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**ANNUAL GENERAL MEETING TO BE HELD ON 13 AUGUST 2020  
RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION  
(SINGAPORE) AND SHAREHOLDERS**

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The Board of Directors (the “**Board**”) of Azeus Systems Holdings Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to thank shareholders for submitting their questions in advance of the Annual General Meeting (“**AGM**”) of the Company to be held on 13 August 2020 at 10 am. The Company will provide responses to shareholder questions relating to resolutions tabled for approval at the AGM. The Company has also received a set of queries from the Securities Investors Association (Singapore) (“**SIAS**”) in relation to its annual report for the financial year ended 31 March 2020 (the “**2020 Annual Report**”).

The following are the Company’s responses to the corresponding questions from SIAS and shareholders:

**A. Questions received from SIAS**

**Question 1 from SIAS**

In the message to shareholders, the managing director highlighted another year of record-high revenue achieved by the group in FY2020. This was mainly driven by the group’s proprietary products, namely “Azeus Convene” and “AzeusCare”. Amidst the pandemic, the group took the opportunity to boost the adoption of Azeus Convene (a board management software) and opened up a new market with the group’s latest electronic annual general meeting product, a virtual AGM solution - AGM@Convene. It is notable that revenue from the Azeus Products segment surged 68% to HK\$83.9 million in FY2020 from HK\$49.9 million in FY2019.

- (i) **The group’s flagship product, Azeus Convene, is said to be a leading paperless meeting solution used by directors and executives in various industries, across more than 100 countries. Would the company elaborate further on the revenue model for Azeus Convene?**

**Company’s response**

- Details to the revenue model for Azeus Convene can be found in Page 45 of our latest annual report in the section on Significant Accounting Policies.
- Product licensing income are revenue recorded in relation to Azeus Software Licenses. It pertains to subscription fees charged and implementation services provided.
- The revenue from implementation works is recognised at a point in time when the customer has acknowledged the completion of implementation works. The subscription fee is recognised over time over the duration of the contract beginning from the commencement date of each contract when service is made available to customers.
- The Group generally invoices customers in annual installments. Payment of subscription fee is due within 30 days of the invoice. Payments received relating to unsatisfied performance obligations are treated as current liabilities in the balance sheet.

- (ii) **Revenue in “United Kingdom and Europe” nearly doubled from HK\$15.4 million to HK\$29.0 million in FY2020. Does management have an estimate of the market share of AzeusCare in the UK? AzeusCare is the group’s proprietary product which supports the delivery of the requirements of the UK Care Act 2014.**

**Company’s response**

- The increase in revenue from HK\$15.4 million to HK\$29.0 million in FY2020 was contributed by the sale of two proprietary products – "AzeusCare" and "Azeus Convene".
- We are unable to provide guidance on market segment sizing. It is a niche market and we are one of the qualified service providers. In August 2011, we were selected for a new Government Procurement Services (formerly the Buying Solutions) framework for software solutions and services for local government.
- AzeusCare is an innovative and highly flexible case management system that supports the delivery of social care and health services. We believe that the key competitive advantages of our products are their ease of use and functionality.

- (iii) **In addition, in the IT services segment, the group achieved significant milestones including the first business outsourcing project from the Hong Kong Government – covering IT process, IT maintenance and support, as well as office operations and support services. What is the impact in terms of revenue (including the length of the contract) and the manpower needs due to the business outsourcing project from the Hong Kong Government? Would the board also help shareholders understand the ground sentiments in Hong Kong? What adjustments, if any, has the group made to its operations in recent years as a result of the domestic situation in Hong Kong?**

**Company’s response**

- As stated in our FY2020 year end results announcement, the Group expects some weaknesses due to a number of tender delays as a result of the political situation in Hong Kong and the COVID-19 pandemic.
- Our competitive edge is our experience in successfully handling large-scale and complex systems using our global delivery model, as proven by our track record of having successfully completed many large-scale government projects. This provides a compelling value proposition to our customers and places us in a stronger position to capitalize on new business opportunities. We are constantly looking out and bidding for projects to build our order book and will make the relevant announcements when appropriate.

### **Question 2 from SIAS**

In the consolidated statement of profit and loss and other comprehensive income (page 38), it was shown that the group recognised other losses of HK\$(4.1) million for the financial year (2019: HK\$(2.9) million). For reference, the full year total profit in FY2019 and FY2020 was about HK\$12.7 million each year. These “Other losses” are currency exchange losses – net as shown in Note 8 (page 59 – Other losses).

- (i) **Can management help shareholders understand the reasons for the large and increasing currency exchange losses? What is management doing to better manage its currency exposure?**

#### **Company’s response**

- As per our FY2020 year end results announcement, net foreign exchange loss arose from the translation of net monetary assets denominated in foreign currencies mainly in Great Britain Pound (“GBP”) at the closing rate at the balance sheet date.
- As at 31 March 2020, GBP weakened against HKD by 6.2% (FY2019: 7.2%), which resulted in a net foreign exchange loss of HK\$4.1 million for FY2020 (FY2019: HK\$2.9 million). This is consistent with the Group accounting policy – “Currency translation” as stated in the audited Financial Statements notes 2. 18 (b) which states transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions.
- Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

- (ii) **Given that the group’s business in the UK is growing rapidly and is recurring in nature, has the board considered the need to review the group’s currency risk management framework?**

#### **Company’s response**

- The Board will consider the need to review the group’s currency risk management framework.
- As stated in the Audited Financial Statements note 29 (a)(i) Financial Risk Management – currency risk, the Group manages currency risk by matching assets and liabilities in the same currency denomination and supplemented with appropriate financial instruments where necessary.

