

The Board is committed to operating the Company's business ethically and in a manner consistent with high standards of corporate governance.

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations: 2nd Edition (Revised Principles) (*the Principles*), the Corporate Governance Statement must contain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company and why. The Company's corporate governance principles and policies are therefore structured with reference to the Principles, which are as follows:

- 1: Lay solid foundations for management and oversight.
- 2: Structure the board to add value.
- 3: Promote ethical and responsible decision making.
- 4: Safeguard integrity in financial reporting.
- 5: Make timely and balanced disclosure.
- 6: Respect the rights of shareholders.
- 7: Recognise and manage risk.
- 8: Remunerate fairly and responsibly.

A number of the Recommendations under the Principles recommend that certain governance documents should be made publicly available, ideally by posting such information on the company's website. All corporate governance principles and policies, regarding the Company as required by the Principles are set out in this Corporate Governance Statement.

1. Lay Solid Foundations for Management and Oversight

Board members

During the 2020 financial year:

- Mr Kwong Yang Chong and Mr Tim Monger have continued as independent Non-Executive Directors.
- Mr Lee Chin Wee has continued as Executive Director and was appointed as Interim Chairman on 8 July 2020.
- Mr Raymond Hor has continued as an independent Non-Executive Director.
- Mr Bai GuoJin joined the Board as a Non-Executive Director on 3 March 2020.

Subsequent to 30 June 2020:

- Mr Tim Monger and Mr Gary Stewart resigned as Chairman and Company Secretary respectively on 8 July 2020;
- Mr Lee Chin Wee was appointed as Interim Chairman on 8 July 2020;
- Mr Andrew Bristow joined the Board as a Non-Executive Director on 8 July 2020;
- Mr Bai GuoJin resigned as Non-Executive Director on 28 September 2020.

Roles and responsibilities of the Board and Management

The Board has adopted a formal Board charter which outlines the main corporate governance practices in place for the Company and to which both the Board and each Director are committed. The conduct of the Board is also governed by the Constitution, and where there is inconsistency with that document, the Constitution prevails to the extent of the inconsistency.

The Board has an overriding responsibility to act honestly, conscientiously and fairly, in accordance with the law, in the interests of shareholders (with a view to building sustainable value for them); employees of the Group; and other people or entities with whom the Group deals.

The Board's broad function is to chart strategy and set financial targets for the Group; monitor the implementation and execution of strategy and performance against financial targets; and appoint and oversee the performance of executive management, and generally to take an effective leadership role in relation to the Group.

Each Director is aware of both actual and potential conflicts of interest and observes that the law requires that a Director with a conflict of interest should refrain from voting, or entering into any discussion, at, or even being present during relevant Board discussions. A Director who has any material personal interest in a matter must not be present at a meeting while the matter is being considered and must not vote on the matter. A personal interest may be either direct or indirect and either pecuniary or otherwise. Papers relevant to any matter on which there is a known conflict of interest, or in relation to which there is a material personal interest, will not be provided to any Director concerned.

Guide to Reporting on Principle 1

In accordance with the 'Guide to Reporting on Principle 1', the Company provides the following information:

- (a) as at the date of this statement, the Company is of the view that it has complied with Recommendation 1.1; and
- (b) the Company did not undertake a performance evaluation for its executives and Directors during the financial year in accordance with the process set out in Recommendation 1.2. As a consequence of the level of the Company's operations the Company did not undertake a formal evaluation of the performance of the Board, individual Directors and key executives.

2. Structure the Board to Add Value

Board composition – independence, experience and expertise

The Board comprises five Directors, four of whom are Non-Executive and meet the Board's criteria to be considered independent.

During the 2020 financial year, the independent Non-Executive Chairman, Mr Tim Monger, was responsible for leadership of the Board and for the efficient organisation and conduct of the Board. He facilitated the contribution by all Directors and promoted constructive and respectful relations between Directors.

Mr Monger, was considered by the Board to be an independent Non-Executive Director to his resignation on 8 July 2020. The Board will appoint a replacement Chairperson in due course.

The Board has other responsibilities imposed by law. These include responsibility for the composition of the Board including appointment and retirement or removal of Directors; oversight of the Group including control and accountability systems; appointing and removing the Chief Executive Officer or equivalent; where appropriate, ratifying the appointment and the removal of Senior Executives; reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance; monitoring Senior Executive's implementation of strategy, and ensuring appropriate resources are available; approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and sales; approving and monitoring financial and other reporting; performance of investment and treasury functions; monitoring industry developments relevant to the Group and its business; developing suitable key indicators of financial performance for the Group and its business; having input in and granting final approval of corporate strategy and performance objectives developed by management; the overall corporate governance of the Group including its strategic direction and goals for management, and monitoring the achievement of these goals; and oversight of Committees.

Access to information and independent professional advice

Each Director may seek independent legal or other professional advice at the Company's expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

Committees of the Board

The Board has the authority to establish and delegate powers to committees to assist the Board on audit matters, finance and business risks, remuneration, and nominations, and to establish a framework for the effective and efficient management of the Company and the Group.

