

# CORPORATE GOVERNANCE REPORT

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The Board of Directors of the Company (the “**Board**”) is committed to ensure that high standards of corporate governance and transparency are practiced for the protection of the interests of the shareholders of the Company (the “**Shareholders**”). This statement outlines the Company’s corporate governance processes with specific reference to the Code of Corporate Governance 2012 (the “**Code**”). In areas where the Company deviates from the Code, the rationale is provided.

## BOARD MATTERS

### BOARD’S CONDUCT OF ITS AFFAIRS

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**Principle 1:** *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the management to achieve this outcome and the management remains accountable to the Board.*

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The Directors of the Company are:

Dr Colin Chan Kum Lok	Chairman and Chief Executive Officer
Mr Tan Khai Pang	Executive Director
Mr Lim Han Boon	Lead Independent Director
Mr Michael J Butler	Independent Director
Mr Richard J Denny	Independent Director

### GUIDELINE 1.1 BOARD’S ROLE, DUTIES AND RESPONSIBILITIES

The Board is responsible for protecting and enhancing long-term Shareholders’ value. It provides directions and guidance to the overall management of the Company and its subsidiaries (the “**Group**”). The Board comprises two executive Directors (collectively, the “**Executive Directors**”, and each an “**Executive Director**”) and three non-executive Independent Directors (collectively, the “**Independent Directors**”, and each an “**Independent Director**”).

The primary role of the Board includes the following:

- Setting and approving policies and strategies of the Group
- Reviewing and approving the financial performance of the Group, including its quarterly and full year financial results’ announcements
- Reviewing the adequacy of the Group’s internal controls and the financial information reporting system
- Monitoring the composition, processes and performance of the Board as well as the selection of a Director
- Reviewing and approving remuneration packages of the Board members and key executives
- Reviewing business results, monitoring budgetary control and effecting corrective actions
- Authorising and monitoring major transactions such as fund raising exercises and material acquisition
- Identifying key stakeholder groups and recognise that their perceptions affect the Group’s reputation
- Setting the Group’s values and standards, and ensure that obligations to shareholders and other stakeholders are understood and met
- Considering sustainability issues as part of its strategy formulation

In compliance with SGX’s requirements, the Company has presented its second Sustainability Report for financial year ended 31 March 2019 on page 23 to 26 in this Annual Report.

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## GUIDELINE 1.2 BOARD'S FIDUCIARY DUTIES

All directors recognise and will objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the company.

## GUIDELINE 1.3 DELEGATION OF AUTHORITY TO BOARD COMMITTEES

To facilitate effective management, certain roles have been delegated to various Board members by the establishment of an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). These Committees function within clearly defined terms of reference which are reviewed on a regular basis. The effectiveness of each Committee is also closely monitored

## GUIDELINE 1.4 MEETINGS OF BOARD AND BOARD COMMITTEES

The Board meets regularly, formally or otherwise, and as warranted by particular circumstances or as deemed appropriate by the Board members. Attendance via audio or audio-visual equipment is permitted under Article 110(4) of our Company's Constitution. To assist the Board in fulfilling its responsibilities, the Board will be provided with management reports and papers containing adequate, relevant and timely information to support the decision making process.

From 16 July 2018 being the date of the last Annual Report, to the date of this Annual Report, our Company convened six Board meetings, five AC meetings, one NC meeting and one RC meeting.

Besides formal meetings, Board members also met at informal meeting or via teleconferencing or emails to discuss specific issues related to the Company's development. While the Board considers Directors' attendance at Board meetings to be important, it does not consider that to be the only criterion to measure their contributions. Other than participating in these meetings, Board members also rendered guidance and advice on various matters relating to the Group and convened discussions when needed.

The Directors' attendance at the above-mentioned meetings are detailed as follows:

<b>Director</b>	<b>Board</b>	<b>Audit Committee</b>	<b>Nominating Committee</b>	<b>Remuneration Committee</b>
Number of meetings held	6	5	1	1
<b>Name of Directors</b>	<b>Number of meetings attended</b>			
Dr Colin Chan Kum Lok	6	5	1	1
Mr Tan Khai Pang	6	5	1	1
Mr Lim Han Boon	5	5	1	1
Mr Michael J Butler	5	5	1	1
Mr Richard J Denny	6	5	1	1

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## GUIDELINE 1.5

### INTERNAL GUIDELINES ON MATTERS REQUIRING BOARD APPROVAL

The Board has adopted internal guidelines governing matters reserved for the Board's approval, which include the following:

- Review of the performance of the Group
- Approval of the corporate strategy and direction of the Group
- Approval of transactions involving a conflict of interest for a substantial Shareholder or a Director or an interested person
- Material acquisition and disposal
- Corporate or financial restructuring
- Declaration of dividends and other returns to Shareholders
- Appointment of new Directors

Board Committees, namely the AC, NC, and RC, have been constituted to assist the Board in the discharge of specific responsibilities. Please refer to Principles 4 to 5, 7 to 9, 11 and 12 herein for further information on the activities of the AC, NC and RC respectively.

