

CORPORATE GOVERNANCE REPORT

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 2018 (the “**Code**”). In areas where the Company deviates from the Code, the rationale is provided.

BOARD MATTERS

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 Directors of the Company are:

| | |
|------------------------|---|
| Dr Chan Kum Lok, Colin | Chairman and Chief Executive Officer (“ CEO ”) |
| Mr Tan Khai Pang | Executive Director |
| Mr Michael J Butler | Independent Non-Executive Director |
| Mr Richard J Denny | Lead Independent Non-Executive Director |

PROVISION 1.1

BOARD’S ROLE

All Directors recognise and will objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The Board, comprising two executive Directors (collectively, the “**Executive Directors**”, and each an “**Executive Director**”) and two non-executive Independent Directors (collectively, the “**Independent Directors**”, and each an “**Independent Director**”), are 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 primary role of the Board includes the following:

- Providing entrepreneurial leadership and setting and approving policies and strategic objectives of the Group
- Ensuring that the necessary resources are in place for the Group to meet its strategic objectives
- Reviewing and approving the financial performance of the Group, including its half and full year financial results’ announcements
- Establishing and maintaining a sound risk management framework to effectively monitor and manage risks; to achieve an appropriate balance between risks and company performance; and to ensure transparency and accountability to key stakeholder groups
- Instilling an ethical corporate culture and ensuring that the values, standards, policies and practices of the Group are consistent with its culture

The Board recognises that, to ensure business continuity, it has to consider sustainability issues in its strategy formulation in order strike a balance between its business needs and the need of the society and the environment in which it operates. The Company’s Sustainability Report for FY2019 was set out in the FY2019 Annual Report. The Company will post its Sustainability Report for FY2020 through the SGXNET and its website by 28 October 2020.

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PROVISION 1.2 DIRECTORS' DUTIES AND RESPONSIBILITIES

The Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group.

The Company has in place a process of induction, training and development for both new and existing Directors.

Newly appointed Directors will be given an orientation program to familiarize themselves with the 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 CEO and, where appropriate, the Company's legal advisers, on their duties and obligations as director, and on the Group's organization 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 (the "SGX-ST") (the "Listing Rules") and the accounting standards and the Code. The Chairman updated 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 were also updated by the external auditor and the Company Secretary during Board meetings and by circulations the changes and development in accounting standards and regulatory changes to the Listing Rules and the Code. Information on training programmes, courses, conferences, seminars and workshops relevant to their discharge of director's duties were circulated to the Directors on a regular basis, of which some were attended or participated by the Directors during the year.

PROVISION 1.3 MATTERS REQUIRING BOARD APPROVAL

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

- Review the performance of the Group, including approval of the results announcements and annual budget 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 acquisitions and disposals
- Corporate or financial restructuring
- Declaration of dividends and other returns to Shareholders
- Appointment of new Directors and re-appointment of Directors

PROVISION 1.4 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. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions and each committee's activities, are disclosed in this report under Principles 4 to 10 thereof.

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PROVISION 1.5 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. The Board ensures that Director with other listed board representations, if any, gives sufficient time and attention to the affairs of the Group.

From 16 July 2019, being the date of the last Annual Report, to the date of this Annual Report, our Company convened six Board meetings, six AC meetings, one NC meeting and one RC meeting.

Besides formal meetings, Board members also met at informal meetings or via teleconferencing or communicate via 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:

| Director | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|--------------------------|------------------------------------|-----------------|----------------------|------------------------|
| Number of meetings held | 6 | 6 | 1 | 1 |
| Name of Directors | Number of meetings attended | | | |
| Dr Chan Kum Lok, Colin | 6 | 6 | 1 | 1 |
| Mr Tan Khai Pang | 6 | 6 | 1 | 1 |
| Mr Michael J Butler | 5 | 6 | 1 | 1 |
| Mr Richard J Denny | 6 | 6 | 1 | 1 |

PROVISION 1.6 BOARD'S ACCESS TO INFORMATION

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. Periodic financial summary reports, budgets, forecasts and other disclosure documents are provided to the Board, where appropriate, prior to Board meetings.

