Bank:
 - (i) your Electronic Application is irrevocable;
 - (ii) your Electronic Application, the acceptance by our Company and the Vendor and the contract resulting therefrom under the Public Offer shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (iii) you represent and agree that you are not a U.S. person and that you are not located in the United States (within the meaning of Regulations S); and
 - (iv) you understand that the Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and accordingly, they may not be offered or sold within the United States or for the account or benefit of U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the regulation requirements of the Securities Act and applicable state securities laws. Accordingly, there will be no public offer of the Offer Shares in the United States and the Offer Shares are only being offered and sold outside the United States in offshore transactions as defined in, and in reliance on Regulation S or pursuant to another exemption;
 - (b) none of CDP, our Company, the Vendor, the Joint Issue Managers, the Joint Global Coordinators, Bookrunners and Underwriters or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company, the Vendor, CDP or the SGX-ST due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 15 above or to any cause beyond their respective controls;
 - (c) in respect of the Public Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendor and not otherwise, notwithstanding any payment received by or on behalf of our Company and the Vendor;

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- (d) you will not be entitled to exercise any remedy for rescission for misrepresentation at any time after acceptance of your application;
- (e) reliance is placed solely on information contained in this Prospectus and that none of our Company, the Vendor, the Joint Issue Managers, the Joint Global Coordinators, Bookrunners and Underwriters or any other person involved in the Invitation shall have any liability for any information not contained therein; and
- (f) you irrevocably agree and undertake to subscribe for the number of Public Offer Shares applied for as stated in your Electronic Application or any smaller number of such Public Offer Shares that may be allocated to you in respect of your Electronic Application. In the event our Company and the Vendor decide to allocate any smaller number of such Public Offer Shares or not to allocate any Public Offer Shares to you, you agree to accept such decision as final.

Steps for ATM Electronic Applications for Public Offer Shares through ATMs of UOB

Applications through the ATMs of UOB will only be available from 6:00 a.m. to 9:30 p.m. daily.

Instructions for ATM Electronic Applications will appear on the ATM screens of the respective Participating Bank.

For illustration purposes, the steps for making an ATM Electronic Application through an UOB ATM are shown below. Owing to space constraints on UOB ATM screens, certain terms will appear in abbreviated form. Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than UOB), may differ slightly from those represented below.

"&"	:	AND
"A/C" and "A/CS"	:	ACCOUNT and ACCOUNTS, respectively
"ADDR"	:	ADDRESS
"AMT"	:	AMOUNT
"APPLN"	:	APPLICATION
"CDP"	:	THE CENTRAL DEPOSITORY (PTE) LIMITED
"ESA"	:	ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	:	NRIC or PASSPORT NUMBER
"NO" or "NO."	:	NUMBER
"PERSONAL NO"	:	PERSONAL IDENTIFICATION NUMBER
"REGISTRARS"	:	SHARE/UNIT REGISTRARS
"SCCS"	:	SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
"TRANS"	:	TRANSACTIONS
"YR"	:	YOUR

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Steps

- Step 1: Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your PIN.
- 2: Select “OTHER TRANSACTIONS”.
- 3: Select “SECURITIES/RETAIL BOND APPLICATION”.
- 4: Select “AZTECH”.
- 5: Read and understand the following statements which will appear on the screen:

– INVESTORS TO TAKE NOTE:

- ALL INVESTMENTS COME WITH RISK, INCLUDING THE RISK THAT THE INVESTOR MAY LOSE ALL OR PART OF HIS INVESTMENT;
- YOU ARE RESPONSIBLE FOR YOUR OWN INVESTMENT DECISIONS;
- YOU SHOULD READ THE PROSPECTUS, OFFER INFORMATION STATEMENT AND PRODUCT HIGHLIGHTS SHEET (AS APPLICABLE) BEFORE MAKING THE APPLICATION TO SUBSCRIBE FOR THE SECURITIES.

(Customer to press “ENTER” key to confirm that you have read and understood the above statements)

- THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT.
- YOU AGREE THAT THIS TRANSACTION IS ENTERED INTO TOTALLY ON YOUR OWN ACCORD AND THE AVAILABILITY OF THIS APPLICATION SERVICE SHALL NOT BE CONSTRUED AS A RECOMMENDATION OR ADVICE FROM UOB TO ENTER INTO THIS TRANSACTION. YOU MAY WISH TO SEEK PRIOR ADVICE FROM A QUALIFIED ADVISER AS TO THE TRANSACTION SUITABILITY.

