



AZTECH GLOBAL LTD.

(Company Registration No.: 200909384G)

(Incorporated in the Republic of Singapore on 27 May 2009)

**RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
('SIAS')**

The Board of Directors of Aztech Global Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Notice of Annual General Meeting (“**AGM**”) dated 8 April 2022 in relation to the Company’s AGM to be held by electronic means on 28 April 2022 at 10 am. The Board would like to provide the below responses to the questions raised by SIAS ahead of the AGM.

The Company did not receive any questions from shareholders as at the deadline stated in the notice of AGM.

Q1. The group has factories in Dongguan, PRC and Johor, Malaysia. The Chinese facility was critical in meeting customers’ orders during the enhanced movement control order restrictions in Malaysia from June to October 2021. The facility in Johor has been expanded to a built-up area of 86,000 sq ft, up from 45,500 sq ft. The facility is estimated to be capable of handling up to 60% of the group’s production requirements in value terms, on production of comparatively higher value products.

The Malaysia operation has returned to full capacity following achievement of 100% plantwide vaccination rate.

(i)	<p>Outside of the MCO period, what was the utilisation rate in Johor?</p> <p>Similarly, what was the average utilisation rate in Dongguan?</p> <p><u>Company’s Response:</u></p> <p>For FY2021, the average utilisation rate of the Johor Plant outside the MCO period was 25%, mainly in the last quarter of FY2021, as the Group’s focus in the early part of FY2021 was on plant set-ups for ramping up production. The average utilisation rate of the Dongguan plant was 70%.</p>
(ii)	<p>With the expansion completed in Malaysia, are there any other near-term plans to increase the group’s manufacturing capacity?</p> <p><u>Company’s Response:</u></p> <p>The Group plans to expand its manufacturing capacity in Asia in anticipation of higher demand.</p>

(iii)	<p>In addition, has the board reviewed and is it satisfied with the current manufacturing infrastructure in the group? Do the two factories provide the group with sufficient flexibility to execute its business continuity plans? Has management evaluated expansion to certain other countries, such as Vietnam?</p> <p><u>Company's Response:</u></p> <p>Management regularly updates the Board on the Group's projections and the Board discusses the required production capacity moving forward. The Board is aware of the need for the Group to expand its manufacturing facilities and is monitoring the situation.</p> <p>The current manufacturing infrastructure of the Group, comprising 2 facilities in Dongguan that are approximately 500m apart with a combined area of 460,000 sq. ft. and an 86,000 sq. ft. facility in Johor, is capable of supporting the Group's current production requirements.</p> <p>As the factories in Dongguan and Johor are similar in terms of their set-up and capabilities, their different locations provide flexibility in the execution of the Group's business continuity plans.</p> <p>Management has been evaluating the Group's expansion plan which will include the construction of a green facility in Asia to meet anticipated higher demand. The Group has also been exploring various locations including Indonesia, Malaysia and Vietnam and will decide on the appropriate location that best supports the Group's growth plans and its customers' production needs. Meanwhile, the Group has completed the preliminary plans for the new facility and will make an announcement when the location is finalised.</p>
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With the recent wave of COVID-19 spread in China, Dongguan imposed strict pandemic control measures in mid-March before the COVID-19 prevention and control guidelines for businesses and individuals were relaxed a few days later.

(iv)	<p>Can management help shareholders understand the sentiments on the ground in Dongguan? How is the group adjusting its operations to adapt the fluid COVID-19 situation?</p> <p><u>Company's Response:</u></p> <p>The COVID-19 pandemic and the strict containment measures imposed by the authorities have posed disruptions to the Group's operations. Notwithstanding these challenges, the team in Dongguan has remained united in riding through these difficult and uncertain times and</p>
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	<p>delicately balanced production requirements, customer delivery schedules and compliance with safety measures.</p> <p>Amidst the fluid COVID-19 situation, the electronics supply chain and the Group's operations remain vulnerable to strict containment measures and lockdowns. Given the Group's operational framework across 3 locations, the Group has continued to manage its customers' orders by balancing the manufacturing activities across its manufacturing plants to ensure timely delivery. The Group will also comply with all necessary precautionary measures, including business continuity plans, and adhere to guidelines issued by the respective local authorities to safeguard its employees' health and well-being. In addition, the Group will continue to manage the tight component situation through actively collaborating with its customers on design changes to use alternative components, leveraging on its close working relations with its long-term suppliers for required components and expanding its base of alternative suppliers to fulfil the component requirements for production.</p>
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Q2. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) **IoT devices and data-communication products:** Revenue from IoT devices and Datacom products account for 95.6% of the group's total revenue (page 7; Financials at a glance).

Business Segment	2021 (%)	2020 (%)
IoT Devices And Datacom Products	95.6%	88.4%
LED Products	4.3%	11.4%
Others	0.1%	0.2%

Would management review how it could further breakdown revenue by business segment into major product classes to give shareholders a better understanding of its operations?

Company's Response:

Guided by the Company's Investor Relations Policy, Management remains committed to engaging shareholders through effective communication while balancing the sensitivity and confidentiality obligations imposed by the customers. Management is of the view that the current business segment breakdown is adequate in facilitating the understanding of the Group's operations as it accurately reflects the sectors that the Group operates in.

