
**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION
(SINGAPORE)**

The Board of Directors (the "**Board**") of Azeus Systems Holdings Ltd (the "**Company**") refers to:

- (a) the annual report of the Company for the financial year ended 31 March 2022 (the "**Annual Report**");
- (b) the notice of Annual General Meeting ("**AGM**") issued on 23 June 2022 informing shareholders that the Company's AGM will be convened and held at Sky Ballroom Three, PARKROYAL on Beach Road, 7500 Beach Road, Singapore 199591 and by electronic means on Friday, 15 July 2022 at 10:00 a.m.; and
- (c) the accompanying announcement issued by the Company on 23 June 2022 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via physical and electronic means.

Please refer to **Annex A** hereto for the list of questions received from Securities Investors Association (Singapore), and the Management and the Board's responses to these questions.

By order of the Board

Lee Wan Lik
Executive Chairman
12 July 2022

ANNEX A

ANNUAL GENERAL MEETING TO BE HELD ON 15 JULY 2022 RESPONSE TO QUESTIONS FROM SIAS

Question 1.

In his message to shareholders, the chairman and CEO highlighted that the group achieved strong growth in both operating segments, i.e., Azeus Products and IT Services. For the financial year ended 31 March 2022, revenue increased by 22.2% to HK\$217.7 million. Net profit more than doubled to HK\$48.5 million.

The group also secured its single largest contract of over HK\$1.02 billion from the Hong Kong government for the implementation and maintenance of the Central Electronic Recordkeeping System with the group's product, Convene Records.

- (i) What is the sentiment on the ground in Hong Kong in view of its COVID policy, the change in government leadership, the state of the economy, the socio-political climate, etc?**
- In Hong Kong, Azeus has a 30-year track record with the Hong Kong SAR Government and the Group has an unblemished track record of completing all its projects successfully and had not experienced a premature termination by the Hong Kong SAR Government once a project was awarded.
 - With COVID, digitalisation has become even more important, and we continue to see projects being awarded by the Hong Kong SAR Government, including the project that was recently awarded by the Office of the Government Chief Information Officer ("OGCIO") to design and develop its Central Electronic Recordkeeping System as a common service for all its bureaus and departments.

(ii) Has the design and implementation work progressed smoothly since the commencement more than two months ago (in May 2022)?

- The project has commenced as scheduled in May and is progressing according to plan.
- The total estimated contract value from OGCIO is up to HK\$1.02 billion and will cover the design and development of the Central Electronic Recordkeeping System with a total implementation price of HK\$633.9 million over the next 50 months, as well as the system's maintenance and support for ten years of HK\$381.4 million following its implementation. Hence, revenue from development, deployment and licensing would start from FY2023 till FY2027. Maintenance and Support revenue is expected to start in FY2027.

(iii) Does the group have the necessary manpower (especially experienced developers with proven track records) to support this new project? Are there challenges in recruiting experienced development and engineering talent needed for the job?

- The core of the System is based on Convene Records which is a content and records management product designed and developed by Azeus. This Azeus product, Convene Records, will be customised and then deployed to the majority of bureaux and departments in the Hong Kong SAR Government.
- An expected 75% of the total estimated contract value (HK\$1.02 billion) would be from the license and maintenance fees of the Convene Records software, while the remaining 25% would be from the customised implementation and deployment tasks that will be handled and managed by our engineering team.
- Enhancement and customisation to Convene Record would be carried out by our existing product engineering team. We would be adding some resources to help with deployment.

(iv) How much of the software development work is carried out “offshore”, in the Philippines or other countries?

- In this regard, the project management and deployment are localised in Hong Kong, while customisations and product enhancements are conducted at our global engineering centres.

(v) Given the client, the size and the significance of the project, has the board put in place additional safeguards to ensure that the project is delivered on time, on budget and meets or exceeds the client's expectations?

- Azeus is committed to maintaining high levels of quality with respect to the IT solutions and services that we provide to our customers. Azeus' work processes have been assessed at Level 5 under the SW-CMM model since 2002 and appraised at Level 5 under the Capability Maturity Model Integration for Software Engineering (CMMI-SW) model since 2003. These models establish standards for assessing the maturity of processes employed by an organisation involved in software development, with level 5 being of the highest quality level.
- It is our current practice to keep our board apprised of all significant projects and we would be rigorously reporting on any material deviations given its significance.

