

Response to SGX Queries on the Company's Annual Report for the Financial Year Ended 31 December 2019

The Board of Directors (the “**Board**”) of Captii Limited (the “**Company**”) wishes to announce the following in response to the queries raised by Singapore Exchange Securities Trading Limited on 2 Jun 2020 (“SGX Query”) in relation to the Company's annual report for the financial year ended 31 December 2019.

SGX Query 1:

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

Company's Response 1:

The Audit Committee is of the opinion that the internal audit function is independent, effective and adequately resourced, for the following reasons as stated on page 26 and 27 of the Annual Report 2019 (“AR 2019”):

“The internal auditor (“IA”) reports principally to the Audit Committee's (“AC”) Chairman.

The IA provides independent appraisal and assurance for the review of the operations within the Group in order to support the AC in fulfilling their oversight responsibility.

IA has unfettered access to all the Company's documents, records, properties and personnel including the AC, and has appropriate standing with the Company in order for IA to discharge their function properly.

During the year, the IA has carried out its function according to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors, which includes operational and internal control reviews based on prioritised risk areas identified and appropriate steps have been taken by management to address the findings and recommendations.

Audit findings, recommendations and management's corrective actions are reported regularly to the AC. The AC also reviews annually the adequacy and effectiveness of the IA to ensure that the IA has the capabilities to adequately perform its functions.”

The function of IA is outsourced to Horizon Corporate Services Sdn Bhd (“HCS”). The HCS IA team is led by a Director/Managing Consultant of HCS with more than 10 years of experience in external and internal audits on various industries, including public listed companies. The Managing Consultant is assisted by an experienced Senior Consultant to discharge the IA function properly. Both of the Consultants are Chartered Member of The Institute of Internal Auditors Malaysia, while the Managing Consultant is also a Certified Internal Auditor by The Institute of Internal Auditors.

SGX Query 2:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had

adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response 2:

While the Company has not disclosed a board diversity policy in the AR 2019, the Company recognises the importance and benefits of composition and diversity on the Board. As the Company disclosed on page 21 of the AR 2019 that:

“The Board also aims to maintain a diversity of expertise, industry knowledge, skills, gender, age and diversity of background among the directors, including the Non-Executive Directors’ professions and experiences, which enable them to provide independent judgement to the Group’s activities.

Taking into account the operation and industry nature of the Group, the Board is in the view that the current Board size and composition being appropriate in effective decision making for the Group’s business, and that no individual or small group of individuals dominates the decisions of the Board.

The Board is able to exercise objective judgment independently from management.

Having reviewed and considered the composition and diversity of the Board, the Board is of the opinion that, given the scope and nature of the Group’s operations, the present size of the Board is appropriate for effective decision making. The Board is made up of directors of both gender and who are qualified and experienced in various fields including sales, engineering, business administration, general management, accountancy and finance.”

Detailed description of the directors’ background and experience are disclosed on page 15 and 16 of the AR 2019.

In view of the above, the Board believes that the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

SGX Query 3:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.1 of the Code with regards to the disclosure of remuneration. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response 3:

As stated on page 23 and 24 of the AR 2019, the Company has explained its deviations from Provision 8.1 of the Code as follows:

“In the interest of maintaining confidentiality, and team spirit within the Group, the Company has not disclosed the remuneration of each individual directors and key executives.

The Company is only disclosing the bands of remuneration of each director for the financial year under review in Table C.

For competitive reasons, the Company is only disclosing the bands of remuneration of each executive for the financial year under review in Table D.”

The Company is of the view that disclosure in incremental bands is sufficient and adequate, and that any further disclosure could be detrimental to the Group’s interest, team spirit and the confidential nature of remuneration matters. While the exact remuneration of the individual directors and key executives is not given, the level and mix of remuneration in percentage terms of the individual directors and key executives in bands of S\$250,000 are provided on page 24 (Table C and D) of the AR 2019. In addition, the Company has disclosed in page 24 and 25 of the AR 2019 both the total remuneration paid and payable to the directors and key executives for the financial year ended 31 December 2019 amounting to S\$450,000 and S\$1,014,000 respectively.

As stated on page 23 of the AR 2019, the Company has explained its remuneration practices as follows:

“The remuneration of the Executive Directors and the key executives comprises of fixed and variable components. The fixed component is in the form of monthly base salary and allowance, while variable component is linked to the performance of the Group and the individual. Staff appraisals are conducted and reviewed annually.

The Non-Executive Directors receive directors’ fees, in accordance with their level of contribution and responsibilities.

In setting remuneration packages, the Remuneration Committee (“RC”) took into account the performance of the Company as well as the directors and key executives by aligning their interests with those of the shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. The review of remuneration packages takes into consideration the longer term interests of the Company. The RC’s recommendation is made in consultation with the Executive Chairman and Executive Director and submitted for endorsement by the entire Board.”

The Company is of the view that the disclosure of remuneration information on page 23 and 24 of the AR 2019 is sufficient for shareholders to have an adequate appreciation of the remuneration of the directors and the key executives. The Company also believes that there is sufficient transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation are consistent with the intent of Principle 8 of the Code.

By Order of the Board

Wong Tze Leng
Executive Chairman

4 June 2020