### **Question 3 from SIAS**

**As noted in the Corporate governance report, Mr Stephen Ho ChiMing was appointed the new lead independent director of the company on 20 April 2020 (page 12).**

**The company stated that Mr Stephen Ho ChiMing has no prior experience as a director of a public listed company in Singapore and will be arranging for Mr Stephen Ho ChiMing to attend the training courses as prescribed by SGX-ST for first time directors.**

- (i) Can the board, especially the nominating committee, help shareholders to understand the considerations it has had in appointing Mr Stephen Ho ChiMing, a first-time director, as the lead independent director?**

#### **Company's response**

- In the selection and nomination for new directors, the Nominating Committee identifies the key attributes that an incoming director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board, the Nominating Committee taps on the resources of the directors' personal contacts for recommendations of potential candidates. The potential candidates will go through a short-listing process.
- Mr Stephen Ho ChiMing has excellent credentials. Mr Ho covers investment banking services including M&A advisory, equity and debt capital markets and projects/leveraged finance, with a specialization in the Telecom, Media and Technology ("TMT") sector. His experience in business spans the U.S. and many Asian countries including Singapore, Greater China, Malaysia, the Philippines, Thailand and South Korea.
- As such, the Nominating Committee carefully assessed Mr Ho's experiences, qualifications, skill sets and competences, and has concluded that he has the required capabilities to be the Lead Independent Director of the Company.

- (ii) How effective would the lead independent director be given that he is a first-time director and all members of the board, with the exception of Mr Chan Ching Chuen, were appointed in 2004, the year the company was listed on SGX-ST?**

#### **Company's response**

- While Mr Stephen Ho ChiMing has had no prior experience as a director of a public listed company in Singapore, we believe that his exceptional qualifications and prior experience, including IPOs in Singapore, would translate well into this role. In addition, he can contribute to the board by providing independent oversight.
- The Company will arrange for Mr Ho to attend the training courses conducted by the Singapore Institute of Directors as prescribed by the SGX-ST.
- During FY2020, the Independent Directors who have served on the Board for more than nine years are Mr Koji Miura, Mr Michael Yap Kiam Siew (\*prior to his redesignation as an Executive Director and Deputy Board Chairman on 20 April 2020) and Mr Chan Ching Chuen.
- In assessing the independence of these Independent Directors, the Nominating Committee, with the concurrence of the Board, is of the view that one should consider the substance of their professionalism, integrity and the objectivity and not merely based on the number of years which they have served on the Board.

- In view of this, having considered the above and weighing the need for progressive refreshing of the Board, the Nominating Committee and the Board have determined that during FY2020, Mr Koji Miura, Mr Michael Yap Kiam Siew\* and Mr Chan Ching Chuen's tenure in office have not affected their independence or ability to bring about independent and considered judgement in the discharge of their duties as members of the Board.

**(iii) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board, especially the independence of the long-tenured directors?**

**Company's response**

- Yes, we have carefully evaluated the CG Code and are fully compliant with the amended Listing Rules.
- In determining the independence of the Independent Directors, the Board takes into account the existence of relationships or circumstances, including those identified by the Code and the Listing Manual of the SGX-ST that are relevant in its determination as to whether a Director is independent
- During FY2020, the Nominating Committee has reviewed the independence of the Independent Directors according to the criteria set out in the Code.
- These Directors have demonstrated strong independence in character and judgement over the years in discharging their duties and responsibilities as Independent Directors. They continue to express their individual viewpoints, debate on issues, objectively scrutinise and challenge Management's proposals, as well as participate in discussions on business activities and transactions involving conflicts of interests and other complexities.

**(iv) Other than the appointment of Mr Stephen Ho ChiMing in 2020, would the board/NC elaborate further on the plans (including the pace) to refresh the membership of the board to comply with the new 2018 Code in good time? Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.**

**Company's response**

- With the re-composition of the Board in April 2020, the Board comprises six (6) members, three (3) of whom are Executive Directors including the Chairman of the Board and three (3) are Independent Directors. Provision 2.2 of the Code recommends that Independent Directors make up a majority of the Board where the Chairman is not independent.
- The Board is of the view that the Company complies with Principle 2 of the Code as there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or small group of individuals exercising any considerable concentration of power or influence.
- The Board values the contribution of all its members, and considers and reviews the need for refreshment and renewal seriously.
- The Group is highly cognisant of succession planning and will continue to seek out directors who can contribute particularly to the future growth direction of the Group. The Board recognises the guidance of SGX and gives due consideration to constructing the most effective board we can have.

**B. Shareholder Questions**

**Question 1 from shareholder**

**The stock turnover is very low**

**Company's response**

- We have taken note of your concern.
- Share price and trading volume are driven by the market sentiments and unfortunately something that we cannot control.
- Our focus then, is to continue evaluating ways to enhance shareholder value.

**Question 2 from shareholder**

**How to improve the liquidity of the shares traded in SGX?**

**Company's response**

- We have taken note of your concern. However, as our share price and trading volume are largely driven by market sentiment and activity, improving the liquidity of our shares is not within our control.

**Question 3 from shareholder**

**Will directors consider dividend of 100% earning as the Cash holding is over HK \$100 million?**

**Company's response**

- We currently do not have a fixed dividend policy, and the amount of dividends paid each year will continue to depend on factors such as our financial performance, cash position and future cash needs.
- It is vital to maintain flexibility in terms of dividend payouts, so that we can preserve cash for investments. Due to the uncertain macro-economic situation, we feel it is prudent to ensure a strong cash flow position. At the same time, we will continue to invest in growing our product business and be ready for opportunities as they emerge.
- We are committed to acting in the best interest of shareholders and to maintaining the right balance of paying dividends and retaining capital to grow the business.

**BY ORDER OF THE BOARD**

**LEE WAN LIK**  
Managing Director  
12 August 2020