## GUIDELINES 1.6 AND 1.7

### ORIENTATION, BRIEFINGS, UPDATES AND TRAININGS PROVIDED FOR DIRECTORS

Newly appointed Directors will be given an orientation program to familiarise themselves with our Group's operation. The experience and competency of each Director contribute to the overall effective management of the Group. Incoming Directors joining the Board will be given briefing by the management, the Chief Executive Officer ("CEO") and, where appropriate, the Company's legal advisers, on their duties and obligations as director, and on the Group's organisation structure, business and governance practice and arrangements, including the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

During the financial year reported on, the Directors had received updates on regulatory changes to the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the accounting standards and the Code. The Chairman updates the Board at each Board meeting on business and strategic developments and also highlights the salient issues as well as the risk management considerations for the Group. The Directors had also attended appropriate courses, conferences and/or seminars relevant to their discharge of director's duties.

## BOARD COMPOSITION AND BALANCE

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**Principle 2:** *There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

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## GUIDELINES 2.1

### STRONG AND INDEPENDENT ELEMENT OF THE BOARD

The Board comprises five members, three of whom, namely Mr Lim Han Boon, Mr Richard J Denny and Mr Michael J Butler, are independent and non-executive.

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## **GUIDELINE 2.2 COMPOSITION OF INDEPENDENT DIRECTORS ON THE BOARD**

Under Guideline 2.2 of the Code, the independent directors should make up half the board where the Chairman is part of the management team and is not an independent director. The Board currently has five members, of whom, three are Independent Directors. In accordance with Guideline 2.2, the Board currently has Independent Directors making up more than half the Board when both the Executive Chairman and CEO is the same person.

## **GUIDELINE 2.3 INDEPENDENCE OF DIRECTORS**

The criterion for independence is based on the definition given in the Code. The Code has defined an “independent” director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment with a view to the best interests of the company. The independence of each Director is reviewed annually by the NC, based on the definition of independence as stated in the Code.

## **GUIDELINE 2.4 REVIEW OF INDEPENDENT DIRECTORS**

The Board conducts a rigorous review of the independence of the Directors who have served beyond nine years. Such review includes critical examination of any conflicts of interest, as well as other factors such as the oversight review and scrutiny performed by such Directors of matters and proposals put before the Board, and the effectiveness of their oversight role as check and balance on the acts of the Board and management of the Company and their role in enhancing and safeguarding the interest of the Group.

Presently, Mr Lim Han Boon has served the Board as an Independent Director for more than nine years. On a yearly basis, based on the views of the NC and the assessment by the Board and having regard to Guideline 2.4 of the Code, the Board is of the view that although Mr Lim Han Boon has served on the Board for more than nine years, his independence will not be compromised for the following reasons:

- (a) Mr Lim Han Boon has demonstrated a high degree of independence from the management of the Group during his term as an Independent Director of the Company, in particular, as the Chairman of the Audit Committee; and
- (b) Mr Lim Han Boon has shown significant commitment to the Group and has brought to the Board considerable financial expertise as Independent Director of the Company.

Mr Lim Han Boon has confirmed that he has no association with the Company, its related corporations, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors’ independent business judgment. After taking into account all these factors, the Board has determined that Mr Lim is independent.

To maintain his independence, Mr Lim Han Boon abstained from the NC’s and the Board’s deliberation with regard to his independence.

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## **GUIDELINES 2.5 & 2.6 COMPOSITION AND COMPETENCY OF THE BOARD**

There are presently three Committees, namely the AC, NC and RC, commissioned by the Board. All Committees are chaired by an Independent Director, with majority of members being non-executive and independent.

The Board members, collectively, have a diverse spread of expertise covering business and management experience, industry knowledge, strategic planning skills, accounting and financial knowledge. Our Company is of the view that the Board, as a whole, provides core competencies necessary to meet the Group's requirements, taking into account the nature and scope of the Group's operations. In carrying out their obligations as Directors of our Company, access to independent professional advice, where necessary, is also available to all Directors, either individually or as a group, at the expense of our Company.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of diversity, expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

The Board is of the opinion that the current size of the Board is adequate, taking into account the nature and scope of the Group's operations.

## **GUIDELINE 2.7 ROLE OF NON-EXECUTIVE DIRECTORS**

During the year, the Non-Executive Directors (comprising the Independent Director) constructively challenge and help develop both the Group's short-term and long-term business strategies. Management's progress and performance in implementing such agreed business strategies are monitored by the Non-Executive Directors.

