

# CORPORATE GOVERNANCE REPORT

The Directors and the Management of the Company are committed to maintaining a high standard of corporate governance and transparency in order to protect the interests of the shareholders of the Company. Processes and procedures have been instituted and are being constantly reviewed and revised to ensure effective corporate governance.

Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) requires an issuer to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2018 (the “Code”) in its annual report. An issuer is required to disclose any deviations from any provisions of the Code together with an appropriate explanation for such deviation in the annual report.

This report outlines the Company’s corporate governance processes and activities during the financial year ended 31 March 2021 (“FY2021”) with specific reference made to the principles of the Code and strives to comply with the provisions set out in the Code and where it has deviated from the provisions, appropriate explanations have been provided.

## BOARD MATTERS

### The Board’s Conduct of its Affairs

**Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.**

The Board supervises the management of the business and the affairs of the Company and the Group. Apart from its fiduciary duties and statutory responsibilities, it also focuses on formulating the strategic direction and policies of the Company and the Group, paying particular attention to the growth of the Group and its financial performance. It has delegated the formulation of business policies and day-to-day management to the Executive Directors.

The principal functions of the Board are to:

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks such as financial, operational, information technology and compliance to be assessed and managed, including safeguarding of shareholders’ interests and the company’s assets;
- (c) review management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (e) set the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board meets at least twice a year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving acquisitions and financial performance, and to endorse the release of the interim and annual results. Ad hoc meetings are held as and when circumstances require, such as to address significant transactions or issues. Where physical meetings are not possible, timely communication with members of the Board and Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company’s Bye-Laws provides for Directors to participate in Board by means of teleconference, video-conferencing and visual equipment.

To assist the Board in fulfilling its responsibilities, the Management provides the Board with management reports containing complete, adequate and timely information prior to Board meetings and as and when the need arises. Papers containing relevant background or explanatory information required to support the decision-making process, are prepared for each Board meeting and are normally circulated in advance of the meeting.

The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Company’s operating environment. Orientation to the Company’s business strategies and operations is conducted as and when required.

# CORPORATE GOVERNANCE REPORT

To assist in the efficient implementation and execution of its responsibilities, the Board has established an Audit Committee, a Nominating Committee and a Remuneration Committee. Specific responsibilities, which are outlined in the respective Terms of Reference, have been delegated to each of the committees. Each Board Committee will report to the Board and makes its recommendations to the Board on matters under its purview. The Board accepts that while these Committees have the authority to examine particular issues and will report to the Board their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

The Board through the Nominating Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. Newly appointed directors are briefed on the Group's business activities and governance practices and provided with information on their duties and obligations as a director under the Bermuda law. A formal letter of appointment will also be sent to any newly appointed Director setting out his/her duties and obligations upon his/her appointment.

For newly appointed Director who does not have prior experience as a director of a public listed company in Singapore, he/she will attend relevant training courses organised by the Singapore Institute of Directors as required under Rule 210(5)(a) of the Listing Manual and in accordance with Practice Note 2.3 as prescribed by the SGX-ST, as well as other courses relating to accounting, legal and industry-specific knowledge, where appropriate, organised by other training institutions, in connection with their duties, and such training will be funded by the Company.

Mr Stephen Ho ChiMing, Independent Director, was appointed to the Board on 20 April 2020 and had completed the Listed Entity Directors Programme conducted by the Singapore Institute of Directors, within one year from his date of appointment.

Apart from Mr Stephen Ho ChiMing, there was no other new Director appointed during FY2021.

Regular training, particularly on risk management, corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, will be arranged and funded by the Company for all Directors, from time to time. During FY2021, Directors are provided with briefings and updates on (i) the developments in financial reporting and governance standards; (ii) changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board Committee meetings; and (iii) changes to the Listing Manual of the SGX-ST by the Company Secretary, so as to enable them to make well-informed decisions and to properly discharge their duties as Board or Board Committee members.

During FY2021, the number of meetings held by the Board and its committees and the details of the attendances are as follows:-

	<b>Board of Directors</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nominating Committee</b>
Number of Meetings held	2	2	1	1
<b>Name</b>	<b>Number of Meetings attended</b>			
Mr Lee Wan Lik (Managing Director and CEO) - spouse of Lam Pui Wan	2	2*	1*	1
Ms Lam Pui Wan (Executive Director) - spouse of Lee Wan Lik	2	2*	1*	1*
Mr Michael Yap Kiam Siew (Executive Director and Deputy Board Chairman)	2	2	1*	1*
Mr Koji Miura (Independent Director)	2	2	1	1*
Mr Chan Ching Chuen (Independent Director)	2	2	1	1
Mr Stephen Ho ChiMing (Lead Independent Director)	2	2	1	1

**Notes: \*- by invitation**

# CORPORATE GOVERNANCE REPORT

Key matters that are specifically reserved for the Board's consideration and decision include, but are not limited to, corporate planning, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, formulation of any dividend policy or the change of such dividend policy, declaration of dividends and determining the remuneration policy for the Directors.

All Directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary or his representatives administer, attend and prepare minutes of the Board meetings, and assist the Chairman in ensuring that the Board procedures are followed and reviewed so that the Board functions effectively. The Company Secretary or his representatives also advise the Board on governance matters, and assist the Board on compliance with the Company's Bye-Laws and relevant rules and regulations, including requirements of the Listing Manual of the SGX-ST.

The appointment and the removal of the Company Secretary is a matter for consideration for the Board as a whole.

The Board, in the furtherance of their duties, may either individually or as a group, to take independent professional advice at the expense of the Company.

## **Board Composition and Guidance**

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

During FY2021, the Board comprised six (6) members, three (3) of whom are Executive Directors including the Chairman of the Board and three (3) are Independent Directors.

Provision 2.2 of the Code recommends that Independent Directors make up a majority of the Board where the Chairman is not independent. In the case of the Company, the Chairman is not independent as he is an Executive Director. In order to address the issue of independence given that the Chairman is not independent, the Independent Directors make up half of the Board and the majority of each of the Board Committees. Taking into account the above, the Board is of the view that the Company complies with Principle 2 of the Code as there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or small group of individuals exercising any considerable concentration of power or influence.

Provision 2.3 of the Code recommends that Non-Executive Directors to make up a majority of the Board. Currently the Non-Executive Directors who are also the Independent Directors make of half of the Board. Although the Non-Executive directors are not in a majority, the Company believes that the existing Board composition is consistent with the intent of Principle 2 of the Code as the Non-Executive Directors, who are also Independent Directors, chair the Board committees, are independent and are able to provide the appropriate level of independence and diversity of thought and background and to make decisions in the best interests of the Company. The Board has always discussed important issues robustly and have always been able to reach a consensus on the votes without having to rely on any majority votes to decide nor having an individual or small group of individuals dominate the Board's decision-making process.

A brief profile of each Director is presented in the profile of Board of Directors section of this Annual Report and their shareholdings in the Company and its subsidiaries as at 31 March 2021 are disclosed in the Directors' Statement of the Audited Financial Statements for the FY2021.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

The Board is committed to ensuring diversity on the Board including but not limited to appropriate balance and mix of skills, knowledge, experience, gender, age and the core competencies of accounting or finance, legal and regulatory, business or management experience, industry knowledge, and strategic planning to avoid groupthink and foster constructive debate.

# CORPORATE GOVERNANCE REPORT

The current Board comprises of one (1) female Director and five (5) male Directors with diversity of expertise and knowledge in areas such as accounting, finance, strategic planning, investment, business management and administration, human resources, industry knowledge, engineering technology and economics.

The Nominating Committee is responsible for reviewing the composition of the Board to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The Board in consultation with the Nominating Committee has reviewed its composition and is satisfied that such composition ensures that there is adequate representation in respect of potential issues and challenges, without compromising the Board's effectiveness and participation in decision-making. Objectivity on issues deliberated by the Board is assured, given that the half of the Board are Non-Executive Directors who are independent of management and are also independent in terms of character and judgement.

In determining the independence of the Independent Directors, the Board takes into account the existence of relationships or circumstances, including those identified by the Code and the Listing Manual of the SGX-ST that are relevant in its determination as to whether a Director is independent. The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code and the Listing Manual of the SGX-ST.

During FY2021, the Independent Directors who have served on the Board for more than nine years are Mr Koji Miura and Mr Chan Ching Chuen. In assessing the independence of these Independent Directors, the NC, with the concurrence of the Board, is of the view that one should consider the substance of their professionalism, integrity and the objectivity and not merely based on the number of years which they have served on the Board. In view of this, having considered the above and weighing the need for progressive refreshing of the Board, the NC and the Board have determined that during FY2021, Mr Koji Miura and Mr Chan Ching Chuen's tenure in office have not affected their independence or ability to bring about independent and considered judgement in the discharge of their duties as members of the Board. They had provided a strong independent element on the Board, being free from any business or other relationship, which could materially interfere with the exercise of their judgement. These Directors continue to provide stability to the Board and the Company has benefited greatly from the presence of individuals who are specialists in their own field. Furthermore, their length of service on the Board has not only allowed them to gain valuable insight into the Group, its business, markets and industry, but has also given them the opportunity to bring the full breadth and depth of their business experience to the Company.

In accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, the continued appointment of an independent director after the director has served on the Board for an aggregate period of more than 9 years will be subject to a two-tier vote and approval must be sought in separate resolutions by (a) all shareholders and (b) shareholders excluding the directors and the chief executive officer of the Company and their associates. The Company will adopt the two-tier shareholders voting process ahead of Rule 210(5)(d)(iii) coming into effect on 1 January 2022. Mr Koji Miura and Mr Chan Ching Chuen will be subjected to the two-tier voting process at the forthcoming AGM to seek the shareholders' approval for their continued appointment as Independent Directors of the Company.

The Independent Directors will meet up when necessary without the presence of Management, to facilitate a more effective check on the Management. During FY2021, the Independent Directors met once in the absence of key management personnel.

## **Chairman and Chief Executive Officer ("CEO")**

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.**

The Group's Executive Chairman, Managing Director and CEO is Mr Lee Wan Lik, who is responsible for the day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of the flow of information between the Board and the Management. Mr Lee is the founder of the Group and has played a key role in developing the Group's business. He is being assisted by a group of Executive Directors and Executive officers in carrying out his executive duties and responsibility for the Group's operation and business. Through the Group's success and development in these few years, Mr Lee has demonstrated his vision, strong leadership and enthusiasm in this business.

# CORPORATE GOVERNANCE REPORT

The NC, with the concurrence of the Board is of the opinion that vesting the roles of both Chairman and CEO in the same person who is knowledgeable in the business of the Group provides strong and consistent leadership, thus allowing for more effective planning and execution of long term business strategies. As such, there is no need for the role of the Chairman and CEO to be separated. The NC will review the need to separate the roles from time to time and make its recommendations accordingly. The role of Mr Lee as the Executive Chairman and CEO of the Company does not affect the independence of the Board as the Independent Directors make up half of the Board as at the date of this Annual Report and majority of the Board Committees including the respective Board Committees' Chairman are Independent Directors.

Taking cognizance that the Chairman and the CEO are the same person, the Board has appointed Mr Stephen Ho ChiMing as the Lead Independent Director ("**Lead ID**") of the Company. Mr Stephen Ho ChiMing is available to shareholders where they have concerns where contact through the normal channels of the Chairman, CEO or CFO has failed to resolve or for which such contact is inappropriate. He will also facilitate periodic meetings with the other Independent Directors in board matters, when necessary, and provides feedback to the Executive Chairman after such meeting.

His other specific roles as Lead ID are as follows:

- (a) act as liaison between the Independent Directors and the Executive Chairman and CEO and lead the Independent Directors to provide non-executive perspectives in circumstances where it would be inappropriate for the Executive Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;
- (b) advise the Executive Chairman of the Board as to the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties; and
- (c) assist the Board and Company officers in better ensuring compliance with and implementation of corporate governance.

## Board Membership

**Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.**

As at the date of this Annual Report, the members of the Nominating Committee ("**NC**") are as follows:

Mr Chan Ching Chuen – Chairman  
Mr Stephen Ho ChiMing – Member  
Mr Lee Wan Lik – Member

Majority of the members of the NC including its Chairman are independent.

The NC makes recommendations to the Board on the following matters:

- (a) to review the structure, size and composition of the Board and the Board committees;
- (b) to review board succession plans for directors, in particular, the Chairman and for the CEO;
- (c) to evaluate the performance of the Board and Board Committees as a whole;
- (d) to review training and professional development programs for the Board; and
- (e) to make recommendations to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable) including making recommendations on the composition of the Board and the balance between Executive and Non-Executive Directors appointed to the Board;

# CORPORATE GOVERNANCE REPORT

- (f) to review and assess the independence of each Director; and
- (g) to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations and/or a conflict of interest.

The NC has adopted the Code's definition and criteria for independence. Each Independent Director is required to submit a Confirmation of Independence Form annually for the NC's review.

During FY2021, the NC has reviewed the independence of the Independent Directors namely Mr Koji Miura, Mr Chan Ching Chuen and Mr Stephen Ho ChiMing according to the criteria set out in the Code. These Directors have demonstrated strong independence in character and judgement over the years in discharging their duties and responsibilities as Independent Directors. They continue to express their individual viewpoints, debate on issues, objectively scrutinise and challenge Management's proposals as well as participate in discussions on business activities and transactions involving conflicts of interests and other complexities.

Having considered the above, the NC is of the view that all the Independent Directors are independent. All three directors have abstained from any discussion and recommendation in respect of their own independence.

None of the above three Independent Directors are related to, and do not have any relationship with, the Company, its related corporations, its substantial shareholders, or its officers or are in any circumstances that could interfere, or be reasonably perceived to be interfered, with the exercise of their independence business judgement with a view to the best interests of the Company. The Board has concurred with the NC's assessment.