(Customer to press “ENTER” key to confirm that you have read and understood the above statements)

- PLEASE CALL 1800 222 2121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT. WHERE APPLICABLE, A COPY OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT HAS BEEN LODGED WITH AND/OR REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE AND/OR SGX WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT.

**APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND
ACCEPTANCE**

(Customer to press “ENTER” key to confirm that you have read and understood the above statements)

- YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT AND THIS ELECTRONIC APPLICATION.

(Customer to press “ENTER” to continue)

- YOU CONSENT TO DISCLOSE YOUR NAME, IC/PASSPORT, NATIONALITY, ADDRESS, APPLICATION AMOUNT, CPF INVESTMENT ACCOUNT NUMBER AND CDP ACCOUNT NUMBER FROM YOUR ACCOUNTS TO CDP, CPF, SCCS, SHARE REGISTRARS, SGX-ST AND ISSUER/VENDORS(S).
- THIS IS YOUR ONLY FIXED PRICE APPLICATION AND IS IN YOUR NAME AND AT YOUR RISK.

(Customer to press “ENTER” to continue)

6. Screen will display:

NRIC/Passport Number XXXXXXXXX

IF YOUR NRIC/PASSPORT NUMBER IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.

(Customer to press “CANCEL” or “CONFIRM”)

7. Select mode of payment. Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select.
8. After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change (this screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB). If this is the first time you are using UOB’s ATM to apply for securities, your CDP Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your CDP Securities Account number.
- Read and understand the following terms which will appear on the screen:
 - (1) YOU ARE REQUIRED TO ENTER YOUR CDP ACCOUNT NUMBER FOR YOUR FIRST IPO/SECURITIES APPLICATION. THIS ACCOUNT NUMBER WOULD BE DISPLAYED FOR FUTURE APPLICATIONS.
 - (2) DO NOT APPLY FOR JOINT ACCOUNT HOLDER OR OTHER THIRD PARTIES.
 - (3) PLEASE ENTER YOUR OWN CDP ACCOUNT NUMBER (12-DIGITS) & PRESS ENTER. IF YOU WISH TO TERMINATE THE TRANSACTION, PLEASE PRESS CANCEL.
 - Key in your CDP Securities Account number (12 digits) and press the “ENTER” key.
9. Select your nationality status.
10. Key in the principal amount of Public Offer Shares you wish to apply for and press the “ENTER” key.
11. Check the details of your Electronic Application on the screen and press “ENTER” key to confirm your Electronic Application.
12. Please take your receipt.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Steps for Internet Electronic Application for Public Offer Shares through the IB website of UOB

Please note that Internet Electronic Applications through the IB website of UOB will only be available from 6.00 a.m. to 9.30 p.m. daily.

For illustration purposes, the steps for making an Internet Electronic Application through the IB website of UOB are shown below. Owing to space constraints on UOB's IB website screens, the following terms will appear in abbreviated form:

"CDP"	:	The Central Depository (Pte) Limited
"NRIC" or "I/C"	:	National Registration Identity Card
"PR"	:	Permanent Resident
"SGD" or "\$"	:	Singapore dollars
"SCCS"	:	Securities Clearing and Computer Services (Pte) Limited
"SGX"	:	Singapore Exchange Securities Trading Limited

Steps

- Step 1. Connect to UOB's website at <https://www.uobgroup.com>.
2. Locate the UOB Online Services Login icon on the top right hand side.
3. Click on UOB Online Services Login and at the drop list select "UOB Personal Internet Banking".
4. Enter your Username and Password and click "Login".
5. Click on "Investment", followed by "Securities". You will be prompted to enter either a SMS One-Time Password or the token One-Time Password.
6. The "Investor to take note" pop up screen will appear, read and click "Proceed".