## **GUIDELINE 2.8 REGULAR MEETINGS OF NON-EXECUTIVE DIRECTORS**

During the year, the Non-Executive Directors communicate among themselves without the presence of Management as and when the need arises. The Company also benefits from Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board committee meetings.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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**Principle 3:** *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual represents a considerable concentration of power.*

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## **GUIDELINES 3.1 AND 3.2 CHAIRMAN AND CEO**

Since the incorporation of the Company, the Company has not adopted a dual leadership structure, whereby there is a separate CEO and Chairman on Board.

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As Chairman, Dr Colin Chan's responsibilities include:

- leading the Board in its role;
- scheduling meetings (with assistance from the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- preparing meeting agenda;
- reviewing all if not most board papers before they are presented to the Board;
- ensuring effective communication with Shareholders; and
- promoting corporate governance

The Executive Directors are deeply involved in managing the daily operations of the Group and are expected to act in good faith and always in the interests of the Group. The working of the Board and the executive responsibility of the Group's business are interconnected. The Executive Directors, including the Chairman, who understand the business of the Company and the Group thoroughly, will provide better guidance to the decisions and workings of the Board. Hence, there is no immediate plan to create a separate dual function between the leadership of the Board and the executives responsible for managing the business of the Group.

There are constant communications among Board members, and no Director represents a considerable concentration of power as any key decision will require the approval from all Directors prior to implementation.

## **GUIDELINES 3.3 AND 3.4 LEAD INDEPENDENT DIRECTOR**

Mr Lim Han Boon is the Lead Independent Director. He is the principal liaison on Board issues between the Independent Directors and the Chairman. He is available to Shareholders where they have concerns in which contact through the normal channels of the Executive Chairman and the Executive Director has failed to resolve or is inappropriate. In addition, more than half of the Board currently comprises Independent and Non-Executive Directors and the Chairman-cum-CEO of the Company is not a member of any Committee.

The Independent Directors, led by the lead Independent Director may meet amongst themselves without the presence of the other Directors as and when necessary. The lead Independent Director will provide feedback to the Chairman after such meetings.

## **BOARD MEMBERSHIP**

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**Principle 4:** *There should be a formal and transparent process for the appointment of new directors to the Board.*

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## **GUIDELINE 4.1 NOMINATING COMMITTEE**

The NC comprises the following members, the majority of whom, including the chairman, are independent and non-executive:

Mr Lim Han Boon	(Chairman/Independent and Non-Executive)
Mr Michael J Butler	(Member/Independent and Non-Executive)
Mr Richard J Denny	(Member/Independent and Non-Executive)
Mr Tan Khai Pang	(Member/Executive Director)

The NC operates in accordance with its term of reference.

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## **GUIDELINE 4.2 NC RESPONSIBILITIES**

The role of the NC is to make recommendations to the Board on all board appointments. The Committee is charged with the responsibility of re-nomination, having regard to the Director's contribution and performance, including, if applicable, as an Independent Director. The NC is also charged with determining annually whether or not a Director is independent.

### - Succession planning

The NC will review board succession plans for Directors, and will seek to refresh the Board membership in an orderly manner where it deems applicable. The NC will also ensure that the Company has succession planning for its Executive Directors and key management personnel, including appointing, training and mentoring successors. The NC has reviewed contingency arrangements for any unexpected incapacity of the Executive Director or any of the top management personnel and is satisfied with procedures in place to ensure a transition to a full operational management team.

### - Re-election of Directors

Article 104 of the Constitution requires one-third of the Directors to retire. Article 105 of the Constitution requires Directors to retire shall be those longest in office since their last re-election or appointment or have been in office for the three years since their last election.

Mr Tan Khai Pang and Mr Lim Han Boon are due to retire at the forthcoming annual general meeting ("AGM") pursuant to Articles 104 and 105 of the Constitution.

Mr Lim Han Boon who has served on the Board for more than nine years will not be seeking re-election so as to comply with the Code of Corporate Governance, which, unless otherwise adequately explained by the Board, deems any independent director who serves for an aggregate period of more than nine years to be not independent. Accordingly, Mr Lim Han Boon will be retiring as an Independent Director of the Company at the forthcoming AGM. Following his retirement, he will also cease to be the Chairman of the AC, the Chairman of the NC and a member of the RC, but shall instead serve as a non-board executive Finance Director of the Company.

The NC has recommended to the Board the re-election of Mr Tan Khai Pang pursuant to Articles 104 and 105 of the Company's Constitution. Mr Tan Khai Pang did not participate in the NC's deliberations on his re-election.

## **GUIDELINE 4.3 DETERMINING DIRECTORS' INDEPENDENCE**

Each Director completes a checklist to confirm his independence on an annual basis. The NC has reviewed the independence of the Directors as mentioned under guidelines 2.3 and 2.4

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### **GUIDELINE 4.4**

#### **DIRECTORS' MULTIPLE BOARD REPRESENTATIONS**

The NC considers and it is of the view that it would not be appropriate to set a limit on the number of directorships that a Director may hold because directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities. Accordingly, the NC leaves it to each Director to personally determine the demands of his or her competing directorships and obligations and assess the number of directorships they could hold and serve effectively. The Board concurs with the NC.