Subject to the Board's approval, the NC will also decide on how the Board's performance is to be evaluated, and propose objective performance criteria which are dependent on how the Board has enhanced long-term shareholder value. Appointments to the Board are made on merit and against objective performance criteria.

To help build a culture of performance and stewardship amongst its Board members, the Group ensures that all the Directors step down and offer themselves for re-election at regular intervals of at least once every three (3) years. The Company's Bye-Laws provide that at least one-third of the directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation.

For the forthcoming Annual General Meeting ("**AGM**"), the NC has recommended that Mr Chan Ching Chuen and Ms Lam Pui Wan (who will retire pursuant to Bye-Law 104 of the Company's Bye-Laws) to be nominated for re-election. In making the recommendation, the NC had considered the Directors' overall contributions and performance and competencies in fulfilling their responsibilities as Directors to the Board. The Board has accepted the NC's recommendation. Please refer to the notice of AGM for the resolutions put forth in relation to their respective re- elections and details of the retiring Directors including the information required under Rule 720(6) of the Listing Manual, as disclosed in section on Disclosure of Information on Directors' Seeking Re-election in this corporate governance report.

There is no alternate director appointed to the Board as at the date of this Annual Report.

In the selection and nomination for new directors, the NC identifies the key attributes that an incoming director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of the directors' personal contacts for recommendations of potential candidates. The potential candidates will go through a short listing process. Interviews are then set up with the short listed candidates for the NC to assess them before a decision is made.

A newly appointed Director will have to submit himself for retirement and election at an AGM immediately following his appointment and thereafter, be subjected to retirement by rotation.

Each member of the NC has abstained from voting on any resolution with respect to the assessment of his own performance for re-nomination as a Director.

# CORPORATE GOVERNANCE REPORT

The Board has set the maximum number of 10 listed company board representations that any Director of the Company may hold at any one time. All Directors have complied with this requirement. A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Company. The NC is of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary.

The NC, having considered the confirmations received from the Independent Directors, is of the view that the other board representations and principal commitments of the Independent Directors do not hinder them from carrying out their duties to the Company. The NC is satisfied that sufficient time and attention have been accorded by these Independent Directors to the affairs of the Company. The Board concurred with the NC's views.

Please refer to the Profile of Board of Directors as set out on page 8 of the Annual Report for key information on the Directors.

## Board Performance

**Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.**

The NC will assess the effectiveness of the Board and its board committees as a whole.

The NC, in considering the re-appointment of a Director, will evaluate the performance of the Director's contributions such as his or her attendance record at meetings of the Board and Board committees, active participation during these meetings and the quality of his or her contributions. The NC has initiated the assessment of the effectiveness of the Board as a whole on an annual basis. The evaluation of the Board's performance is conducted by means of a questionnaire which is then collated and the findings analysed and discussed. The results of the Board's performance assessment are reviewed and circulated to the Board for consideration. Recommendations to further enhance the effectiveness of the Board are implemented as appropriate.

The Board has allocated budgets for directors to attend training and will make recommendations to the Board on the training and professional development programmes for the Board members.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.**

As at the date of this Annual Report, the members of the Remuneration Committee ("RC") are as follows:

Mr Stephen Ho ChiMing – Chairman  
Mr Koji Miura – Member  
Mr Chan Ching Chuen – Member

All the RC members including its Chairman are Independent Directors. The RC is responsible for:-

- (a) review and recommending to the Board a remuneration framework for the Board key management personnel;
- (b) review and recommending to the Board the specific remuneration package for each Director and each of the key management personnel;
- (c) considering all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind; and

# CORPORATE GOVERNANCE REPORT

- (d) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and Key Management Personnel's contracts of services to ensure that such contracts contain fair and reasonable termination clauses which are not overly generous, with a view to being fair and avoiding the reward of poor performance.

The RC can access to expert advice in the field of Executive compensation outside the Company, as and when required. Such expenses are to be borne by the Company.

The Board has not engaged any external remuneration consultant to advice on the remuneration matters in FY2021.

## Level and Mix of Remuneration

**Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

The Company advocates a performance-based remuneration system for Executive Directors and Key Management Personnel that is flexible and responsive to the market. The remuneration of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and the individual performance, designed to align their interests with those of shareholders.

The Managing Director Mr Lee Wan Lik and the Executive Director Mr Michael Yap Kiam Siew has each entered into a service agreement (the "**Service Agreement**") with the Company. The Service Agreement is valid for a term of one year and thereafter continues from year to year unless terminated in accordance with the provisions of the Service Agreement. The Service Agreement can be terminated by either party giving not less than three months' notice provided that the Company shall have the option to pay three months' salary in lieu of any required period of notice. Except for such payment in lieu of notice as provided for under the Service Agreement, no compensation or damages are payable by the Company to Mr Lee Wan Lik and Mr Michael Yap Kiam Siew respectively, in respect of their termination in accordance with the terms of the Service Agreement.