PROVISION 1.7 BOARD'S ACCESS TO MANAGEMENT, COMPANY SECRETARY AND EXTERNAL ADVISERS

The Board has separate and independent access to our Company Secretary and Management. 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. The appointment and removal of the Company Secretary is subject to the approval of the Board.

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.

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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.

PROVISION 2.1 INDEPENDENT ELEMENT ON THE BOARD

The Board comprises four members, half of whom, namely Mr Richard J Denny and Mr Michael J Butler, are independent and non-executive.

The criterion for independence is based on the definition given in the Code and in the Listing Rules. The Code has defined an “independent” director as one who is independent in conduct, character and judgement and has no relationship with the company, its related corporations, its substantial 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. Under the Listing Rules, an independent director is not one who is or has been employed by the company or any of its related corporations for the current or any of the past three financial years; or not one who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee.

All the Independent Directors of the Company have confirmed their independence and that they do not have any relationship with the Company, its related corporation, any of its Shareholders who has an equity interest of 10% or more in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgement pursuant to the Listing Rules.

Mr Michael J Butler has reached a term of service of nine years on 1 September 2019 as an Independent Director. The Board is of the view that Mr Butler’s independence has not been compromised due to his length of service in view of the following considerations:

- (a) Mr Butler has demonstrated a high degree of independence from the Management of the Group during his term as an Independent Director of the Company;
- (b) Mr Butler has shown significant commitment to the Group and has brought to the Board his considerable experience in satellite-related matters and businesses as an Independent Director of the Company; and
- (c) Mr Butler has confirmed that he has no association with the Company, its related corporations, any of its Shareholders who has an equity interest of 10% or more in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment.

After taking into account all the above factors, the Board has determined that Mr Butler continues to be independent.

To maintain his independence, Mr Butler has abstained from the NC’s and the Board’s deliberation with regard to his independence.

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PROVISIONS 2.2 AND 2.3

COMPOSITION OF INDEPENDENT DIRECTORS AND NON-EXECUTIVE DIRECTORS ON THE BOARD

Under the Listing Rules, the independent directors should make up one-third of the board. The composition of the Board complies with the Listing Rules.

Under Provision 2.2 of the Code, the independent directors should make up a majority of the board where the chairman is not an independent director. Under Provision 2.3 of the Code, the non-executive directors should make up a majority of the board. All the Non-Executive Directors of the Company are Independent Directors and they make up half the Board. Given the Board size of four, the two Independent Directors provide a good balance of authority and power within the Board. In addition, each of the NC, AC and RC, which assists the Board in its functions, is chaired by an Independent Director. The Board is of the view that there are sufficient check and balance within the Board to justify the departure of the Board composition from the Code.

PROVISION 2.4

BOARD SIZE AND DIVERSITY

The composition of the Board is reviewed on an annual basis by the NC. The NC 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.

The Board supports a board diversity policy to ensure that the Board has an appropriate level of diversity of thoughts and backgrounds to enable wider perspectives which encourage more effective discussions and better decision-making. The Board members collectively have the necessary skills and competencies, covering business and management experience, industry knowledge and strategic planning skills, for the effective functioning of the Board and informed decision-making.

Dr Colin Chan and Mr Tan Khai Pang, the co-founders of the Company, are each with more than 30 years' experience in the business. Mr Michael J Butler has over 25 years of successful commercial experience in world class, high technology businesses, including more than 13 years in senior general management roles. Mr Richard J Denny, with over 40 years of experience in the space and satellite sector, held a range of positions spanning across the technical and operational functions of Inmarsat plc ("**Inmarsat**") and was responsible for Inmarsat's fleet of satellites, network operations activities, satellite gateways, spectrum regulatory and spectrum management activities as well as satellite navigation services. The details of the Directors' background and experience are set out in the "Board of Directors" section of this Annual Report.

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 particular Mr Butler and Mr Denny, with their backgrounds and experience, bring with them wide perspectives which encourage more effective discussions and better decision-making.