Mr Lim Han Boon, Mr Michael J Butler and Mr Richard J Denny have confirmed that they are able to devote sufficient time and attention to the affairs of the Group. They do not have any full-time executive commitments in any companies and their experiences are valuable to the Board and the committees.

After making all reasonable enquiries and having considered the aforementioned, nothing has come to the attention of the NC to cause them to doubt that Mr Lim Han Boon, Mr Michael J Butler and Mr Richard J Denny would not have the ability to commit sufficient time and attention to the affairs of the Group.

### **GUIDELINE 4.5**

#### **ALTERNATIVE DIRECTORS**

There are currently no alternative Directors on the Board.

### **GUIDELINE 4.6**

#### **PROCESS FOR THE SELECTION AND APPOINTMENT OF NEW DIRECTORS**

The Company has in place policies and procedures for the appointment of new Directors, including the description on the search and nomination process.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board is of the appropriate size and has the mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

Where there is a resignation or retirement of an existing Director, the NC will re-evaluate the Board composition to assess the competencies for the replacement. The NC will deliberate and propose to the Board the background, skills, qualification and experience of the candidate it deems appropriate. The factors taken into consideration by the NC could include among other things, whether the new Director can add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board discussions. Candidates are sourced through a network of contacts and identified based on the established criteria. Search can be made through relevant institutions such as the Singapore Institute of Directors, professional organisations or business federations or external search consultants. New Directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board.

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## GUIDELINE 4.7 KEY INFORMATION ON DIRECTORS

Key information regarding the Directors and their appointments on the various Board Committees is presented under the profile of the Board of Directors in the annual report.

## BOARD PERFORMANCE

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**Principle 5:** *There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.*

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## GUIDELINE 5.1 CONDUCT OF BOARD PERFORMANCE

The NC had established a formal evaluation process to assess the effectiveness of individual Directors and of the Board as a whole.

Each year, the Directors were requested to complete appraisal forms to assess the overall effectiveness of the Board and the Board Committees, as well as each individual Director's contributions to the Board and Board Committees.

## GUIDELINE 5.2 PERFORMANCE CRITERIA FOR BOARD EVALUATION

The appraisal focuses on the Board composition, maintenance of independence, Board information, Board process, Board accountability, communication with the management and standard of conduct. The results of the appraisal exercise were considered by the NC, which then made recommendations to the Board with the aim of helping the Board to discharge its duties more effectively.

## GUIDELINE 5.3 EVALUATION OF INDIVIDUAL DIRECTOR

The overall assessment of individual Directors and of the Board as a whole was good for FY2019, and it is the Board's endeavour to further improve and enhance its effectiveness over the Group's financial performance, financially or otherwise. The Board is also satisfied that each Director has allocated sufficient time and resources to the affairs of the Group.

## ACCESS TO INFORMATION

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**Principle 6:** *In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.*

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## GUIDELINES 6.1 AND 6.2 BOARD'S ACCESS TO INFORMATION

Periodic financial summary reports, budgets, forecasts and other disclosure documents are provided to the Board, where appropriate, prior to Board meetings. The Board has separate and independent access to our Company Secretary and Key Executives.

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## **GUIDELINES 6.3 BOARD'S ACCESS TO COMPANY SECRETARY**

Our Company Secretary and/or its representative is present at all formal Board meetings to respond to the queries of any Director and to assist in ensuring that board procedures and applicable rules and regulations are followed.

## **GUIDELINE 6.4 APPOINTMENT AND REMOVAL OF COMPANY SECRETARY**

The appointment and removal of the Company Secretary is subject to the approval of the Board.

## **GUIDELINE 6.5 BOARD'S ACCESS TO INDEPENDENT PROFESSIONAL ADVICE**

Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Board has adopted a policy to seek independent professional advice, in order for the Directors to effectively discharge their duties and responsibilities. Costs of such advice would be borne by the Company.

## **REMUNERATION MATTERS**

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**Principle 7:** *There should be a formal and transparent procedure for fixing on executive remuneration and for fixing the remuneration packages of individual Directors. No director should be involved in deciding his own remuneration.*

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## **GUIDELINES 7.1 AND 7.2 REMUNERATION COMMITTEE**

The RC comprises the following members, majority of whom, including the chairman, are independent and non-executive:

Mr Richard J Denny	(Chairman/Independent and Non-Executive)
Mr Lim Han Boon	(Member/Independent and Non-Executive)
Mr Michael J Butler	(Member/Independent and Non-Executive)
Mr Tan Khai Pang	(Member/Executive Director)

The RC carried out its duties in accordance with the terms of reference. The role of the RC is to recommend to the Board a framework for remunerating the Board and Key Executives and to determine specific remuneration packages for each Executive Director of our Company. The Independent and Non-Executive Directors believe that the RC benefits and will continue to benefit from the inputs of Mr Tan Khai Pang, the Executive Director, in carrying out its functions effectively. Each RC member will abstain from voting on any resolution in respect of his own remuneration package.