The RC has adopted a framework which consists of a base fee to remunerate Independent Directors and Non-Executive Directors based on their appointments and roles in the respective Board Committees, taking into account the level of contribution and factors such as effort, time spent and responsibilities, and the fees paid by comparable companies. Directors' fees to be paid to the Independent Non-Executive Directors will be tabled at the Company's AGM for shareholders' approval. The Directors' fees are reviewed annually to ensure that the Independent Directors are not overcompensated to the extent that their independence may be compromised. Other than Directors' fees, the Independent Directors do not receive other form of remuneration from the Company. The RC has recommended the payment of the Directors' fees of S\$78,000 for FY2021. This recommendation has been endorsed by the Board and will be tabled at the Company's AGM for shareholders' approval.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company. The company should be able to avail itself to remedies against the Executive Directors and key management personnel in the event such breach of fiduciary duties.

# CORPORATE GOVERNANCE REPORT

## Disclosure on Remuneration

**Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

### Directors' remuneration

A breakdown, showing the level and mix of each individual director's remuneration paid or payable for FY2021 is as follows:

Name of Director	Salary	Bonus	Director's fees	Termination, retirement and post-employment benefits	Total
Mr Lee Wan Lik - spouse of Lam Pui Wan	HK\$600,000	-	-	HK\$18,000	HK\$618,000
Mr Michael Yap Kiam Siew <sup>(1)</sup>	HK\$649,348	HK\$728,687	-	HK\$51,259	HK\$1,429,294
Ms Lam Pui Wan - spouse of Mr Lee Wan Lik	HK\$208,000	-	-	-	HK\$208,000
Mr Stephen Ho ChiMing <sup>(2)</sup> (\$28,000)	-	-	HK\$161,773	-	HK\$161,773
Mr Koji Miura (\$25,000)	-	-	HK\$144,000	-	HK\$144,000
Mr Chan Ching Chuen (\$25,000)	-	-	HK\$144,000	-	HK\$144,000

#### Note:

- (1) Mr Michael Yap Kiam Siew was re-designated from a Lead ID to the Deputy Board Chairman and Executive Director of the Company on 20 April 2020. His remuneration set out above includes the Director's fee calculated at pro-rated basis for his services as Lead ID, Chairman of the RC and member of the AC and NC, prior to his re-designation.
- (2) Mr Stephen Ho ChiMing was appointed as the Lead ID, Chairman of the RC and a member of the AC and NC on 20 April 2020 and his Director's fee for FY2021 was calculated on pro-rated basis.

The Company only has six (6) key management personnel and the disclosure of their remuneration in bands of S\$250,000 for the FY2021 is as follows:

Remuneration band and name of key management personnel	Salary	Bonus	Termination, retirement and post-employment benefits	Total
Individual remuneration is below S\$250,000 (approximately HK\$1,500,000)				
Mr Stephen Ma	90%	8%	2%	100%
Mr Jerry Chua	47%	39%	14%	100%
Mr Rene Toling Lindio	56%	26%	18%	100%
Ms Mary Rose T. Tan	61%	21%	18%	100%
Ms Peggy Sam	86%	14%	-	100%
Miss Eleanor Jim	82%	16%	2%	100%
Total remuneration paid in FY2021 to the key management personnel	HK\$3,370,971	HK\$916,033	HK\$355,939	HK\$4,642,943

# CORPORATE GOVERNANCE REPORT

The Company believes that it should not disclose the remuneration paid to the key management personnel in absolute amount due to the highly competitive market and in the interest of maintaining good morale and building team work within the Group.

There were no employees who are substantial shareholders of the Company and are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 in FY2021.

There were no termination of any Directors and Key Management Personnel during FY2021.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.**

The Board is responsible for ensuring that there is a system of internal financial controls, operational and compliance controls and information technology controls, and risk management policies and for reviewing its adequacy and effectiveness. The Management is responsible for internal control and for ensuring compliance therewith. The Audit Committee ("**AC**") assists the Board in discharging its internal control review responsibilities. The Board makes continuous efforts to embed internal controls into the operations of the businesses and to deal with areas of improvement which come to the attention of Management and the Board.

The Company does not have a Risk Management Committee. However, Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC. The Group's financial risk management is disclosed under Note 28 of the Notes to the Financial Statements on pages 75 to 83 of this Annual Report.