- a. All investments come with risk, including the risk that the investor may lose all or part of his investment
 - b. You are responsible for your investment decisions
 - c. You should read the prospectus, offer information statement and product highlights sheet (as applicable) before making the application to subscribe for the securities
7. Click on "Initial Public Offering" tab.
8. To view and apply for available security counters, click the "Add" button.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

9. Complete the declarations by checking the boxes and clicking “Proceed”.

Internet Banking Declaration

- ☐ I am currently in Singapore
- ☐ I have observed and complied with all applicable laws and regulations
- ☐ My mailing address for UOB and my country of residence is in Singapore
- ☐ I certify that I am not a U.S. person

- 10: Select your country of residence (you must be residing in Singapore to apply) and residency status.
11. Select “AZTECH” from the drop list (if there are concurrent offers) and enter your CDP Securities Account number.
12. Select the mode of payment, enter the number of shares you will like to apply for and the account number to debit. The Prospectus/Product Highlights Sheet/Relevant Document is available for download via the download button at the bottom of the page.
13. Read the important Terms and Conditions and check the box to confirm that:
1. You have read, understood and agreed to all the terms of this application and Prospectus/Offer Information Statement/Product Highlights Sheet/ Simplified Disclosure Document/Profile Statement/Relevant Document or Supplementary Prospectus/Offer Information Statement/Product Highlights Sheet/Simplified Disclosure Document/Profile Statement/Relevant Document.
 2. You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number and application details to the securities registrars, SGX, SCCS, CDP and the Issuer.
 3. This application is made in your own name, for your own account and at your own risk.
 4. For FIXED/MAX price securities application, this is your only application. For TENDER price shares application, this is your only application at the selected tender price.
 5. For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application moneys will be debited from your bank account in SGD, based on the Bank’s exchange profit or loss, or application moneys may be debited and refunds credited in SGD at the same exchange rate.
 6. For FIRST-COME-FIRST SERVE securities, the number of securities applied for may be reduced, subject to the availability at the point of application.

Terms & Conditions

This offer of securities (or units of securities) on our website will be made in, or accompanied by, a copy of the Prospectus/Offer Information Statement/Product Highlights Sheet/Simplified Disclosure Document/Profile Statement/Relevant Document (respectively referred to herein as the “Offering Document”) and/or Supplementary Prospectus/Offer Information Statement/ Product Highlights Sheet/Simplified Disclosure Document/Profile Statement/Relevant Document (respectively referred to herein as the “Supplementary Document”).

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Anyone wishing to acquire these securities (or units of securities) will need to make an application in the manner set out in the Offering Document and/or Supplementary Document. The Offering Document and/or Supplementary Document will be available for download via the UOB Personal Internet Banking website. You may also call 1800 222 2121 if you would like to find out where you can obtain a copy of the Offering Document and/or Supplementary Document. Anyone who intends to submit an application for the securities mentioned therein should read the Offering Document and/or Supplementary Document before submitting his/her application in the manner set out in the Offering Document and/or Supplementary Document. Where applicable, a printed copy of the Offering Document and/or Supplementary Document in respect of the securities mentioned herein has been lodged with and/or registered by the Monetary Authority of Singapore and/or SGX-ST who assumes no responsibility for the contents of the Offering Document and/or Supplementary Document. Only information which forms part of the Offering Document and/or Supplementary Document may be referred to in respect of the offer or intended offer.

Any information falling outside the demarcated areas of the electronic Offering Document and/or Supplementary Document does not form part of the Offering Document and/or Supplementary Document. The security offered herein is offered on the basis of the information in the electronic Offering Document and/or Supplementary Document set out within the demarcated areas.

By downloading a copy of the Offering Document and/or Supplementary Document, you agree to not copy, forward or otherwise distribute the Offering Document and/or Supplementary Document to any other person and to not use the information contained in the Offering Document and/or Supplementary Document for any purpose other than to evaluate an investment in the subject security.

No representation or warranty, expressed or implied, is made by us as to the accuracy or completeness of any of the information contained in the Offering Document and/or Supplementary Document made available on our website. The securities mentioned herein have not been approved for offer, subscription, sale or purchase by any authority outside Singapore and are intended to be available only to residents in Singapore. The materials contained in this website are not an offer of, or invitation to purchase, securities for sale in the United States nor are they an offer of or invitation to purchase securities in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such an offer or invitation, including any U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act")), including any United States resident; or any partnership or corporation organized or incorporated under the laws of the United States or any state or territory thereof; or any trust of which any trustee is a U.S. person; or any agency or branch of a foreign entity located in the United States.

Securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. No portion of the proposed offering is intended to be registered in the United States and no offering of securities is intended to be conducted in the United States.

The information contained in this website may not be taken or transmitted, or distributed, directly or indirectly, in whole or in part, into or in the United States, its territories or possessions or any other jurisdiction (other than Singapore) or to any U.S. person. Any failure to comply with this restriction may constitute a violation of securities laws in the United States and in other jurisdictions.