## **GUIDELINE 7.3 RC'S ACCESS TO ADVICE ON REMUNERATION MATTERS**

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

Our Company's remuneration policy is to provide compensation packages at market rates which reward good performance and attract, retain and motivate employees and Directors.

The RC will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining their respective remuneration packages.

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## GUIDELINE 7.4 SERVICE CONTRACT

Each of the Executive Directors and key management personnel has an employment contract with the Company which can be terminated by either party giving notice of resignation/termination. Each appointment is on an ongoing basis and no onerous or over-generous removal clauses are contained in his letter of employment.

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**Principle 8:** *The level of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

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## GUIDELINE 8.1 REMUNERATION OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL

The remuneration policy for Key Executives is based largely on the Group's performance and the responsibilities and performance of each individual Key Executive. The RC members recommend the remuneration packages of Key Executives for the approval by the Board.

Key management personnel are paid a fixed monthly salary and variable bonus based on a combination of the Group's performance, their operating unit performance and individual performance.

## GUIDELINE 8.2 LONG-TERM INCENTIVE SCHEME

The Company has a share incentive scheme, namely, the Addvalue Technologies Performance Share Plan. The RC has reviewed and is satisfied that the existing remuneration structure for Executive Directors and key management personnel for their fixed and variable components to be paid out in cash would continue to be adequate in incentivising performance without being over-excessive.

## GUIDELINE 8.3 REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Board has also recommended that a fixed fee be paid for each of the Non-Executive Directors, taking into account the effort, time spent and responsibilities of each Non-Executive Director. The fees of the Non-Executive Directors will be subject to Shareholders' approval at the AGM.

## GUIDELINE 8.4 CONTRACTUAL PROVISION

The Company does not have any contractual provisions in the employment contracts for the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel.

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## DISCLOSURE ON REMUNERATION

**Principle 9:** *Each Company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

### GUIDELINES 9.1, 9.2 AND 9.3 REMUNERATION REPORT

Details of the remuneration paid or proposed to be paid to the Directors of our Company for the FY2019 are set out below:

Remuneration Bands	Director	Director's Fees (%)	Fixed Salary* (%)	Benefits (%)
S\$250,000 to S\$499,999	Nil	–	–	–
Below S\$250,000	Dr Colin Chan Kum Lok	–	90	10
	Mr Tan Khai Pang	–	91	9
	Mr Lim Han Boon	100	–	–
	Mr Michael J Butler	100	–	–
	Mr Richard J Denny	100	–	–

\* The fixed salary amounts include salary, annual wage supplements and Central Provident Fund contribution while the benefits include variable bonuses which are linked to individual performances and other allowances.

The Board considered the disclosure of Directors' remuneration in bands of S\$250,000 as adequate due to reasons of industry competitiveness, confidentiality and sensitivity of remuneration matters. The two Executive Directors are non-substantial Shareholders of the Company and are employees of the Group like any of the other key management personnel who are not directors and whose remuneration are disclosed in bands of S\$250,000. The Board is of view that they should not be disadvantaged, as comparable to the other key management personnel, just merely because they are Directors.

#### Top 5 Management Personnel (who are not Directors)

Details of the remuneration paid to the key Executives for FY2019 are set out below:

Remuneration Bands	Name of Key Executive	Designation	Fixed Salary* (%)	Benefits (%)
\$250,000 to \$499,999	Nil			
Below \$250,000	Mr Tan Juay Hwa	Project Director	84	16
	Ms Chow Choi Fun, Jackie	Financial Controller	99	1
	Mr EML Ekanayake	Head of Product Development	94	6
	Mr K Kalaivanan	Head of Solutions Platform	91	9
	Mr Edward Fong	Senior Vice President, Products and Solutions / Managed Services	98	2

\* The fixed salary amounts include salary, annual wage supplements and Central Provident fund contribution while the benefits include variable bonuses which are linked to individual performances and other allowances.

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The present key management team of the Group, who are not Directors of the Company, comprised five personnel as disclosed above. The total remuneration paid to the five of them for FY2019 aggregated to US\$465,745.

There are no termination, retirement, and post-employment benefits that may be granted to the Directors, the CEO and the top key management personnel.

## **GUIDELINE 9.4 IMMEDIATE FAMILY MEMBER OF DIRECTORS OR THE CEO**

During FY2019 and as at the date of this Annual Report, none of the employees of the Group are family members of the Directors or CEO.

## **GUIDELINE 9.5 SHARE INCENTIVE SCHEME**

The Addvalue Technologies Performance Share Plan, approved at an extraordinary general meeting held on 28 July 2017 was put in place to allow the Company to have flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees. No awards or shares under the aforesaid share plan were issued for FY2019.