The Management, internal auditor and the external auditor of the Company conduct reviews and audits on a regular basis that involve testing the adequacy and effectiveness of material internal controls on key risks. Any material non-compliance or lapses in internal controls and its corresponding mitigating actions will be reported to the AC. At least annually, the Board, with the assistance from the AC, will review the adequacy and effectiveness of the Company's Risk Management and internal control systems, including financial, operational, compliance and information technology risks.

The Board notes that these internal control systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

For FY2021, the Board has received written assurances from the CEO and the Group Financial Controller (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) that the risk management and internal control systems of the Company is adequate and effective to deal with major risks relating to financial, operational, information technology and compliance aspects.

Based on the systems of risk management and internal controls established and maintained by the Group, work performed and reports by the internal and external auditors and the above written assurances, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems, addressing the financial, operational, compliance and information technology risks, are effective and also adequate.

# CORPORATE GOVERNANCE REPORT

## Audit Committee

### Principle 10: The Board has an Audit Committee which discharges its duties objectively

As at the date of this Annual Report, the members of the AC are as follows:

Mr Koji Miura – Chairman  
Mr Chan Ching Chuen – Member  
Mr Stephen Ho ChiMing – Member

All the members of the AC including its Chairman are Independent.

None of the AC members were previously partners or directors of the Company's external audit firm within a period of two (2) years commencing on the date of him ceasing to be a partner or director of the external audit firm, or hold any financial interest in the external audit firm.

The Board is of the view that the AC members are appropriately qualified, with the AC Chairman Mr Koji Miura and the AC Member Mr Stephen Ho ChiMing having the relevant accounting and/or related financial management expertise or experience as the Board interprets such qualifications to discharge their responsibilities.

The AC has kept the recent and relevant accounting or related financial management expertise or experience up-to-date by attending the training provided by the relevant regulatory parties.

In addition, the auditor of the Company provides update on recent developments to accounting standards to AC members on half yearly basis to ensure all AC members and management to keep abreast of the changes to accountings standards and issues which have a direct impact on financial statements.

The AC will meet periodically to, inter alia:

- (a) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) review with the internal auditor their audit plan and report to the Board at least annually the adequacy of the internal audit procedures and their evaluation of the effectiveness of the Company's overall internal controls and risk management, including financial, operational, compliance and information technology controls;
- (c) review interested person transactions, if any, to ensure that the internal control and review procedures are adhered to;
- (d) review the adequacy, effectiveness, scope and results of the external audit, and the independence and objectivity of the external auditors;
- (e) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (f) establish and review, on an ongoing basis, the whistleblowing policies, processes and reporting procedures of the Company;
- (g) review the assurance from the Chief Executive Officer and Group Financial Officer on the financial records and financial statements; and
- (h) undertake generally such other functions and duties as may be required by law or the Listing Rules.

Apart from the above functions, the AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Company's operating results or financial position. Each member of the AC will abstain from voting in respect of matters in which he is interested.

# CORPORATE GOVERNANCE REPORT

The AC is empowered to investigate any matter relating to the group's accounting, auditing, internal controls and/or financial practices brought to its attention, with full access to records, resources and personnel, so as to enable it to discharge its functions properly.

For FY2021, the remuneration paid and payable to the external auditor, PricewaterhouseCoopers LLP ("PwC") in relation to audit and non-audit services were HK\$1,443,000 and HK\$116,000 respectively.

The AC, having reviewed the volume of non-audit services to the Company by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The AC has recommended and the Board has approved the nomination for the re-appointment of PwC as the external auditors of the Company at the forthcoming AGM.

The AC has confirmed the Company has complied with Rule 712 of the Listing Manual of the SGX-ST in that PwC is registered with the Accounting and Corporate Regulatory Authority. The AC is satisfied that the resources and experience of PwC, the audit engagement partner and his team assigned to the audit of the Group are adequate to meet their audit obligations, given the size, nature and operations of the Group.

PwC is the appointed external auditors of the Company and its Singapore-incorporated subsidiary. Other than the overseas subsidiaries which were exempted from audit requirement under their respective laws of the country of incorporation, the overseas subsidiaries of the Group are either audited by a member firm of PwC or by the suitable auditing firms in their respective country of incorporation.

The AC and the Board are satisfied that the appointment of different auditing firms for its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The AC confirmed that the Company has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST.

The Company has outsourced its internal audit function to an independent qualified firm of auditors Moore Stephens Advisory Services Limited, as its internal auditor, to review the effectiveness of the Company's material internal controls.

The resulting report issued by the internal auditor is reviewed in detail by the AC in conjunction with Management. The AC will consider the effectiveness of responses / actions taken by Management on the audit recommendations and observations.

The AC is responsible for the hiring, removal, evaluation and approving the remuneration and terms of engagement of the internal auditor.

