

AVI-TECH ELECTRONICS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 198105976H)

**RESPONSE TO SGX QUERY ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL
YEAR ENDED 30 JUNE 2020**

Avi-Tech Electronics Limited (the "**Company**") sets out its response to the question raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 15 October 2020 in relation to the Company's annual report for the financial year ended 30 June 2020 ("**Annual Report**"), as follows:

SGX-ST's Question 1:

We refer to page 41 of the Annual Report.

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provision 8.1(b) of the Code with regards to the disclosure of the names, amounts and breakdown of remuneration of the top five key management personnel (who are not directors or the CEO) that the Company has disclosed, in bands no wider than S\$250,000 and in [aggregate the total remuneration paid to these key management personnel.] (emphasis in "[]" added)

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response:

In relation to the remuneration of the top two key management personnel (who are not directors or the CEO), the Company has disclosed on page 41 of the Annual Report the level and mix of remuneration of remuneration and remuneration band for each key management personnel in bands no wider than S\$250,000. In addition, the Company has also provided information on the aggregate remuneration paid to the two key management personnel, by disclosing on page 41 of the Annual Report that the total remuneration paid is not more than S\$500,000. The Company has reviewed the same and is of the view that the disclosure of the upper limit of the total remuneration paid to the two key management personnel is substantially in compliance with Provision 8.1(b) of the Code, as it sufficiently informs that the total remuneration paid does not specifically exceed the amount stated.

The Annual Report has also disclosed, on pages 38 to 39 in respect of Provisions 7.1 and 7.3, the components of each Executive Director and Executive Officer's remuneration, comprising the fixed salary and annual performance incentives, as well as explaining how the annual review of compensation is carried out by the Remuneration Committee ("**RC**") to ensure that the remuneration components are market competitive and commensurate with the performance of each Executive Director and Executive Officer and that of the Company. In reviewing the annual performance incentive variable bonus, considerations are tied to the performance of the Company, business unit and individual employee, and entitlement to such annual and short-term incentives are subject to benchmarking performance against industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Company's financial performance *vis-à-vis* industry performance. It is also disclosed that the RC exercises judgement in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company. The Company sees value creation as improving the revenue and profits, thereby increasing the return to shareholders.

With reference to the above, the Company believes that the Annual Report, taken as a whole, has sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation, which is consistent with the intent of Principle 8 of the Code.

By Order of the Board

Khor Thiam Beng
Non-Executive Chairman &
Independent Director
19 October 2020