## **ACCOUNTABILITY AND AUDIT**

### **Accountability**

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***Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.***

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## **GUIDELINE 10.1 ACCOUNTABILITY FOR COMPANY'S PERFORMANCE, POSITION AND PROSPECTS**

The Board is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with the requirements of the Listing Manual of the SGX-ST. Price sensitive information is publicly announced before it is communicated to any other interested person.

## **GUIDELINE 10.2 COMPLIANCE WITH LEGISLATIVE AND REGULATORY REQUIREMENTS**

The Board is accountable to the Shareholders and is mindful of its obligations to ensure compliance with the Listing Rules of the SGX-ST. The Directors have each respectively signed the undertaking in the form set out in Appendix 7.7 of the Listing Manual of the SGX-ST to undertake to use their best endeavours to comply with the Listing Rules of the SGX-ST and to procure that the Company shall so comply as well. The Directors have also procured a similar undertaking by the Financial Controller in her capacity as an Executive Officer.

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## **GUIDELINE 10.3 MANAGEMENT ACCOUNTS**

Management of the Company provides the Board with balanced and understandable accounts of the Group's performance, financial position and business prospects on a regular basis. They also specify major issues that are relevant to the Group's performance.

## **RISK MANAGEMENT AND INTERNAL CONTROLS**

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***Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the Shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

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## **GUIDELINES 11.1 AND 11.2 RISK MANAGEMENT AND INTERNAL CONTROLS**

The Board is responsible for ensuring that management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Group's assets.

The AC has reviewed the adequacy and effectiveness of the Group's internal control system in the light of key business and financial risks affecting its business.

The main risks arising from the Group's business and financial instruments are operational and financial risks. Operational risk is inherent in all business activities. To minimise such risk, the Group has put in place an Enterprise Risk Management Programme ("ERM"). The purpose of this programme was to actively engage senior management on a "hands-on" and proactive approach in managing and supervising the Group's business, with focus on operational and compliance risks. Where necessary, the Group engages external consultants and experts to assist in this area.

## **GUIDELINE 11.3 BOARD'S COMMENT ON ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROLS**

For FY2019, the Board has received assurance from the CEO and Financial Controller in the execution of their respective duties as CEO and Financial Controller and to the best of their knowledge and belief 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 regarding the effectiveness of the Company's risk management and internal controls system.

Pursuant to Rule 1207 (10) of the Listing Manual of the SGX-ST, based on the work performed by the external auditors, the system of risk management and internal controls established and maintained by the Group, the assurances from the CEO and Financial Controller, the internal audit functions performed by finance and compliance department, the reviews performed by the management, the various Board Committees and the Board, the Board is of the opinion that the Group's internal controls, including operation, financial, compliance, information technology controls and risk management system, were adequate and effective as at the date of this Annual Report. The AC concurs with the Board's opinion based on their reviews of the Group's risk management and internal control systems.

The Board recognises that the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and that no systems of internal controls or risk management can provide absolute assurance against the occurrence of errors, poor judgment in decision making, losses, frauds or other irregularities. It can only provide reasonable and not absolute assurance against material misstatement or loss or that the Group will not be adversely affected by any event that can be reasonably foreseen.

# CORPORATE GOVERNANCE REPORT

## GUIDELINE 11.4 RISK COMMITTEE

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC with the assistance of the internal auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

## AUDIT COMMITTEE

**Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

## GUIDELINE 12.1 AC MEMBERSHIP & COMPOSITION

The AC comprises the following members, majority of whom, including the chairman, are independent and non-executive:

Mr Lim Han Boon	(Chairman/Independent and Non-Executive)
Mr Richard J Denny	(Member/Independent and Non-Executive)
Mr Michael J Butler	(Member/Independent and Non-Executive)
Mr Tan Khai Pang	(Member/Executive)

## GUIDELINE 12.2 EXPERTISE OF AC MEMBERS

The Chairman of the AC, Mr Lim Han Boon, is a fellow member of the Institute of Singapore Chartered Accounts.

The other AC members have experience in accounting or financial related management expertise, and with the current composition, in terms of size and skill sets of the members, it is able to discharge the AC functions effectively.

The Independent and Non-Executive Directors believe that the AC benefits and will continue to benefit from the experience and expertise of Mr Tan Khai Pang, the Executive Director, in carrying out its functions effectively.

## GUIDELINES 12.3 AND 12.4 ROLES, RESPONSIBILITIES AND AUTHORITIES OF AC

The AC carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual and the Best Practices Guide issued by the SGX-ST. In performing those functions, the AC shall review, amongst others:

- the scope and the results of internal audit procedures with the internal auditors, or, in its absence, the scope and the results of the Group's internal audit functions;
- the audit plan of the Company's external auditors and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the external auditors;
- the periodic results announcements of the Group prior to their submission to the Board for approval;
- the financial statements of the Company and the consolidated financial statements of the Group as well as the external auditors' report thereon for each financial year prior to their submission to the Board for approval;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST); and
- its oversight over the administration of the framework for whistleblowing.