PROVISION 2.5

ROLE OF NON-EXECUTIVE DIRECTORS

During the financial year reported on, the Non-Executive Directors (comprising the Independent Directors) 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. The Non-Executive Directors communicate among themselves without the presence of Management as and when the need arises. The Lead Independent Director provides feedback to the Chairman or the Board as appropriate.

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

PROVISIONS 3.1 AND 3.2 SEPARATE ROLES OF 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. With half of the Board currently comprises Independent and Non-Executive Directors, the Chairman-cum-CEO of the Company is not a member of any Committee.

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
- Promoting corporate governance
- Adherence to the Listing Rules and other regulatory requirements

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.

PROVISION 3.3 LEAD INDEPENDENT DIRECTOR

Mr Richard J Denny 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/or the Executive Director has failed to resolve or is inappropriate.

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.

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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.

PROVISIONS 4.1 AND 4.2 NOMINATING COMMITTEE

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

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

The role of the NC is to make recommendations to the Board on relevant matters relating to:

- (a) the review of the succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- (b) the process and criteria for evaluation of the performance of the Board, its board committees and Directors, including the review of the independence of the Independent Directors;
- (c) the review of training and professional development programmes for the Board and its Directors; and
- (d) the appointment and re-appointmen of Directors (including alternate Directors, if any).

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 the appointment, training and mentoring of successors. The NC has reviewed contingency arrangements for any unexpected incapacity of the Executive Director or any of key management personnel, and is satisfied with the procedures in place in ensuring the transition to a full operational management team.

PROVISION 4.3 PROCESS FOR THE SELECTION, APPOINTMENT AND RE-APPOINTMENT OF 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 Group 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, 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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Article 104 of the Company's Constitution requires one-third of the Directors to retire at each Annual General Meeting ("AGM"). Article 105 of the Company's Constitution requires those Directors to retire to be those longest in office since their last re-election or appointment or those who have been in office for the three years since their last election. Rule 720(5) of the Listing Rules requires all directors to submit themselves for re-nomination and re-election at least once every three years.

The NC has recommended to the Board the re-election of Mr Richard Denny who is due to retire at the forthcoming AGM pursuant to Article 104 of the Company's Constitution.

PROVISION 4.4 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 Provision 2.1.

PROVISION 4.5 DIRECTORS' MULTIPLE BOARD REPRESENTATIONS

The NC ensures that new Directors are aware of their duties and obligations. Each Director signs the undertaking in the form set out in Appendix 7.7 of the Listing Rules to undertake to use their best endeavours to comply with the Listing Rules and to procure that the Company too shall so comply.

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 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 Board 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 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.

Details of the Directors' principal commitments and outside directorships are set out in the "Board of Directors" section of this Annual Report.

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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.

PROVISIONS 5.1 AND 5.2 CONDUCT OF BOARD PERFORMANCE

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

Each year, the Directors are 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 the Board Committees.

The appraisal of the Board considers 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 are considered by the NC, which then makes recommendations to the Board with the aim of helping the Board to discharge its duties more effectively. The Directors are assessed on their experience in being a company director, competence and knowledge, the level and quality of involvement during the course of the year, attendance record at meetings of the Board and the Board Committees, intensity of participation at meetings, the quality of interventions and special contributions.

For FY2020, the NC has reviewed each individual Director's performance during the appraisal exercise and the overall assessment of individual Directors and of the Board as a whole was good. The NC has discussed the results with the Board and it is the Board's endeavour to, where appropriate, further improve and enhance its effectiveness over the Group's performance, financially or otherwise. The Board is also satisfied that each Director has allocated sufficient time and resources to the affairs of the Group.

The Company does not use any external professional facilitator for the assessments of the Board, Board Committees and individual Directors, and will consider the use of such facilitator as and when appropriate.

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.

PROVISIONS 6.1 AND 6.2 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 Michael J Butler | (Member/Independent and Non-Executive) |
| Mr Tan Khai Pang | (Member/Executive Director) |

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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 management personnel and to determine specific remuneration packages for each Executive Director as well as for the key management personnel of our Group. 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.

PROVISION 6.3 REVIEW OF REMUNERATION

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in-kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his remuneration package. The recommendations of the RC will be submitted to the Board for endorsement.

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. 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.