The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that the internal audit function is independent, effective (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and adequately resourced, has unfettered access to all of the Company's documents, records, properties and personnel, including to the AC and has the appropriate standing in the Company to discharge its duties effectively.

In line with the Code, a private session between the AC with the external and the internal auditors is held annually to discuss any matters concerning the Company without the presence of the Management. The AC has met with the external and the internal auditors in the absence of key management personnel in FY2021.

The Company has adopted a whistle blowing policy, endorsed by the AC, where employees of the Group may in confidence, raise concerns about wrongdoing or malpractice within the Group and ensure arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. A well-defined process ensures independent investigation of such matters and the assurance that employees will be protected to the extent possible from reprisals.

For FY2021, there were no complaints, concerns of issues received by the AC.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHT AND RESPONSIBILITIES

### Shareholder Rights and Conduct of General Meetings

**Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

The Company respects and upholds shareholders' rights, and tenders its communication with shareholders with care. The Board recognises and exercises its overall responsibility to shareholders, by ensuring accurate financial reporting for the Company's overall internal control framework, including financial, operational, information technology and compliance controls, risk management policies and through systems needed to safeguard the shareholders' investments and assets of the Company. The Company's Bye-laws allows the attendance by nominees of shareholders at general meetings. The Company encourages and facilitates shareholder engagement and participation through its meetings and briefings.

The AGM of the Company represents the principal forum for dialogue and interaction with all shareholders. At each AGM, the Board welcomes questions from shareholders who have an opportunity to raise questions or share their views regarding the proposed resolutions and the Company's business and affairs, either informally or formally before or at the AGM.

The Chairman of the Board Committees, Directors, senior management and external auditors will be present and available at the general meeting to attend to the queries/questions from shareholders.

All resolutions proposed at general meetings shall be put to vote by way of a poll. All votes cast, for or against or abstain, and the respective percentages, in respect of each resolution are tallied and disclosed at the meeting and an announcement with the detailed results showing the numbers of votes cast for and against for each resolution and the respective percentage will be released via SGXNet after the general meetings. Each distinct issue is proposed as a separate resolution at general meetings.

The Company has not amended its Bye-Laws to provide for absentia voting method. As the authentication of Shareholder identity information and other related security issues remain a concern, the Company has decided, for the time being, not implement voting in absentia by mail, e-mail or fax.

Minutes of general meetings including comments from shareholders and responses from the Board and Management relating to the resolutions tabled at the general meetings held by the Company will be made available to shareholders upon receipt of their request.

For FY2021, in accordance with the COVID-19 (Temporary Measures) Act 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**"), the Company will apply and adopt the alternative arrangements for the convening, holding and conducting of the AGM, as set out in the second column of the First Schedule of the Order.

To enable shareholders to have a real-time two-way interaction with the Company's management and Board of Directors, the AGM of the Company will be conducted using the AGM@Convene platform which enable shareholders the option of live voting and interactive video question and answer session with the Board, in addition to the written questions.

Minutes of the AGM will be published on the SGXNET and also at the Company's corporate website within one (1) month after the AGM date.

While the Company has no official policy on the payment of dividends, it has consistently paid out the bulk of its profits as dividends since its listing in 2004. The amount of dividends paid each year will depend on factors that include the Group's profit level, cash position and future cash needs.

Subject to shareholders' approval at the forthcoming AGM, the Board has recommended a final dividend of 39HK cents per share for the financial year ended FY2021.

# CORPORATE GOVERNANCE REPORT

## Engagement with Shareholders

**Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.**

## Engagement with Stakeholders

**Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.**

The Company engages in regular, effective and fair communication with shareholders. The Board is mindful of the obligations to provide timely information and full disclosure of material information to shareholders in accordance with the statutory requirement and the listing manual of the SGX-ST. Information is communicated to shareholders on a timely basis. All material information and financial results are released through SGXNET.

Notice of the AGM or the Special General Meeting (“SGM”), if any, and Annual Reports are issued to all shareholders of the Company. The Notice of AGM or SGM is also advertised in newspaper and announced via SGXNET. Information on major new initiatives of the Company is also disseminated via SGXNET, news release and made available on the Company’s website.

For FY2021, the Company will be relying on the Order and the Annual Report, notice of AGM and proxy form (“AGM documents”) will be available to shareholders through electronic means via publication on the company’s website and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of the AGM documents will not be sent to shareholders.

Regular meetings are held with investors, analysts, fund managers and the press. The Group also has a corporate web-site ([www.azeus.com](http://www.azeus.com)) where shareholders and members of the public are able to access up-to-date corporate information, announcements, new events related to the Group and Company’s Annual Report and sustainability report.