You are required to observe and comply with all applicable laws and regulations of your jurisdiction when accessing the information contained herein. If you are in doubt as to the applicable laws and regulations or the action you should take, you must consult your professional advisers immediately.

- 14: Check your personal details, including NRIC/Passport number, details of the securities counter (including bonds) that you wish to apply for, your CDP securities account number, payment mode(s), your CDP account number (if you are using CDP) application quantity and account(s) to debit and click on "Submit".

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Steps for mBanking Applications for Public Offer Shares through the UOB Mighty application

Please note that mBanking Applications through the UOB Mighty application will only be available from 7.00 a.m. to 9.00 p.m. from Monday to Saturday (excluding public holidays).

For illustration purposes, the steps for making a mBanking Application through the mBanking interface of UOB are shown below. Owing to space constraints on the UOB Mighty application interface, the following terms will appear in abbreviated form on the interface and in the section below:

“UOB Mighty App”: UOB Mighty Singapore application, the mBanking interface of UOB

“CDP”: The Central Depository (Pte) Limited

“CPF”: Central Provident Fund

“CPFIA”: Central Provident Fund Investment Account

“IPO”: Initial Public Offering

“NRIC” or “I/C”: National Registration Identity Card

“SGD” or “\$”: Singapore dollars

“SMS”: Short message service

“U.S.”: United States of America

Steps

- Step 1: Download the UOB Mighty App from Apple App Store or Google Play Store depending on your mobile device.
- 2: Tap on the UOB Mighty App and log in using your username and password. You will be prompted to enter a One-Time PIN from either SMS One-Time PIN, Mighty Secure or token One-Time PIN.
3. Click on the “Services” tab at the bottom right of the page.
4. Click on the “Transactions—Securities (IPO/Bonds)” tab. The “Important” screen will appear, read and click “Accept”.

Important

Before submitting your IPO application, you confirm that:

- You are currently in Singapore
- You have observed and complied with all applicable laws and regulations
- Your mailing address and country of residence is in Singapore
- You are not a U.S. citizen

You also acknowledge that:

- All investments come with risk, including the risk that the investor may lose all or part of his investment
- You are responsible for your own investment decisions
- You have read the prospectus, offer information statement and product highlights sheet (as applicable) before making this application

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

5. Select “AZTECH” from the list (if there are concurrent offers).
6. Click “Apply” at the bottom of the page and Step 1 of 2 of the “Apply” screen will appear. The Prospectus, Product Highlight Sheet and other relevant documents is available for download by clicking on each of them.
7. Check your personal details, including name, NRIC/Passport number, key in your CDP securities account number and select your “Country of residence” (you must be residing in Singapore to apply) and “Residency status” from the dropdown list. Click “Next” at the bottom of the page and Step 2 of 2 of the “Apply” screen will appear.
8. Check to confirm the unit cost, select the mode of payment(s), enter the number of units you will like to apply for, select the account(s) to debit. The option of “CPF” and “Cash & CPF” will not be available if you do not have an existing CPFIA account with UOB. For the avoidance of doubt, you may not use your CPF or CPF Investible Savings to apply for the Offer Shares. Click “Next” at the bottom of the page.
9. Check your personal details, including NRIC/Passport number, details of the securities counter (including bonds) that you wish to apply for, your CDP securities account number, payment mode(s), application quantity, account(s) to debit and other details.
10. Slide the “Confirm” bar after you have read and agree to the following statements that appear on the screen:

By sliding ‘Confirm’, you agree to the Terms and Conditions.

- This service is currently available for selected Securities only. For those not found here, apply for them at any UOB Group ATM.
- For MAX Price Securities, the maximum price for each Securities is full on application and subject to refund if the final price is lower.
- You will not be able to withdraw your application unless a supplementary prospectus is subsequently issued by the Securities issuer during the launch of a Securities.

You will see “Submitted” on the page after you have confirmed and submitted the application.

Steps for ATM Electronic Applications for Public Offer Shares through ATMs of DBS (including POSB ATMs)

Instructions for ATM Electronic Applications will appear on the ATM screens of the respective Participating Bank. For illustration purposes, the steps for making an ATM Electronic Application through a DBS Bank or POSB ATM are shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “amt”, “appln”, “&”, “I/C”, “No.”, “SGX” and “Max” refer to “Account”, “amount”, “application”, “and”, “NRIC”, “Number”, “the SGX-ST” and “Maximum”, respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank (including POSB)), may differ slightly from those represented below.