PROVISION 6.4 ENGAGEMENT OF REMUNERATION CONSULTANTS

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. For FY2020, the RC did not engage any expert professional advice.

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.

PROVISION 7.1 REMUNERATION OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

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

Executive Directors and 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. The RC members recommend the remuneration packages of Executive Directors and key management personnel for the approval by the Board.

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PROVISION 7.2 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.

PROVISION 7.3 APPROPRIATE REMUNERATION TO ATTRACT, RETAIN AND MOTIVATE KEY MANAGEMENT PERSONNEL AND DIRECTORS

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. The RC is satisfied that the remuneration for the Non-Executive Directors as described under Provision 7.2 are appropriate to retain and motivate the Directors to continue in their role as stewards of the Company.

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.

PROVISION 8.1 REMUNERATION REPORT

Details of the remuneration paid or proposed to be paid to the Directors of our Company for the FY2020 are set out below:

| Remuneration Bands | Director | Director's Fees (%) | Fixed Salary ² (%) | Benefits ² (%) |
|------------------------|------------------------------|---------------------|-------------------------------|---------------------------|
| \$250,000 to \$499,999 | Dr Chan Kum Lok, Colin | - | 88 | 12 |
| | Mr Tan Khai Pang | - | 83 | 17 |
| Below \$250,000 | Mr Michael J Butler | 100 | - | - |
| | Mr Richard J Denny | 100 | - | - |
| | Mr Lim Han Boon ¹ | 100 | - | - |

- Mr Lim Han Boon retired as an Independent Director with effective from 31 July 2019.
- The fixed salary amounts include salary, annual wage supplements and Central Provident Fund contribution while the benefits include variable bonuses linked to individual performances and other allowances.

The Board considered the disclosure of Directors' remuneration in bands of \$250,000 as adequate due to reasons of industry competitiveness, confidentiality and sensitivity of remuneration matters. The two Executive Directors, who are non-substantial Shareholders of the Company, 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 \$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.

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Top 6 Key Management Personnel (who are not Directors)

Details of the remuneration paid to the Key Executives for FY2020 are set out below:

| Remuneration Bands | Name of Key Executive | Designation | Fixed Salary ¹ (%) | Benefits ¹ (%) |
|--------------------------|------------------------------|--|----------------------------------|------------------------------|
| S\$250,000 to S\$499,999 | Nil | | | |
| Below S\$250,000 | Mr Tan Juay Hwa | Project Director | 84 | 16 |
| | Mr Lim Han Boon ¹ | Finance Director | 95 | 5 |
| | Ms Chow Choi Fun, Jackie | Financial Controller | 99 | 1 |
| | Mr EML Ekanayake | Vice President, Product Management | 98 | 2 |
| | Mr K Kalaivanan | Vice President, Solutions Platform | 92 | 8 |
| | Mr Edward Fong | Senior Vice President, Products and Solutions / Managed Services | 98 | 2 |

1. Mr Lim Han Boon was appointed as Finance Director from 1 August 2019.

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

The present key management team of the Group, who are not Directors of the Company, comprised six personnel as disclosed above. The total remuneration paid to the six of them for FY2020 aggregated to US\$590,054.

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

PROVISION 8.2

REMUNERATION OF IMMEDIATE FAMILY MEMBER OF DIRECTORS, CEO OR SUBSTANTIAL SHAREHOLDERS

During FY2020 and as at the date of this Annual Report, none of the employees of the Group are family members of any of the Directors, CEO or substantial Shareholders.

PROVISION 8.3

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 FY2020.

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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.

PROVISION 9.1 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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 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 Group'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.

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 minimize 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.

PROVISION 9.2 ASSURANCES FROM THE CEO AND FINANCIAL CONTROLLER

For FY2020, 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 of the Group have been properly maintained; the financial statements give a true and fair view of the Group's operations and finances; and the Group's risk management and internal control systems are adequate and effective.