(vi) What are the major operational/technical risks that have been identified? How is management managing such risks?

- We have some 30 years of experience in developing and deploying IT projects for the Hong Kong SAR Government. We have leveraged on our past experiences and robust project management at the highest level of CMMI-SW Level 5 to put in place the processes that would help mitigate foreseeable and inherent risks associated with this project. Further, an early version of the Electronic RecordKeeping System (Convene Records) has been deployed and used within a government department over the last 4 years.
- The Central Electronic Recordkeeping System project is a large-scale project that is split-up into multiple delivery milestones. This aids in risk management as risk is more contained with an earlier detection of issues and potential mitigation actions taken on a more defined scope. This helps to spread out project risks.

(vii) What are some of the other major opportunities in the next 18-24 months? Is there bandwidth in the group, at both the management and technical levels, to pursue other major/new projects?

- For our Product business, we maintain and evolve a product roadmap to meet current and envisioned needs. We continue to invest in R&D to seek out new innovations. To meet the need for global talents, we have added new engineering centres in Malaysia and India.
- Further, we are open to and are on the lookout for strategic partnership opportunities to add to our product offerings and to increase our innovation capacities.

Question 2.

The group has been particularly successful with Azeus Products. Revenue from Azeus Products increased by 23.2%, year-on-year, to HK\$139.4 million in FY2022.

Five years ago, in FY2017, revenue from Azeus Products was just HK\$11.9 million. The compound annual growth rate is approximately 63% over the past 5 years.

(i) Convene: Can management help shareholders better understand the use case of Convene? Is Convene a governance tool that is exclusively used in the board room? What is the estimated size of the total addressable market? Can it be adapted for operations or other uses?

- Convene is a leading digital meeting solution that makes for more effective and productive meetings with customers in more than 100 countries. Through its user-friendly and intuitive functionalities, Convene has enabled organisations across the private, public and not-for profit sectors to organise and conduct meetings ranging from board meetings, committee meetings to document-centric management meetings. Convene helps promote better governance through a single secure technology platform to manage and conduct formal or structured meetings (physical, virtual, or hybrid). Though particularly relevant with board meetings, it is equally helpful in boosting productivity, accountability, and collaboration of many types of meetings. As organisations become more digitalised and work becomes more distributed geographically, we expect that there will be a growing demand for effective meeting solutions.

(ii) Virtual AGM solution: How much of the growth has been driven by Convene AGM? What is management's strategy to retain Convene AGM users as COVID-19 safe management measures are rolled back and physical AGMs are gradually making a comeback?

- ConveneAGM was a new product launched two years ago and has been adopted by hundreds of customers and has gained good traction and contributed to our revenue growth. We continue to seek ways to expand its market reach into more countries and have been adding new features to adapt to the evolving ways AGMs are being conducted. With relaxation of pandemic regulations, more AGMs would be reverting to the physical meetups. ConveneAGM has been evolving in tandem,

growing to support hybrid and even physical AGMs. Notwithstanding this, we expect that the return to physical AGMs would slow the adoption of ConveneAGM.

(iii) Cybersecurity: How advanced are the cybersecurity features of Convene/Convene AGM? How well trained is the team in dealing with potential security incidents to stop/minimise any breaches and data theft? Is the Convene platform susceptible to cybersecurity attacks, including Denial of Service (DoS)/Distributed Denial of Service (DDoS) attacks?

- We have established best practices in cybersecurity and our products are equipped with advanced security features and end-to-end encryption to further protect all relevant data.
- All cybersecurity related matters (including incident response and containment), are handled by a dedicated security team, led by our company's Chief Security Officer. All the security team members are Bachelor's/Master's professionals qualified in the relevant fields or industry experience equivalent, to carry out their duties. The team members also hold related specialist qualifications (such as RHCSA and CISSP). Further, Azeus provides platform specific training to ensure that our staff are equipped with the appropriate and necessary skills to perform their roles.
- Azeus employs both a pre-emptive and reactive approach to cybersecurity for its product development.
- Proactively, cybersecurity threats and concerns are addressed in the design and development process, via a set of secure development practices that are based on best-practice standards.
- Reactively, Azeus ensures that our products are protected against new and emerging threats, by employing a range of security assurance procedures.
- Independent third parties are being engaged to provide professional penetration testing services and to 'stress test' the security of our products. Additionally, we invite clients to perform their own penetration testing on our products for further validation on the robustness of our platform.
- Security mechanisms and measures have been deployed to protect the Convene platform and infrastructure against cybersecurity attacks. Convene servers are hosted using the specialist cloud infrastructure provided by our cloud infrastructure service provider. Hosting within this infrastructure provider gives Convene access to a dedicated protection service against DoS/DDoS attacks that occur on the network and transport layer. Furthermore, web application firewalls (WAF), intrusion detection and prevention systems have been implemented whenever

