Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Captii Limited

Stock code: AWV

Meeting details:
Date: 27 April 2022
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Despite the pandemic, the group's Unifiedcomms segment was able to serve mobile network operators and integrated telecoms service providers with application and platform software, turnkey solutions and systems and a variety of professional and managed services.

While Unifiedcomms operates in the telecoms-tech markets of three regions, revenue from South Asia (SA) and the Middle East and Africa (MEA) has been insignificant. In these markets, the customers are served by sales channel partners.

Revenue for managed services increased by 27% to $13.7 million, however the gross profit margin decreased from 50.4% to 44.3% due to "higher third-party costs".

(i) **Can management state the group's competitive advantage in managed services?**

(ii) **How does the group secure projects/contracts?**

(iii) **What is management's strategy to improve and/or maintain its profit margin?**

(iv) **Given the insignificant revenue contribution of outside Southeast Asia, has management considered ceasing the SA and MEA operations to focus on South East Asia?** In fact, revenue from Singapore is also insignificant at $573,000.

Q2. As at the end of the financial year, the group's venture investment portfolio increased to $28.5 million at fair value versus the (initial) investment cost of $8.9 million.

The group was successful in its litigation related to OOPA Pte Ltd ('OOPA'). On 26 October 2021, the group announced a full and final settlement of all claims in connection with, relating to, or arising from the case against Mr. Bui Sy Phong and Telio Pte Ltd as a nominal defendant. On 7 December 2021, the group announced that the completion of the deed had taken place, and Mr. Bui had formally withdrawn his appeal.

The group recognised fair value gain on the remeasurement of the group's previously held interest in OOPA, and a negative goodwill arising on the step-up interest on the acquisition of OOPA. These exceptional gains amounting to $6.1 million resulted in a significant increase in the fair value of the group's venture investment portfolio under Captii Ventures, but had no cash impact.

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As at 31 December 2021, the group holds 57% of OOPA and is recognised as a subsidiary of the group.

(i) **Can the company help shareholders better understand the underlying business of OOPA? In particular, what is the progress made by the "Central Supply Business" in the past 3 years since Telio was formed? What impact did the pandemic have on the operations?**

(ii) **What is the current role of Mr. Bui Sy Phong, if any, in OOPA/Telio?**

(iii) **What is the working relationship with the key management of OOPA/Telio?**

(iv) **What are the exit plans with regard to OOPA/Telio?**

Q3. The board comprises five directors, two of whom are independent directors and one non-executive director. As the chairman of the board has an executive role and is part of the management team, the board is cognisant that Provision 2.2 of the Code of corporate governance 2018 is not met.

Provision 2.2 requires independent directors to make up a majority of the board where the chairman is not independent.

The board justified its deviation from Provision 2.2 by stating the following:

> *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 and management have stated that they are committed to observing and maintaining a high standard of corporate governance to protect the interests of shareholders and other stakeholders and to promote investors' confidence (page 19).

(i) **Can the company help shareholders reconcile its commitment to achieving a high standard of corporate governance and its deviation from the Code, especially in its board composition?**

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Listing Rule 710 of the SGX Listing Manual also requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, **the reason(s) for the variation**, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle [emphasis added].

(ii) The "justification" above provided by the board is in essence Provision 2.3 which requires non-executive directors to make up a majority of the board. Provision 2.2 is separate and distinct, requiring independent directors to make up a majority of the board when the chairman is not independent. **Can the board elaborate further on the underlying reasons for the deviations from Provision 2.2?**

In addition, Phuah Peng Hock, as the lead independent director, and (Paul) Chuah Seong Phaik were each first appointed to the board on 18 December 2003. As such, both independent directors have each served on the board for over 18 years.

(iii) **Can the board help shareholders recall if the company has appointed any independent director to the board since it was listed?**

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1].

(iv) **Can the NC provide shareholders with greater clarity on the near-term plans to facilitate the progressive renewal of the board in view of the guidance from SGX RegCo?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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