BOARD'S COMMENT ON ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROLS

Based on the work performed by the external and internal auditors, the system of risk management and internal controls established and maintained by the Group, the assurances from the CEO and Financial Controller, the reviews performed by the management, the various Board Committees and the Board, pursuant to Listing Rule 1207 (10), the Board is of the opinion that the Group's internal controls, including operation, financial, compliance, information technology controls and risk management system, are 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 control 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

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee (“AC”) which discharges its duties objectively.

PROVISIONS 10.1 AND 10.2

AC MEMBERSHIP & COMPOSITION

The AC 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 Michael J Butler | (Member/Independent and Non-Executive) |
| Mr Tan Khai Pang | (Member/Executive) |

All the AC members have had many years of senior management experience, and were responsible and accountable for the financial performance of operations under their charge and had developed strong accounting or financial related management expertise. 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 AC is able to discharge its 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.

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

- The scope, adequacy, effectiveness, independence and the results of internal audit functions and audit procedures with the Company's internal auditors;
- The adequacy, effectiveness, independence and scope of 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 internal and external auditors;
- The adequacy and effectiveness of the Company's internal control and risk management systems at least on an annual basis;
- The assurance from the CEO and the Financial Controller on the proper upkeep of financial records and financial statements;
- The significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and the disclosures thereof in relation to 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;
- Recommendations to the Board on the appointment, re-appointment or removal of the external auditors and the remuneration and terms of engagement of the external auditors;
- Interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST); and
- Oversight over the administration of the framework for whistleblowing.

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.

CORPORATE GOVERNANCE REPORT

The AC also reviewed the key audit matters (“KAM”) set out in the auditor’s report for FY2020. 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 subsidiary incorporated in Hong Kong, and Beijing An Zheng CPA Co., Ltd as the external auditors of the Company’s subsidiary incorporated in the People’s Republic of China, 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.

Independence of external auditors

The AC reviews the independence of the external auditors annually. It 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 FY2020, 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 re-appointment as the external auditors of the Group’s companies in Singapore at the forthcoming AGM at remuneration to be re-negotiated.

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.

All whistler-blower complaints will be investigated independently by the AC and the findings will be reported to the Board. There were no reports of whistle blowing received in FY2020.

PROVISION 10.3 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.

PROVISION 10.4 INTERNAL AUDIT

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, the Group had since FY2020 engaged an independent internal auditor to review the internal controls and compliance systems of the Group under the Internal Audit Charter and Audit Plans approved by the AC. The internal auditor, Ardent Business Advisory Pte Ltd, a member firm of Kreston International, carries out its internal audit functions according to the standards of the Professional Practice of Internal Auditing of the Institute of Internal Audit (IIA), and reports the findings thereof and makes recommendation to the Management and the AC. The AC is generally satisfied with the independence, adequacy and effectiveness of the current internal audit arrangement, and will continue to assess its effectiveness regularly.

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.

CORPORATE GOVERNANCE REPORT

PROVISION 10.5 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 or outside of the meeting without the presence of the Management.

SHAREHOLDER RIGHTS AND ENGAGEMENT 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.

PROVISION 11.1 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 AGM, Shareholders are given the opportunities to express their views and ask the Board and the Management questions regarding the operations of the Company. All resolutions at general meetings are required to be voted by poll under the Listing Rules. Shareholders will be briefed by the Company on the poll voting procedures at general meetings.

Results of the general meetings are released as an announcement in SGXNET.

PROVISION 11.2 SEPARATE RESOLUTIONS AT GENERAL MEETINGS

The Company will have separate resolutions at general meetings on each distinct issue. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed separate resolution relating to the said item. For resolutions on the election or re-election of Directors, information on the Directors as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST are given on the Notice of Annual General Meeting.

PROVISION 11.3 ATTENDANCE OF DIRECTORS AND AUDITORS AT GENERAL MEETINGS

The external auditors and the chairpersons of all the Board Committees are present to assist the Directors in addressing any relevant queries raised by the Shareholders.

PROVISION 11.4 ABSENTIA VOTING

The Company's Constitution allows appointment of proxies by a Shareholder who is absent from a general meeting to exercise his or her vote in absence through his or her proxy or proxies. The Company's Constitution allows all Shareholders (who are not relevant intermediaries as set out under the Companies Act) to appoint up to two proxies to attend general meetings and vote on their behalf. The Companies Act allows relevant intermediaries such as the CPF agent bank nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF agent banks' proxies.

