

Response to SGX Query on the Company's Annual Report for the Financial Year Ended 31 December 2021

The board of directors of Captii Limited (the company, and together with its subsidiaries, the group) wishes to announce the following in response to a query raised by Singapore Exchange Securities Trading Limited on 25 April 2022 ("SGX Query") in relation to the company's annual report for the financial year ended 31 December 2021.

SGX Query:

Listing Rule 710 states that "An issuer must describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the Code. An issuer must comply with the principles of the Code. Where an issuer's practices vary from any provisions of the Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain 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 2.2 and 2.4 of the Code as Independent directors do not make up a majority of the Board where your Chairman is not independent and 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 AR2021 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:

As stated in pages 20, 21 and 22 of the Annual Report 2021, the company has explained its deviations from Provisions 2.2 and 2.4 of the Code as follows:-

Independence

"The board currently comprises five (5) directors, two (2) of whom are independent directors and one (1) non-executive director. The independent directors make up more than one-third of the board and non-executive directors make up majority of the board, thus providing a pivotal role in ensuring that there is balance of power and authority.

Each of the independent directors is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The current independent directors bring a wide range of business and financial experience, skills and knowledge necessary for the effective stewardship of the group.

As the executive chairman is part of the management team, the board notes that provision 2.2 of the Code requires that independent directors should make up a majority of the board where the chairman is not independent. Having considered that the board currently comprises a majority of non-executive directors of which two (2) are independent, the board views that there is a strong independent element in the board given the size of the board.

The board believes that the executive chairman has always acted and will continue to act at all times in the best interest of shareholders as a whole and will strive to protect and enhance the long-term shareholder value and the financial performance of the group.

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.

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 for the group's business, and that no individual or small group of individuals dominates the decisions of the board.

In respect of each of the two (2) independent directors, namely Peng Hock and Paul having served more than nine (9) years, the board has considered specifically their length of service and their continued independence. The board determined that the independent directors remained independent in character and judgment, and that there were no relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The board is of the opinion that their length of service has not, in anyway, affected their independence.

Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of SGX-ST, with effect from 1 January 2022, a director will not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such director and chief executive officer.

Approval from shareholders has been obtained through a two-tier voting process at the annual general meeting held on 28 April 2021 for the continuation of Peng Hock and Paul as independent directors, who have served the company for an aggregate term of more than nine years."

Diversity

"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.

The company currently does not have a formal board diversity policy. However, the board recognises the importance and benefits of composition and diversity on the board as recommended under the Code and views board diversity as an essential element to support the attainment of its strategies objectives and substantiality development. The board believes that a diverse board would be beneficial to the company as it will enhance the decision-making process by utilising the variety in skills, industry and business experiences, gender and other distinguishing qualities of the members of the board so as to mitigate against groupthink, and to ensure that the company has the opportunity to benefit from all available talents.

In reviewing board composition and succession planning, the NC takes into account its diversity aspirations for the board and considers the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors. These differences are considered in determining the optimum composition of the board and when possible, should be balanced appropriately. The NC reviews the policy from time to time as appropriate and the progress made.

In recognition of the importance and value of gender diversity in the composition of the board, the board has one female director currently, representing 20% of total board membership. Su Nie has been a member of the board since December 2003.

In addition, the board consists of directors with ages ranging from the forties to seventies, who have served on the board for different tenures. The board members with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the group's business and direction."

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.

By Order of the Board

Wong Tze Leng
Executive Chairman

27 April 2022