



A-SMART HOLDINGS LTD.
 (Company Registration No. 199902058Z)
 (Incorporated in the Republic of Singapore)

RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

The Board of Directors (“**Board**”) of A-Smart Holdings Ltd. (“**Company**”, and, together with its subsidiaries, the “**Group**”) refers to the queries received from Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 26 December 2023 regarding the Company’s Annual Report for the financial year ended 31 July 2023 (“**FY2023**”) released on SGX-ST on 14 November 2023.

The Board would like to provide the Company's response as follows:

Query 1

We refer to the audited consolidated statement of cash flow on page FS-19 of the Company’s FY2023 annual report. Please provide an explanation for the material difference in the amounts of the following item, as compared to the unaudited full year financial results announcement for the financial year ended 31 July 2023:-

(i) Net cash flow of S\$(121,000) used in investing activities as compared to S\$(136,000).

Listing Rule 704(6) requires an issuer to immediately announce “If an issuer has previously announced its preliminary full-year results, any material adjustments to its preliminary full-year results made subsequently by auditors.” Please clarify as to whether Listing Rule 704(6) has been complied with.

Company’s Response

Group Consolidated Statement of Cash Flows

For the financial year ended 31 Jul 2023			
Per results announcement	Per audited financial statements	Difference between results announcement and audited financial statements	Note
\$'000	\$'000	\$'000	

Cash flows from investing activities

Interest received	81	85	(4)	(A)
Dividend received	-	13	(13)	(B)
Proceeds from disposal of plant and equipment	2	-	2	(C)
Purchase of plant and equipment	(219)	(219)	-	

Net cash from/(used in) investing activities

(136)

(121)

(15)

Explanatory note:

- A. This difference refers to the exchange translation difference for interest income denominated in foreign currency that was adjusted to the Profit before taxation.
- B. This difference refers to dividend received that has been reclassified from Profit before taxation to Investing Activities.
- C. This difference was due to plant and equipment written off removed from Investing Activities and adjusted to the Profit before taxation.

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 2.2 of the Code as independent directors do not make up a majority of the Board where your Chairman is not independent, and there were no explanations provided for in your FY2023 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

The NC notes that Provision 2.2 of the Code states that the Independent Directors should make up a majority of the Board where the Chairman of the Board is not an Independent Director. Although Independent Directors do not make up a majority of the Board, the Board is of the opinion that there is sufficiently strong independent element for it to function effectively. Mr Loo Kenneth has been re-designated from Non-Executive Director to Independent and Non-Executive Director with effect from 20 December 2023. Upon his re-designation, the Independent Directors have represented half of the Board. The Board is of the opinion that there is a strong and independent element as the Independent Directors make up half of the Board. In addition, non-executive directors also make up a majority of the Board. Matters requiring the Board’s approval are discussed and deliberated with participation from each member of the Board. Therefore, the Board believes that the process of decision making has been independent and has been based on a collective decision without any individual influencing or dominating the Board’s decision-making.

The composition of the Board with effect from 20 December 2023 is as follows:

Name of Director	Position held on the Board
Ma Weidong	Non-Executive Chairman
Lim Huan Chiang	Executive Director and Chief Executive Officer (“CEO”)
Loo Kenneth	Independent and Non-Executive Director
Darlington Tseng Te-Lin	Non-Executive Director
Sam Chong Keen	Lead Independent and Non-Executive Director
Chu Hongtao	Independent and Non-Executive Director

Additionally, the Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management's

proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflict of interests and other complexities.

Besides, the Company had appointed Lead Independent Director, Mr Sam Chong Keen, who would address the concerns, if any, of the Company's shareholders on issues that cannot be appropriately dealt with by the Chairman and CEO. The Independent Directors, led by the Lead Independent Director, are able to meet for confidential discussions on any concerns and to resolve conflicts of interest as and when necessary, without the presence of the other Directors. The lead Independent Director would provide any feedback to the Chairman as necessary.