# CORPORATE GOVERNANCE REPORT

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The AC has full access to management and is given the resources required for it to discharge its functions. The AC has authority to investigate any matter within its terms of reference, and discretion to invite any Director or Executive Officer to attend its meetings.

The AC also reviewed the key audit matters (“KAM”) set out in the auditor’s report for FY2019. The AC had discussed and noted, together with the external auditors and the management, on the approach and methodology applied by the external auditors in relation to the assessment of judgements and estimates on the significant matters reported in the KAM.

The Company confirms that it has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in engaging Mazars LLP, an accounting firm registered with the Accounting and Corporate Regulatory Authority of Singapore, as the external auditors of the Company and its Singapore subsidiaries.

With Amba Partners CPA Limited appointed as the external auditors of the Company’s Hong Kong-incorporated subsidiary, and Beijing An Zheng CPA Co., Ltd as the external auditors of the Company’s People’s Republic of China-incorporated subsidiary, the Board and the AC are satisfied that the appointment of different auditors would not compromise the standard and the effectiveness of the audit of the Group and that Rule 716 of the Listing Manual of the SGX-ST has been complied with.

## **GUIDELINE 12.5 MEETING WITH AUDITORS WITHOUT PRESENCE OF MANAGEMENT**

During the year, the Company’s external auditors were invited to attend the AC meetings and make presentations as appropriate. The AC has the discretion to meet separately with the external auditors without the presence of Management.

## **GUIDELINE 12.6 INDEPENDENCE OF EXTERNAL AUDITORS**

The AC reviews the independence of the external auditors annually. It has reviewed the amount of non-audit services rendered to the Group by the external auditors and was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. During the year, S\$3,500 was paid to the external auditors of the Company for non-audit services. Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the AC recommended to the Board that Mazars LLP be nominated for the re-appointment as external auditors of the Group’s companies in Singapore at the forthcoming AGM at remuneration to be re-negotiated.

## **GUIDELINE 12.7 WHISTLE-BLOWING POLICY**

The Company has in place a whistle-blowing framework for staff to raise concerns about improprieties. The policy serves to encourage and provide a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The objective of such an arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

## **GUIDELINES 12.8 AC TO KEEP ABREAST OF CHANGES TO ACCOUNTING STANDARDS**

All the AC members are kept up to date with changes in accounting standards and issues through updates from the external auditors. The Board is of the view that the members of the AC have sufficient accounting and financial management expertise and experience to discharge the AC’s functions.

# CORPORATE GOVERNANCE REPORT

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## **GUIDELINE 12.9 PARTNERS OR DIRECTORS OF THE COMPANY'S AUDITING FIRM**

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

## **INTERNAL AUDIT**

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***Principle 13: The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.***

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## **GUIDELINES 13.1 AND 13.2 INTERNAL AUDITORS**

In view of the needs to comply with the Group's established procedures, manuals and policies, including those required by the Group's ISO 9001 certification and Business Continuity Plan certification, and from the perspective of cost effectiveness coupled with the AC's view that the existing system of internal controls is adequate, the Group currently does not engage any third party internal auditor nor have a separate internal audit department.

## **GUIDELINES 13.3 & 13.4. INTERNAL AUDIT FUNCTION**

The Group's finance and compliance department reviews the internal controls and compliance systems of the Group under the Internal Audit Charter and Audit Plans approved by the AC, and report findings and make recommendation to the management and the AC. To ensure the adequacy, effectiveness and independence of the Group's in-house internal audit functions, the AC meets regularly to review these functions and audit findings. The AC is generally satisfied with the independence adequacy and effectiveness of the current arrangement.

The AC will also review the audit plans and the findings of the external auditors and will ensure that the Group follows up on the external auditors' recommendations raised, if any, during the audit process. The AC is generally satisfied with the adequacy of the current arrangement and will continue to assess its effectiveness regularly.

## **SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS**

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***Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

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## **GUIDELINES 14.1 SUFFICIENT INFORMATION TO SHAREHOLDERS**

The Board places great emphasis on investor relations with the Company to maintain a high standard of transparency so as to promote better investor communications.

# CORPORATE GOVERNANCE REPORT

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## **GUIDELINE 14.2 PROVIDING OPPORTUNITY FOR SHAREHOLDERS TO PARTICIPATE AND VOTE AT GENERAL MEETINGS**

Every Shareholder has the right to receive notice of general meetings and to vote thereat. Notice of a general meeting is sent out at least 14 days before the meeting so that sufficient notice of meeting is given to Shareholders to attend the meeting or appoint proxies to attend and vote in their stead.