- Step 1: Insert your personal DBS Bank or POSB ATM Card.
- 2: Enter your Personal Identification Number.
- 3: Select “MORE SERVICES”.
- 4: Select language (for customers using multi-language card).

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- 5: Select “ESA-IPO/Rights Appln/Bonds/SGS/INVESTMENTS”.
- 6: Select “ELECTRONIC SECURITIES APPLN (IPOS/BONDS/SECURITIES)”.
- 7: Read, understand and acknowledge the following statements which will appear on the screen accordingly:

WARNING

- (i) All investments come with risks.
- (ii) You can lose money on your investment.
- (iii) Invest only if you understand and can monitor your investment.

(Press “I acknowledge, press >” to continue)

You agree that this transaction is entered in totally on your own accord and at your own risk. The availability of this application service shall not be construed as recommendation or advice from DBS/POSB to enter into this transaction. You may wish to seek prior advice from a qualified adviser as to the transaction suitability.

(Press “To continue, press >” to continue)

- 8: Select “AZTECH”
- 9: Read, understand and acknowledge the following statements which will appear on the screen accordingly:

IMPORTANT

- (i) Read the Offer Documents* before subscribing for the securities.
- (ii) Obtain the Offer Documents from our bank branches#, website or via the following QR Code.



<https://go.dbs.com/sg-esa>

Subject to availability

(Press “I acknowledge, press >” to continue)

RISK WARNING FOR EQUITIES

- (i) The issuer may not always pay you dividends.
- (ii) You will likely lose money if the issuer gets into financial difficulties.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

(iii) If the issuer is wound up, shareholders will be the last to be paid off.

(Press “To continue, press >” to continue)

10: Check the security name, closing date and offering price displayed on the screen, and press “To continue, press >” to continue.

11: Read and understand the following statements which will appear on the screen:

FOR SECURITY APPLNS, PROSPECTUS/DOCUMENTS ARE AVAILABLE AT THE BRANCHES OF THE VARIOUS PARTICIPATING BANKS, WHERE AVAILABLE

(Press “To continue, press >” to continue)

For purpose of facilitating your application, you consent to the bank collecting and using your name, NRIC/passport number, address, nationality, securities a/c number, application details and personal data and disclosing the same to share registrars, CDP, SGX-ST and issuers/vendors/managers.

(Press “To continue, press >” to continue)

For fixed and maximum price securities application, this is your only application and is made in your own name.

The maximum price for each security is payable in full on application and subject to refund if the final price is lower.

For tender price securities application, this is your only application at the selected tender price and is made in your own name.

You are not a US Person as referred to in (where applicable) the Offer Documents.

There may be a limit on the maximum number of securities that you can apply for. Subject to availability, you may be allotted/allocated a smaller number of securities than you applied for.

(Press “To continue, press >” to continue)

12: Select your nationality

13: Select the DBS account (Autosave/Current/Savings/Savings Plus) or the POSB account (Current/Savings) from which to debit your application monies.

14: Read and understand the following statements which will appear on the screen:

WARNING

- Diversify your investments.
- Avoid investing a large portion of your money in a single issuer.

(Press “To continue, press >” to continue)

15: Enter the number of securities you wish to apply for using cash. (Press “ENTER” to continue)

16: Enter or confirm (if your CDP Securities Account number has already been stored in DBS’ records) your own 12-digit CDP Securities Account number.

(Press “ENTER” to continue)

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

17: Check the details of your securities application, your CDP Securities Account number, the number of securities applied and application amount on the screen, and press the “TO CONFIRM” key to confirm your application. Do note that the application cannot be cancelled upon confirmation.

18: Remove the ATM Transaction Record for your reference and retention only.

Steps for Internet Electronic Application for Public Offer Shares through the IB Website of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website are shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “&”, “amt”, “I/C” and “No.” refer to “Account”, “and”, “Amount”, “NRIC” and “Number”, respectively).

Step 1: Click on DBS Bank at <http://www.dbs.com>.

2: Login to Internet banking.

3: Enter your User ID and PIN.

4: Enter your DBS Bank iB Secure PIN.

5: Select “Invest”, followed by “Electronic Securities Application (ESA)”.

6: Click “Yes” to proceed and to warrant, among others, that you are currently in Singapore, you have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore and that you are not a U.S. person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended or acting for the account or benefit of a U.S. person).