During the 2020 financial year, the established Board committee was Audit and Remuneration and in respect of other committees, the Board as a whole attended to the usual functions of such committees. Given the size and operations of the Company it has been determined that issues falling ordinarily within the scope of a Nominations Committee are considered by the full Board and there is no Nominations Committee. The Company has however, established charter rules for the Nominations Committee as a guide for the Board in its deliberations, and in the event that a Committee is established at some time in the future if and when considered appropriate by the Board.

Board Assessments

The performance of the Directors was not formally reviewed and assessed by the Board during the 2020 financial year due to the Board restructure during the period and there being only one executive Director.

Guide to Reporting on Principle 2

In accordance with the 'Guide to Reporting on Principle 2, the Company provides the following information:

- (a) The skills, experience, expertise relevant to the position of Director and the term of office held by each Director as at 30 June 2020 and as at the date of this statement is detailed in the Director's Report;
- (b) In assessing whether a Director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the Principles;
- (c) Three out of four Directors as at the date of this statement constitute independent Directors;
- (d) The Company currently has a Group chief executive officer;
- (e) From 1 July 2015 to the date of this statement, the role of chair and chief executive officer have not been exercised by the same person;
- (f) Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as Directors. All Directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters;
- (g) Due to the small size of the Board and the level of the Company's operations, during the 2020 financial year the Company did not have a separate nomination committee;
- (h) The performance of the Board, individual Directors and the executives has not taken place during the reporting period due to the level of the Company's operations;
- (i) As at the date of this statement, the Company is of the view that it has complied with Recommendations 2.1, 2.2 and 2.3, but has not complied with Recommendations 2.4 and 2.5. An explanation for the departures from these Recommendations is set out above.

3. Promote Ethical and Responsible Decision-making

Ethical standards and values

The Board has adopted a Code of Conduct that provides a framework in which the Company and its representatives conduct their business and activities in a fiscally efficient and socially responsible manner whilst seeking to maximize shareholder returns. All Directors and all officers of the Company and each other company in the Group are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and the Group and, where possible, act in accordance with the interests of shareholders, staff, clients and all other stakeholders in the Company.

Share trading policy

The Constitution permits Directors to acquire securities. Company policy prohibits any dealing in, or procuring the dealing in securities, except where the trading is permitted. Trading is permitted in securities during a four week period starting immediately after the announcement to the ASX and ASIC of the half yearly and annual results and after the conclusion of the AGM if:

- (a) the trader is not in possession of price sensitive information; and
- (b) the trading is not for short term or speculative gain.

No trader can sell more than \$100,000 worth of securities to any party unless, before entering into discussions for the potential sale of those securities, approval from the Chairman is obtained, covering the form of and timing of the sale, and the management of its public disclosure.

Guide to Reporting on Principle 3

The 'Guide to Reporting on Principle 3' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company will make the Code of Conduct or Trading Policy publicly available at the Company website.

4. Safeguard Integrity in Financial Reporting

Audit Committee

The Company has previously established an Audit Committee to assist and to report to the Board. The role of the Audit Committee was to:

- (a) advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group;
- (b) assist the Board with policy on the quality and reliability of financial information prepared for use by the Board; and
- (c) review the risk management framework and policies within the Company and monitor their implementation.

During the 2020 financial year the Audit Committee comprised of three independent Directors, being Mr Tim Monger, Mr Kwong Yang Chong and Mr Raymond Hor. The Audit Committee meet twice during the financial year.

Accordingly, it is the Board's responsibility to establish and maintain an effective internal control framework to examine the effectiveness and efficiency of the management of the Company and significant business processes such as the safeguarding of assets, the maintenance of proper accounting records and the integrity of financial information, the implementation of quality assurance practices and procedures and ensuring compliance with environmental regulations.

During this period audit and compliance matters were considered by the Board as appropriate.

Guide to Reporting on Principle 4

The 'Guide to Reporting on Principle 4' provides that certain information should be included in the corporate governance section of the Company's Annual Report. In accordance with the 'Guide to Reporting on Principle 4, the Company provides the following information:

- (a) The qualifications of the ARM Committee members during the 2020 financial year are detailed in the Directors report; and
- (b) Two meetings of the ARM Committee took place during the 2020 financial year. During the 2020 financial year, audit and compliance matters were considered during Board meetings as appropriate.

5. Make Timely and Balanced Disclosure

Continuous disclosure

The Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each regular meeting of the Board. Directors are required at every meeting to provide details of any matter within their knowledge that might require disclosure to the market.

The Chairman is primarily responsible for making decisions about whether a matter must be disclosed under the Company's continuous disclosure obligations; ensuring that the Company complies with those obligations; notifying the Board of such matters; monitoring and promoting an understanding within the Company of compliance; acting as the contact for media and comment, including analyst briefings and responses to shareholder questions; and keeping the Board informed of other relevant matters.