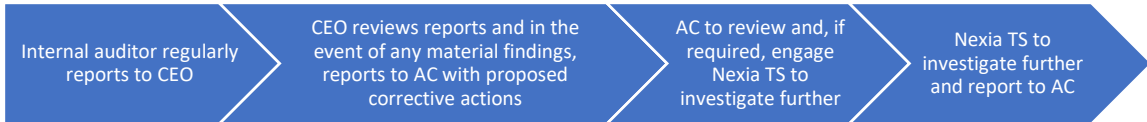
(ii)	<p>LED lighting products: Revenue from LED lighting products declined by 51% to \$27.0 million, accounting for just over 4% of the group's total revenue (FY2020: over 11%). What is the strategic value of the LED lighting segment? Is the group committed to investing management time and capital to maintain the segment even though it appears to be diminishing in importance as the group scales up sales in IoT devices and datacom products?</p> <p><u>Company's Response:</u></p> <p>Kindly refer to page 18 of the Annual Report, which contains an explanation of the Group's strategy of phasing out commoditised LED lighting products and focusing on higher value niche and smart lighting solutions which are currently being developed by its R&D LED division. The Group will continue to focus on leveraging its IoT domain expertise to develop and monetise its Smart Lighting Systems to unleash opportunities for growth.</p>
(iii)	<p>Customer concentration: As of 31 December 2021, revenue of approximately \$520.2 million (2020: \$374.5 million) are derived from two single external customers. These 2 customers account for 83% of the group's total revenue in FY2021 (FY2020: 77.3%). How is management balancing the need to leverage the strong growth of its top customers and the need to establish a diversified customer base?</p> <p><u>Company's Response:</u></p> <p>Management acknowledges the Group's high customer concentration and recognises that diversifying the Group's customer base is an important aspect of its growth roadmap. From its top 20 customers, the Group has identified about 5 customers that the Group will focus on to grow their accounts through the Group's Joint Development Manufacturing and Original Design Manufacturing model, while also strengthening its relationships with existing key customers.</p>

Q3. As disclosed in the corporate governance report, the company's internal audit function is outsourced to Nexia TS, an accounting and consulting firm staffed with suitably qualified professionals with extensive relevant experience.

The audit committee (AC) is satisfied that the internal audit function is independent, effective, adequately resourced and has appropriate standing within the company. The internal audit function, which reports directly to the AC, assists management with monitoring risks, assessing the adequacy of the group's internal control systems and procedures, conducting regular internal audits on the group's business operations, operational compliance and financial risks; and identifying and recommending improvements to internal control systems.

In addition, the company also has an internal auditor who handles internal audit functions at the plant operations level and is stationed at its plant in China, the location for most of the company's manufacturing activities during the financial year under review.

(i)	<p>What was the scope of the internal audit in FY2021? How was the scope of the internal audit determined? How long is each internal audit cycle?</p> <p><u>Company's Response:</u></p> <p>The scope of the internal audit for FY2021 completed by Nexia TS Risk Advisory Pte Ltd ("Nexia TS") was as follows:</p> <p>General Control Environment and Financial Management Revenue, Receivables and Collection Inventory and Fixed Assets Management Cash and Bank Management Human Resources and Payroll Health, Safety and Environment General IT Controls Interested Party Transactions ("IPT")</p> <p>The scope was determined by the Audit Committee in consultation with Management and Nexia TS, who carried out the internal audit review for the IPO process.</p> <p>For each internal audit cycle, Nexia TS spent a total of 2 to 3 weeks to plan and complete the audit. During this period, Nexia TS reviewed the following reports prepared by the Finance Department (i) internal monthly management reports; (ii) bi-annual IT control reports; and (iii) quarterly IPT reports.</p>
(ii)	<p>Can the AC confirm that the internal audit covers the subsidiaries in Malaysia, and Hong Kong?</p> <p><u>Company's Response:</u></p> <p>Yes, the internal audit covered the subsidiaries in Malaysia and Hong Kong.</p>
(iii)	<p>What is the level of experience of the internal auditor posted at Dongguan? Does the internal auditor in Dongguan report directly to the AC? Does Nexia, as the outsourced internal auditor, work closely with the internal auditor in Dongguan?</p>

	<p><u>Company's Response:</u></p> <p>The internal auditor posted in Dongguan holds an accounting diploma and has 21 years of experience in accounting and internal audit in the manufacturing and technology sectors. She was appointed to primarily audit operational matters in Dongguan and Shenzhen, China, and therefore reports directly to the CEO. These matters include:</p> <ol style="list-style-type: none"> 1. Weekly stock take; 2. Internal control process on inventory; 3. Report on work in progress units on the production line and the turn-around periods; 4. Analyse and report on purchase price variance of components; 5. Account receivables; and 6. Monthly payroll of the Dongguan and Shenzhen offices. <p>The process flow for the internal audit is as follows:</p>  <pre> graph LR A[Internal auditor regularly reports to CEO] --> B[CEO reviews reports and in the event of any material findings, reports to AC with proposed corrective actions] B --> C[AC to review and, if required, engage Nexia TS to investigate further] C --> D[Nexia TS to investigate further and report to AC] </pre>
(iv)	<p>What are the key findings by the internal auditor?</p> <p><u>Company's Response:</u></p> <p>The internal auditor did not report any material findings for the review conducted in FY2021.</p>

**BY ORDER OF THE BOARD
AZTECH GLOBAL LTD.**

Pavani Nagarajah
Company Secretary
22 April 2022