7: Select your country of residence and click “Next”.

8: Click on “AZTECH” and click “Next”.

9: Read, understand and acknowledge the following statements which will appear on the screen:

Warning

All investments come with risks, including the risk that you may lose all or part of your investment. By continuing, you understand that you are responsible for your own investment decisions.

RISK WARNING FOR EQUITIES

(i) The issuer may not always pay you dividends.

(ii) You will likely lose money if the issuer gets into financial difficulties.

(iii) If the issuer is wound up, shareholders will be the last to be paid off.

(Press “I Acknowledge” to continue)

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

10: Read and understand the following statements which will appear on the screen:

Important

Read the Offer Documents before subscribing for the securities.

Click on the logo(s) to download the Offer Documents.

Before committing to an investment, please seek advice from a financial adviser regarding the suitability of the product. If you do not wish to seek financial advice, by continuing the application, you confirm that you have independently assessed that this product is suitable for you. You have not relied on any previous advice or recommendation given by DBS Bank in making your investment decision and you accept that should you wish to proceed with the transaction, you will not be able to rely on Section 27 of the Financial Advisers Act (Cap 110) to file any civil claim against DBS Bank.

By proceeding, I have read, understood, and agree to the following:

Agreement

- (a) For the purposes of facilitating my application, consent to the Bank collecting and using my name, NRIC/passport number, address, nationality, CDP securities account number, CPF investment account number, application details and other personal data and disclosing the same from the Bank's records to registrars of securities of the issuer, SGX, CDP, CPF, issuer/vendor(s) and issue manager(s).
- (b) I am not a U.S. person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) the "U.S. Securities Act").
- (c) The securities mentioned herein have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, any "U.S. person" (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state security laws. There will be no public offer of the securities mentioned herein in the United States. Any failure to comply with this restriction may constitute a violation of United States securities law.
- (d) That this application will be made in my own name and subject to the conditions on securities application.

(Press "Next" to continue)

11: Click on "U.S. person" to read the following:

"U.S. Person" means:

- any natural person resident in the United States;
- any partnership or corporation organized or incorporated under the laws of the United States;
- any estate of which any executor or administrator is a U.S. person;
- any trust of which any trustee is a U.S. person;
- any agency or branch of a foreign entity located in the United States;

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- any partnership of corporation if:
- organised or incorporated under the laws of any foreign jurisdiction; and
- formed by a U.S. person principally for the purpose of investing in securities not registered under the United States Securities Act of 1933, as amended unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the United States Securities Act of 1933) who are not natural persons, estates or trusts.

(Press “OK” to continue)

12: Click on “conditions on securities application” to read the following:

- For **FIXED/MAXIMUM price securities** application, this is your only application. For **TENDER** price securities application, this is your only application at the selected tender price.
- For **FOREIGN CURRENCY securities**, subject to the terms of the issue, please note the following:
- The application monies will be debited from your bank account in S\$, based on the Bank’s prevailing board rates at time of application. Any refund monies will be credited in S\$ based on the Bank’s prevailing board rates at the time of refund. The different prevailing board rates at the time of application and at the time of refund of application monies may result in either a foreign exchange profit or loss. Alternatively, application monies may be debited and refunds credited in S\$ at the same exchange rate.
- For **FIRST-COME-FIRST-SERVE securities**, the number of securities applied for may be reduced, subject to availability at the point of application.

13: Check the security details, select the DBS account or POSB account from which to debit your application monies and enter the number of securities you wish to apply for using cash. Read and understand the following statements displayed on the screen:

Warning

- Diversify your investments.
- Avoid investing a large portion of your money in a single issuer.

(Press “Next” to continue)

14: Verify the details of your securities application and click “Confirm” to confirm your application.

15: You may print a copy of the IB Confirmation Screen for your reference and retention.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Steps for mBanking Applications for Public Offer Shares through the mBanking Interface of DBS Bank

For illustrative purposes, the steps for making an mBanking Application are shown below. Certain words appearing on the screen are in abbreviated from (“A/C”, “&”, “amt”, “I/C”, “SGX” and “No.” refer to “Account”, “and”, “Amount”, “NRIC”, “SGX-ST” and “Number”, respectively).