Guide to Reporting on Principle 5

The 'Guide to Reporting on Principle 5' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company will make the Code of Conduct publicly available on the Company website.

6. Respect the Rights of Shareholders

Communication policy

The Board must inform Shareholders of all major developments affecting the Group's state of affairs. The annual report is distributed to all Shareholders (where requested to do so) and will include all relevant information about the operations of the Group during the year, changes in the state of affairs of the Group, and details of future developments in addition to the other disclosures required by the Corporations Act.

Company announcements are made in a factual, timely, clear, and objective manner, and include any information material to decisions of Shareholders and potential investors in the Company. Information concerning the Company and the Group, including copies of announcements made through the ASX, ASIC and the annual report and half yearly report, is made available to Shareholders and prospective investors by the Company. The Company has a continuing commitment to electronic communication with Shareholders and stakeholders generally including through the ASX website.

Directors must recognise that their primary responsibility is to Shareholders as a whole however, the Company must function within, and operate with a sense of responsibility to, the wider community as well as to Shareholders. It is the Company's belief that this sense of responsibility to stakeholders generally is an essential part of its role within the broad community and represents not only sound ethics but also good business sense and commercial practice.

General Meetings

The Shareholders in General Meeting vote on proposed major changes in the Group which may impact on share ownership rights and the removal and appointment of Directors.

The Board encourages the full participation of Shareholders at General Meetings to ensure a high level of accountability and identification with the Group's strategy and goals. As part of this broad responsibility the Company welcomes constructive feedback on its contribution to and role within the community at General Meetings and through the ASX website.

Guide to Reporting on Principle 6

The 'Guide to Reporting on Principle 6' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The

7. Recognise and Manage Risk

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee has a documented charter, approved by the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the group.

The Group chief executive officer and the chief financial officer are invited to Risk and Compliance Committee meetings and the external auditors are invited to the Audit Committee meetings at the discretion of the committee.

The responsibilities of the Board, Audit, Risk and Compliance Committee include reporting to the board on:

- reviewing the annual and half-year financial reports and other financial information distributed externally; this includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing management processes supporting external reporting;
- assessing corporate risk assessment processes;
- establishing procedures for selecting, appointing and, if necessary, removing the external auditor;
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Taxation Office, Australian Securities and Investment Commission, ASX and financial institutions.

The Audit reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit plan, identifying any significant changes in structure, operations, internal controls or accounting policies likely to affect the financial statements, and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents prior to announcement of results;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made; and
- as required, organize, review and report on any special reviews or investigations deemed necessary by the board.

The Audit, Risk and Compliance Committee's charter is available on the Company's website.

Risk Management

Material business risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, occupational health and safety, financial reporting and the purchase, development and use of information systems.

Oversight of the risk management system

The board has in place a number of arrangements and internal controls intended to identify and manage areas of significant business risk. These include the establishment of committees, regular budget, financial and management reporting, established organizational structures, procedures, manuals and policies, external financial audits, insurance programmes and the retention of specialized staff and external advisers.

The Board Audit Committee considers risk management in order to ensure risks are identified, assessed and appropriately managed. The committee reports to the board on these matters on an ongoing basis. During the year ended 30 June 2020, the committee reviewed the company's risk management framework in order to ensure the effective management of the group's material business risks.

Risk management and compliance and control

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled, including the use of derivatives;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorized and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Code of conduct

The group has advised each director, manager and employee that they must comply with the company's code of conduct. The code of conduct is available on the company's website and covers the following:

- aligning the behaviour of the board and management with the code of conduct by maintaining appropriate core company values and objectives.
- fulfilling responsibilities to shareholders by delivering shareholder value; and
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of professionalism, product quality and service.

8. Remunerate Fairly and Responsibly

Remuneration

The Remuneration Committee comprised of two independent Directors in the 2020 financial year, being Mr Kwong Yang Chong (as Chairman) and Mr Tim Monger. The Company has established charter rules for the Remuneration Committee as a guide for the Board in its deliberations, and in the event that a Committee is established at some time in the future if and when considered appropriate by the Board.

The Board considers issues relevant to remuneration policies and practices, including those for senior executives and non-executive Directors. The Board clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives and in doing so, reviews and evaluates market practices and trends for all remuneration relevant to the Group.

Remuneration for the Executive Director and senior executives includes not only monetary payments (salary and wages) but all other monetary and non-monetary compensation for services and benefits including fringe benefits; directors' and officers' and other insurance arrangements; retirement benefits; superannuation; and equity participation, and other incentive programs. Non-executive Directors remuneration is determined in accordance with the aggregate fees determined from time to time by shareholders.

Guide to Reporting on Principle 8

In accordance with the 'Guide to Reporting on Principle 8', the Company provides the following information:

- (a) there are no schemes for retirement benefits, other than statutory superannuation, in existence for the Non-Executive Directors; and
- (b) as at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 8, except for Recommendation 8.1. An explanation for the departure from Recommendation 8.1 is set out above.