CORPORATE GOVERNANCE REPORT

PROVISION 11.5 MINUTES OF GENERAL MEETINGS

The Company prepares minutes of general meetings detailing the proceedings and questions raised by Shareholders and answers given by the Board and the Management. The minutes will be taken and published in the Company's corporate website at www.addvaluetech.com.

PROVISION 11.6 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.

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.

PROVISION 12.1 AVENUES FOR COMMUNICATION BETWEEN THE BOARD AND SHAREHOLDERS

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 and trade-sensitive information are publicly announced before it is communicated to any other interested person.

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.

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 (at www.addvaluetech.com).

PROVISIONS 12.2 AND 12.3 INVESTOR RELATIONS

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.

The Company investor relations policy is to communicate with its Shareholders and the investment community through the timely and equal dissemination of information and news via announcements to the SGX-ST via SGXNET. The Company does not practice selective disclosure.

The Company strives to reach out to Shareholders and investors via its online investor relations site within its corporate website (at www.addvaluetech.com), where it updates Shareholders and investors on the latest news and business developments of the Group.

CORPORATE GOVERNANCE REPORT

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.

PROVISIONS 13.1 AND 13.2

ENGAGEMENT WITH ITS MATERIAL STAKEHOLDER GROUPS

The Group's material stakeholders are its Shareholders, customers, employees, business partners and the community, and the Company engages with them through its sustainability initiatives and corporate social responsibility programmes as set out in the Sustainability Report for FY2019 in the FY2019 Annual Report. The Company will post its Sustainability Report for FY2020 on the SGXNET and its corporate website (at www.addvaluetech.com) within one month from the date of the forthcoming Annual General Meeting to be convened on 29 September 2020.

PROVISION 13.3

CORPORATE WEBSITE TO COMMUNICATE AND ENGAGE WITH STAKEHOLDERS

The Group maintains a corporate website at www.addvaluetech.com which stakeholders and investors can access information on the Group. The website provides, *inter alia*, corporate announcements, press releases and profiles of the Group. Stakeholders and investors are provided with an investor relations contact at yeeping.tan@addvalue.com.sg, where they can send their queries to and the Company will endeavour to respond thereafter.

The Company has posted the contact of the Lead Independent Director on its corporate website to facilitate stakeholders and investors who wish to communicate with the Lead Independent Director.

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 FY2020.

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 S\$100,000) |
|---------------------------|---|--|
| Nil | Nil | Nil |

CORPORATE GOVERNANCE REPORT

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 or half-yearly results (as the case may be). With the adoption of half yearly reporting of the financial statements from FY2021 as announced by Company on 13 February 2020, all Directors and employees of the Group are prohibited from dealing in the Company's securities two weeks before the release of the half year financial statements and one month before the release of the full year financial statements.

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 CONVERTIBLE LOAN NOTES PURSUANT TO RULE 1207 (20)

Pursuant to the Company's announcements on 30 June 2019 and 6 August 2019, the Company successfully completed the issuance of convertible loan notes in the aggregate principal amount of approximately US\$2.55 million (S\$3.45 million) (the "2019 Convertible Loan Notes") which are convertible, in whole or in part, into not more than 150,000,000 new ordinary shares in the capital of the Company by 6 August 2021 at the latest (the "2019 Conversion Shares") at a conversion price of S\$0.023 per 2019 Conversion Share.

As at the date of this report, the entire net proceeds of about US\$2.55 million (S\$3.45 million) raised from the 2019 Convertible Loan Notes had been fully utilized for its intended use as follows:

| Used of proceeds: | US\$'000 | Percentage utilised over the allocated amount (%) |
|--|-----------------|--|
| Capability development program for space | 1,500 | 100 |
| General working capital purposes: | | |
| • Payments to suppliers for materials and services | 150 | 100 |
| • Payment for office relocation costs | 100 | 100 |
| • Payment of administrative expenses, including payroll and other services | 800 | 100 |
| Total amount utilised | <u>2,550</u> | |