- Step 1: Click on DBS Bank mBanking application and login using your User ID and PIN.
- 2: Select “Invest”.
- 3: Select ESA”.
- 4: Select “Yes” to proceed and to warrant, among others, that you are currently in Singapore, you have observed and complied with all applicable laws and regulations, your mailing address for DBS Internet Banking is in Singapore and that you are a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933, as amended).
- 5: Select your country of residence and click “Next”.
- 6: Select “AZTECH” and click “Next”.
- 7: Read, understand and acknowledge the following statements which will appear on the screen:

Warning

All investments come with risk, including the risk that you may lose all or part of your investment. By continuing, you understand that you are responsible for your own investment decisions.

RISK WARNING FOR EQUITIES

- (i) The issuer may not always pay you dividends.
- (ii) You will likely lose money if the issuer gets into financial difficulties.
- (iii) If the issuer is wound up, shareholders will be the last to be paid off.

(Press “I Acknowledge” to continue)

- 8: Please read and acknowledge:

IMPORTANT

Read the Offer Documents before subscribing for the securities.

Click on the respective link to view the Prospectus and Product Highlights Sheet.

Before committing to an investment, please seek advice from a financial adviser regarding the suitability of the product. If you do not wish to seek financial advice, by continuing the application, you confirm that you have independently assessed that this product is suitable for you. You have not relied on any previous advice or recommendation given by DBS Bank in making your investment decision and you accept that should you wish to proceed with the transaction, you will not be able to rely on Section 27 of the Financial Advisers Act (Cap 110) to file any civil claim against DBS Bank.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

By proceeding, I have read, understood, and agree to the following:

AGREEMENT

- For the purposes of facilitating my application, consent to the Bank collecting and using my name, NRIC/passport number, address, nationality, CDP securities account number, CPF investment account number, application details and other personal data and disclosing the same from the Bank's records to registrars of securities of the issuer, SGX, CDP, CPF, issuer/vendor(s) and issue manager(s).
- I am not a U.S. person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) the "U.S. Securities Act").
- The securities mentioned herein have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, any "U.S. person" (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state security laws. There will be no public offer of the securities mentioned herein in the United States. Any failure to comply with this restriction may constitute a violation of United States securities law.
- That this application will be made in my own name and subject to the conditions on securities application.

(Press "I Agree" to continue)

9: Click on "U.S. person" to read the following:

"U.S. Person" means:

- any natural person resident in the United States;
- any partnership or corporation organized or incorporated under the laws of the United States;
- any estate of which any executor or administrator is a U.S. person;
- any trust of which any trustee is a U.S. person;
- any agency or branch of a foreign entity located in the United States;
- any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- any partnership of corporation if:
 - a. organised or incorporated under the laws of any foreign jurisdiction; and
 - b. formed by a U.S. person principally for the purpose of investing in securities not registered under the United States Securities Act of 1933, as amended unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the United States Securities Act of 1933) who are not natural persons, estates or trusts.

APPENDIX I – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

10: Click on “conditions on securities application” to read the following:

- For **FIXED/MAXIMUM price securities** application, this is your only application. For **TENDER** price securities application, this is your only application at the selected tender price.
- For **FOREIGN CURRENCY securities**, subject to the terms of the issue, please note the following:
 - a. The application monies will be debited from your bank account in S\$, based on the Bank’s prevailing board rates at time of application. Any refund monies will be credited in S\$ based on the Bank’s prevailing board rates at the time of refund. The different prevailing board rates at the time of application and at the time of refund of application monies may result in either a foreign exchange profit or loss. Alternatively, application monies may be debited and refunds credited in S\$ at the same exchange rate.
 - b. For **FIRST-COME-FIRST-SERVE securities**, the number of securities applied for may be reduced, subject to availability at the point of application.

11: Select your nationality, enter or confirm your CDP Securities Account number (if your CDP Securities Account number has already been stored in DBS’ records) and check the security details. Select the DBS account or POSB account from which to debit your application monies and enter the number of securities you wish to apply for using cash. Read and understand the following statements displayed on the screen:

WARNING

- Diversify your investments.
- Avoid investing a large portion of your money in a single issuer.

(Press “Next” to continue)

12: Verify the details of your securities application and click “Confirm” to confirm your application.

13: Where applicable, capture Confirmation Screen (optional) for your reference and retention only.



Aztech

Aztech Global Ltd.

31 Ubi Road 1
#01-05
Singapore 408694

Aztech KEY TECHNOLOGY ENABLER FOR THE CONNECTED WORLD OF TOMORROW