appropriate to provide additional protection against cybersecurity threats and deliberate attacks. The infrastructure and platform are persistently monitored using these automated systems and will alert the technical teams of any potential or suspected incidents for further investigation.

Question 3.

As noted in the corporate governance report, the company has outsourced its internal audit function to an independent qualified firm of auditors, Moore Advisory Services Limited (“Moore Advisory”), as its internal auditor, to review the effectiveness of the company’s material internal controls.

During FY2022, the internal auditor (IA) reviewed key internal controls in selected areas as advised by the audit committee (AC) and reported its findings together with recommendations on areas for improvement to the AC for review. The resulting report is reviewed in detail by the AC in conjunction with management.

(i) What was the scope of the internal audit for FY2022? How long is the internal audit cycle?

- In FY2022, the Internal Auditor has conducted a review on the Company’s organisations and policies to assess and evaluate their effectiveness of the Company’s information system management processes (the ‘Assessment’).
- The Assessment evaluates the Company’s organisation and polices against ISO/IEC 27002.
- Every year, the IA will conduct the internal control review with the scope as specified by the AC.

(ii) Can the AC confirm that the internal audit covered all the foreign subsidiaries, including those in Australia, the British Virgin Islands, the Philippines, the United Kingdom and the United States of America?

- Within the Group, not all foreign subsidiaries are active companies, with some being investment holdings and dormant companies. Please refer to Note 16, page 67 of the Group’s Annual Report FY2022 for details.
- The internal audit has covered all the significant and applicable foreign subsidiaries within the Group.

(iii) How were the scope and the effectiveness of the IA affected in the past two years by the closure of national borders?

- As a technology company, Azeus relies upon information systems and employ digital technologies to carry out its business, managing its critical internal functions, and to deliver services, products, and solutions to its client. As such, most of the controls are readily available on its information systems, and hence, the effectiveness of the IA has not been hindered by the closure of national borders.

(iv) For the benefit of shareholders, would management disclose the key findings and the recommendations of the IA?

- Based on Azeus past years IA report findings, there were no significant audit matters or observations reported by the internal auditors. The results are satisfactory.
- IA findings are also reported to AC committee and the Board regularly. Management has been following the IA recommendations to rectify and improve all suggested internal controls recommendations, to seek to further improve on the Group's internal controls to safeguard our valuable assets.
- We have however, noted on your request and will take it into future consideration.

(v) What is the level of oversight by the AC on the actions taken by management to follow-up on the recommendations?

- The Management, internal auditor and the external auditor of the Company review and audit on a regular basis including testing the adequacy and effectiveness of material internal controls on key risks. At least two AC meetings were held annually. Any material non-compliance or lapses in internal controls and its corresponding mitigating actions would be reported to the Audit Committee.
- Annually, the Board, with the assistance from the Audit Committee, reviews the adequacy and effectiveness of the Company's risk management, and internal control systems, including financial, operational, compliance and information technology risks. The Management is responsible for internal control and ensuring compliance and the Audit Committee assists the Board in discharging its internal control review responsibilities.

(vi) Can the AC confirm that the internal auditor complies with the standards set by nationally or internationally recognised professional bodies, such as the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors?

- In FY2022, the IA has conducted a review on the Company's organisations and policies to assess and evaluate their effectiveness of the Company's information system management processes (the 'Assessment'). The Assessment was conducted by benchmarking against ISO/IEC 27002:2013 Information technology – Security techniques – Code of practice for information security controls (ISO/IEC 27002) published by the International Organisation for Standardisation (ISO) and International Electrotechnical Commission (IEC). The IA has rendered a report to the AC and has identified the potential risks with recommendations.