The Board considers the Company’s obligations to its shareholders and also the interests of its material stakeholders as the relationships with material stakeholders may have an impact on the Company’s long-term sustainability. Stakeholders are parties who may be affected by the Company’s activities or whose actions can affect the ability of the Company to conduct its activities. The Board has identified its stakeholders as customers, employees, suppliers, landlords, investors, media, government institutions and the communities. The Company maintains its Company’s website to communicate and engage with the stakeholders.

The Company also issue sustainability report to keep stakeholders informed on the commitment made by the Company in fostering the creation of long-term value for the stakeholders and sustainable development of the global economy. The sustainability report is available at the Company’s corporate website.

## Code of Business Conduct

The Directors, officers and employees are required to observe and maintain high standards of integrity, as are in compliance with law and regulations and the Company’s policies.

## Dealings in Securities

The Company has adopted an internal code of practice for securities transactions by all Directors, officers and employees of the Group in compliance with Rule 1207(19) of the Listing Manual of SGX-ST.

In compliance with the above-mentioned Rule, Directors, officers and employees of the Group have been advised not to trade in the listed securities of the Company when in possession of unpublished price-sensitive information or on short-term considerations. Directors, Officers and employees are also advised not to trade in the Company’s securities during the period commencing one month before the announcement of the Company’s half year and full year financial results and ending on the day of the announcement of the relevant results. All directors, officers and managers are required to file with the Company regular reports on all their dealings in the listed securities of the Group during the financial year.

# CORPORATE GOVERNANCE REPORT

## **Material Contracts**

There were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, directors or controlling shareholders, which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

## **Interested Person Transactions**

The Group has adopted an internal policy in respect of any transactions with interested persons and established procedures for the review and approval of such transactions.

An interested person transactions will be properly documented and submitted to the AC for half-yearly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Group has not obtained a general mandate from shareholders for IPT. There were no interested person transactions of S\$100,000 and above during FY2021.

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Directors nominated for re-election at the forthcoming AGM is set out below:

	<b>Mr Chan Ching Chuen</b>	<b>Ms Lam Pui Wan</b>
Date of Appointment	1 February 2008	12 May 2004
Date of last re-appointment	4 July 2019	13 July 2018
Age	86	61
Country of principal residence	Hong Kong	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Chan Ching Chuen as the Independent Director of the Company was recommended by the Nominating Committee and accepted by the Board, after taking into consideration his expertise, performance, overall contributions, and competencies in fulfilling his responsibilities.	The re-election of Ms Lam Pui Wan as the Executive Director of the Company was recommended by the Nominating Committee and accepted by the Board, after taking into consideration her expertise, performance, overall contributions, and competencies in fulfilling her responsibilities.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc)	Independent Director, Chairman of Nominating Committee and a member of the Audit and Remuneration Committees.	Executive Director
Professional qualifications	Master of Science in Electrical Engineering from Tsinghua University in 1959 and PhD in 1982 from University of Hong Kong.	Bachelor of Arts from the University of Minnesota.
Working experience and occupation(s) during the past 10 years	Honorary Professor at Hong Kong University's Department of Electrical and Electronics Engineering	Executive Director of the Company
Shareholding interest in the listed issuer and its subsidiaries	No	1,400,000 ordinary shares in the Company (direct interest) 15,300,000 ordinary shares in the Company (deemed interest)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	Ms Lam Pui Wan is the spouse of Mr Lee Wan Lik (the Managing Director of the Company). Ms Lam Pui Wan is a Director and shareholder, holding 90% equity interest in Mu Xia Ltd. Mu Xia Ltd is a substantial shareholder holding 51% shareholding in the capital of the Company.

## DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Chan Ching Chuen	Ms Lam Pui Wan
Conflict of Interests (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
<b>Other Principal Commitments* Including Directorships#</b>		
Past (for the last 5 years)	Advisor of the Science and Technology Committee of Macau Special Administrative Region (2017).	Nil
Present	Honorary Professor at Hong Kong University's Department of Electrical and Electronics Engineering. (2002 - present)	Current Director of <ul style="list-style-type: none"> <li>- Azeus Systems Holdings Ltd</li> <li>- Azeus Systems Limited</li> <li>- Convене Malaysia Sdn Bhd</li> </ul>
<b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</b>		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

## DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Chan Ching Chuen	Ms Lam Pui Wan
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

## DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Chan Ching Chuen	Ms Lam Pui Wan
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-  i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or  iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or  iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere  in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Chan Ching Chuen	Ms Lam Pui Wan
<b>Disclosure applicable to the appointment of Director only</b>		
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	<p>Not Applicable</p> <p>This is a re-election of a director</p>	<p>Not Applicable</p> <p>This is a re-election of a director</p>