In view of the above, the Company is of the view that the intent of Principle 2 of the Code is met with an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Query 3

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in 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 8.1 of the Code with regard to the disclosure of remuneration (amounts and breakdown) of the top five key management personnel (who are not directors or the CEO) (in this case, it is noted that the Company only has four key management personnel), and no explanations were provided for in your FY2023 annual report on how it is consistent with the intent of Principle 8 of the Code.

We refer to pages 30 of FY2023 annual report which states amongst others that, "such details are not disclosed as the Company believes that in view of the competitive nature of the human resource environment, tight labour market and to support the Company's efforts in attracting and retaining executive talents, it should maintain confidentiality on all employees' remuneration matters." and that "After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code."

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

The Company has disclosed on pages 27 to 29 of the Annual Report 2023 which set out, inter alia, the following:

- the remuneration policy for its KMP, including the Remuneration Committee's ("RC") full authority to engage external professional advice on matters relating to remuneration when the need arises, and ensure that the remuneration reflects the employees' duties and responsibilities; and
- the RC's review of the Board of Directors' and KMP's remuneration, taking into consideration the remuneration packages and employment conditions within the industry as well as the Group's relative performance; and
- the RC's administering of an employee share option scheme, which takes into account criteria such as grantee's rank, responsibilities, performance, years of service and potential for future development, and the performance of the Group.

The Company has identified its KMP (who are not directors or the Group CEO) and provided disclosure of the aggregate remuneration paid to these KMP for FY2023. The Company has maintained its view that it is not in its interest to disclose the remuneration of each of its KMP, excluding the Group CEO, whether in bands of \$250,000 or to the nearest thousand dollars, having taken into consideration the highly competitive human resource environment for such personnel with requisite knowledge, expertise and experience in the Company's business activities and that such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.

The Company had also carefully considered the need to balance the interests of all stakeholders, including the shareholders and the Company and its employees, the Company and its employees, and believes that shareholders' interest will not be prejudiced by the non-disclosure of the KMPs' individual remuneration.

Taking into consideration the disclosures in the Annual Report 2023 as described above, the Company is of the view that there is sufficient transparency in its practices which are consistent with the intent of Principle 8 of the Code.

Query 4

Listing Rule 1207(18B)(c) requires issuers to disclose its commitment to ensure protection of the whistleblower against detrimental or unfair treatment. We note that the disclosure at page 34 of FY2023 annual report does not explain how it will comply with the foregoing. Please clarify how the practices and/or whistle blowing policy that the Company had adopted satisfies Listing Rule 1207(18B)(c).

Company's Response

As disclosed on page 34 of the FY2023 Annual Report, the Group has implemented a whistle-blowing policy to provide arrangements whereby concerns on financial improprieties or other matters raised by whistleblowers may be investigated and appropriate follow up action taken. The whistle-blowing procedures are clearly communicated to employees. Under such whistle-blowing procedures, employees are free to submit complaints confidentially or anonymously to the Chairman of the AC who is well known to many employees and easily accessible. All complaints are to be treated as confidential and are to be brought to the attention of the AC. The AC is responsible for oversight and monitoring of whistleblowing. Assessment, investigation and evaluation of complaints are conducted by or at the direction of the AC. If it deems appropriate, independent advisors are engaged at the Group's expense. Following investigation and evaluation of a complaint, the AC will then decide on the recommended disciplinary or remedial action, if any. The action so determined by the AC to be appropriate shall then be brought to the Board or to the appropriate senior executive staff for authorisation or implementation respectively.

The Board wishes to clarify that all complaints including the identity of the complainant will be treated as confidential and are to be brought to the attention of the AC. This is also to ensure that all complainants are protected against from any detrimental or unfair treatment.

BY ORDER OF THE BOARD

Lim Huan Chiang
Executive Director and Chief Executive Officer
29 December 2023