At the annual general meeting, Shareholders are given the opportunities to express their views and ask the Board and Management questions regarding the operations of the Company. All resolutions at general meetings are required to be voted by poll under the Listing Rules of the SGX-ST. Shareholders will be briefed by the Company on the poll voting procedures at general meetings. The Directors, including the chairpersons of each of the Board Committees are available at the meetings to address Shareholders' queries. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the Shareholders.

## **GUIDELINE 14.3 PROXIES FOR NOMINEE COMPANIES**

The Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Companies Act allows relevant intermediaries which include CPF Approved Nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF Approved Nominees' proxies.

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***Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

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## **GUIDELINE 15.1 TO 15.4 TIMELY INFORMATION TO AND ENGAGEMENT WITH SHAREHOLDERS**

The Board is mindful of the obligations to provide timely disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST. Financial results are released promptly through SGXNET. As and when needed, a copy of the Annual Report, Circulars and notice of general meetings will be sent to every Shareholder on a timely basis.

The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Rules.

## **GUIDELINE 15.3 AND 15.4 ENGAGEMENT WITH SHAREHOLDERS**

At the general meetings, Shareholders are given the opportunities to voice their views, raise their concerns with the Directors or question the management on matters relating to the Group and its operations.

The external auditors, the chairpersons of all the Board Committees are present to assist the Directors in addressing any relevant queries raised by the Shareholders. The Group supports and encourages active Shareholders participation at general meetings. The Board believes that general meetings serve as an opportune forum for Shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the Annual Reports or Circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company website.

# CORPORATE GOVERNANCE REPORT

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## **GUIDELINE 15.5 DIVIDENDS**

The Group currently does not have a formal dividend policy as it needs to conserve its financial resources for expansion or making inroads into newly cultivated markets.

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**Principle 16:** *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

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## **GUIDELINE 16.1 EFFECTIVE SHAREHOLDERS' PARTICIPATION**

All resolutions at the forthcoming AGM would be put to vote by poll. This will allow greater transparency and more equitable participation by Shareholders.

Voting in absentia by remote means which is currently not permitted until legislative changes are effected to recognise remote voting. However the Company's Constitution allows for appointment of proxies for a Shareholder to vote in absentia through his proxy.

## **GUIDELINE 16.2 SEPARATE RESOLUTIONS AT GENERAL MEETINGS**

The Company will have separate resolutions at general meetings on each distinct issue. The Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Singapore Companies Act, Cap. 50 allows relevant intermediaries which include CPF or agent banks nominees, to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF or agent banks' proxies.

## **GUIDELINE 16.3 ATTENDANCE OF CHAIRMAN OF THE BOARD AND BOARD COMMITTEES AT GENERAL MEETINGS**

The Directors, including the chairpersons of each of the Board Committees are available at the meetings to address Shareholders' queries. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the Shareholders.

## **GUIDELINE 16.4 MINUTES OF GENERAL MEETINGS**

The minutes of the general meetings are taken and are available to Shareholders on request.

## **GUIDELINE 16.5 RESULTS OF RESOLUTIONS BY POLL**

All resolutions at the forthcoming AGM would be put to vote by poll. This will allow greater transparency and more equitable participation by Shareholders.

## **INTERESTED PERSON TRANSACTION**

The Group has adopted an internal policy in respect of any transactions with interested persons and requires all such transactions to be at arm's length and reviewed by the AC. The Company does not have any general mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST. There were no interested person transactions for FY2019.

# CORPORATE GOVERNANCE REPORT

Disclosure of interested person transactions is set out as follows:

Name of Interested Person	Aggregate value of all interested person transactions conducted (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nil	Nil	Nil

## SECURITIES TRANSACTIONS

The Company has adopted a policy prohibiting dealings in the Company's shares by the Company, Directors and employees of the Group on short-term considerations and for the period of one month prior to the announcement of the Group's yearly results and two weeks before the announcement of the Group's other quarterly results. The Company, Directors and employees of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods.

## MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling Shareholder.

## USE OF THE PROCEEDS FROM SHARE PLACEMENT PURSUANT TO RULE 1207 (20)

Pursuant to the Company's announcements on 31 October 2018, 20 November 2018 and 27 November 2018, the Company has successfully completed the placement of 100,000,000 new ordinary shares ("Placement Shares") on 27 November 2018 at a placement price of S\$0.025 per Placement Share for a net proceeds of approximately S\$2.5 million (US\$1.8 million).

As at the date of this report, the net proceeds of approximated US\$1.8 million (S\$2.5 million) raised from the Share Placement had been fully utilised in accordance with the intended use of proceeds as follows:

Used of Share Placement proceeds:	US\$'000	Percentage utilised over allocated (%)
Redemption of Exchangeable Bonds	1,100	100
For working capital requirements:		
- Capability development program for space	600	100
- Payment of administrative expenses, including payroll and other services	100	100
<b>Total amount utilised</b>	<b>1,800</b>	<b>100</b>

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board confirms that for FY2019, the Company has complied materially with the principal corporate governance recommendations set out in the Code.