Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Avi-Tech Electronics Limited

Stock code: BKY

Meeting details:
Date: 28 October 2021
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As disclosed in the letter to shareholders, revenue for the financial year ended 30 June 2021 saw a marginal decline of 0.2% from $29.4 million to $29.3 million.

Revenue from Singapore accounted for 31.8% of the group's total revenue, down from 58.5%. Specifically, revenue from the group's burn-in services decreased significantly from $11.1 million in FY2020 to $6.7 million in FY2021. In the operations review (page 14), the company has explained that the weaker performance of the business segment was due to lower demand for burn-in services arising from manufacturing disruptions caused by the global semiconductor chip shortage.

(i) **How much visibility does management have for its burn-in services? Has management estimated the negative impact of the global semiconductor chip shortage on its burn-in services segment for the next 6-12 months? How is management mitigate this challenge?**

(ii) **What was the utilisation rate in the burn-in services segment in FY2020?**

(iii) **Can management elaborate further on its efforts to widen its customer base and to significantly scale up its burn-in services segment?** Revenue from the burn-in services segment were $8.97 million 5 years ago (FY2016) and $13.8 million 10 years ago (FY2011). It appears that the segment has plateaued for the past 10 years.

(iv) **How much automation has been introduced in the burn-in services segment?**

(v) **What is the size of the opportunity in the assembly and testing of modules? How well placed is the group to carry out testing of modules?**

Q2. The group has ventured into agri-tech in a bid to diversify its revenue. In the letter to shareholders, the group's progress in agri-tech was highlighted:

> *One exciting area is intelligent and advanced agricultural systems which leverages on technology to attain exponential leaps in productivity. We have begun applying our deep turnkey integration and engineering capabilities to this area of advanced farm management systems which has growth potential in land-scare countries such as Singapore (page 5).*

(i) **Can management elaborate further on the group's experience in agriculture/farm management? How did the group venture into agri-tech? Would management provide shareholders with a holistic overview of the group's entry into agri-tech in a presentation during the AGM?**

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(ii) **In addition, please elaborate further on the uses and applications and quantify the addressable market in Singapore.**

(iii) **Has the board set a limit to the amount of capital to be invested in agri-tech?**

(iv) **Would the investment into agricultural systems significantly alter the risk profile of the group?**

In addition, the group has invested $500,000 in Movel AI Pte Ltd for a 9% stake. Revenue increased to $230,000 although losses widened from $(343,000) to $(680,000) in FY2021. The carrying amount of Movel AI has been reduced to $410,000.

(v) **What are the criteria used by the board/management in shortlisting and investing in new businesses/start-ups?**

(vi) **Has the board considered right-sizing its balance sheet and returning excess cash to shareholders?**

Q3. In October 2019, the company was one of the first listed companies on SGX to carry out a two-tier voting for the continued appointment of Mr Khor Thiam Beng as an independent director before Rule 210(5)(d)(iii) of the Listing Manual comes into effect on 1 January 2022.

Mr Khor received 99.99% of the votes in October 2019. At the annual general meeting scheduled to be held on 28 October 2021, Mr Khor would be seeking his re-election and his continued appointment as independent director by a two-tier vote.

In fact, all the independent directors of the company, namely Mr Khor Thiam Beng, Mr Michael Grenville Gray and Mr Goh Chung Meng, have served on the board for more than 9 years from the respective date of his first appointment. The directors were appointed on 30 October 2006, 30 October 2006 and 16 October 2001 respectively.

The nominating committee (NC) comprises Mr Goh Chung Meng (chairman), Mr Khor Thiam Beng and Mr Michael Grenville Gray.

(i) **With all three long-tenured non-executive directors forming the NC, how effective and independent is the NC, especially in its role to review the succession plans for directors and the review of the independence of each director?**

(ii) **What deliberations did the NC have on the need for the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)?**

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(iii) The company is cognisant that it has deviated from Provision 2.4 of the 2018 CG Code 2018 which requires a formal board diversity policy. **What is the reason that the company has not formalised a written board diversity policy?**

(iv) **In addition, has the board considered appointing independent directors with experience in burn-in, PCBA, robotics, AI or agri-tech?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)