



ASTI Holdings Limited
(Company Registration No. 199901514C)
(Incorporated in the Republic of Singapore)
(the “Company”)

**RESPONSE TO QUERIES
FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

The board of directors (the “Board” or “Directors”) of ASTI Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) sets out below its response to queries from the SGX-ST received on 1 July 2020.

SGX Queries:

1. With reference to the audited consolidated statement of cash flows on pages 14 and 15 of the Company’s Annual Report 2019, please provide an explanation for the material differences in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the financial year ended 31 December 2019 which was announced on 29/2/2020:-
- (i) Net cash flows used in operating activities
 - (ii) Net cash flows generated from investing activities

Company’s Response:

	Audited Financial Statements	Unaudited Financial Statements	Difference
	\$'000	\$'000	\$'000
Net cash flows generated from/(used in) operating activities	(5,825)	11,433	(17,258)
Net cash flows generated from/(used in) investing activities	12,229	(5,250)	17,479

The difference is mainly due to the reclassification of receivables recorded under operating activities to investing activities in relation to repayment of loan from associates arising from deemed disposal of subsidiaries and cash consideration received from disposed subsidiaries completed in FY2018

2. **Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please provide information on whether the head of the internal audit function team has the relevant experience and qualifications. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.**

Company's Response:

The internal audit function was outsourced to KPMG Services Pte. Ltd. (the "**Internal Auditor**") in FY2019. The Internal Auditor is one of the largest accounting firm in Singapore that has been established in Singapore since 1941. The engagement team is led by the engagement partner who has significant years of experience in governance, risk management, internal audit and accounting and is a Chartered Accountant of the Institute of Singapore Chartered Accountants ("ISCA") and Certified Internal Auditor of the Institute of Internal Auditors ("IIA"). The engagement team consists of Directors, Managers and team members who possess relevant experience as well as designations such as Chartered Accountant and Certified Internal Auditor etc.

The Internal Auditor is independent of the activities it audits. The methodology adopted by the Internal Auditor conforms to the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC is satisfied that the Internal Auditor is independent, has adequate resources to perform its function effectively and that the Internal Auditor is staffed by suitably qualified and experienced professionals with the relevant qualifications and experience.

3. **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 2.4 of the Code as 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 FY2019 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:

Currently, the Company does not have a written Board diversity policy as required by Provision 2.4 of the Code, but as set out at page 3 under Principle 2 of the Company's Corporate Governance Report ("CCR"), in practice the Board, assisted by the Nominating Committee ("NC") examines the size and composition of the Board and board committees on an annual basis. The Board, in deciding the composition of the Board and board committees, takes into account various considerations, including skills, knowledge, experience, and other aspects of diversity, such as gender and age. It takes great pride in the composition of its Board, who as a group, provide an appropriate balance and diversity of the above factors for the Group, as well as core competencies including that of accounting, finance, business development, management, relevant industry knowledge, strategic planning, and customer-based experience and knowledge.

Also set out at page 3 under Principle of the Company's CCR, the Board has explained that it "presently comprises six (6) Directors, four (4) of whom are Independent Directors and two

(2) are Executive Directors. There is, therefore, a strong independent element on the Board whereby more than half of the Board comprises Independent Directors and no individual or group of individuals is able to dominate the Board's decision-making process." It is also explained that size and composition are determined "taking into account the nature and scope of the Company's operations, and the requirements of its near term business plans" The Board is of the view that the Company practices have ensured diversity in its composition and provided a strong element of independence sufficient to prevent groupthink and foster constructive debate.

Hence, the Board believes the Company practices are consistent with intent of Principle 2 to ensure that the Board has 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.

4. **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 Provisions 8.1 and Provisions 8.2 of the Code with regards to the disclosure of remuneration. 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:

As mentioned in the FY2019 AR on page 9 of Appendix 1, taking into consideration the competitive industry in which the Group operates, the Company believes that it is not in the best interests of the Company to disclose the name, remuneration, or the breakdown of the remuneration (in percentage or dollar terms) of the key management personnel (who is not a Director or Executive Chairman and Group CEO) as recommended pursuant to Provision 8.1(b) of the Code. However, the Company has disclosed the total remuneration paid to the top five key management personnel of the Company as well as disclosed their remuneration in bands that is no wider than S\$250,000. Given the competitive industry the Group operates in, the level of disclosure given by the Company is consistent with the intent of Principle 8 of the Code as the Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. Except for the names of the Key Management Personnel, the Company has disclosed its remuneration policies, level and mix of remuneration in the recommended bands, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Provision 8.2 of the Code states that “The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.” We note that Mr James Soh Pock Kheng is an employee and a substantial shareholder of the Company and his remuneration has been disclosed in a band of S\$250,000. Given the competitive industry the Group operates in, the level of disclosure given by the Company is consistent with the intent of Principle 8 of the Code as the Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. Except for the disclosure made in a wider remuneration band, the Company has disclosed its remuneration policies, level and mix of remuneration in the recommended bands, the procedure for setting remuneration and the relationships between remuneration, performance and value creation. We had also disclosed his remuneration under the item “Remuneration paid to a shareholder of the Company who is not a director” on page 69 of the Annual Report FY2019.

5. **We note that the Company has provided the Interested Person Transaction on page 16 of the Annual Report FY2019.**

Please confirm if the Company is in compliance with Listing Rule 907.

Company's Response:

The Company had disclosed Interested Person Transactions in compliance with Listing Rule 907.

6. **Please provide an explanation for "Corporate cost recovery" and "Remuneration paid to a shareholder of the Company who is not a director" on page 69 of the Annual Report FY2019.**

Company's Response:

The "Corporate cost recovery" relates to the Corporate Support Services fee charged to Advanced Systems Automation Limited. This has been disclosed as Interested Party Transaction on page 16 of the Annual Report FY2019.

The "Remuneration paid to a shareholder of the Company who is not a director" refers to the remuneration paid to Mr James Soh Pock Kheng, a Key Management Personnel, an employee and a substantial shareholder of the Company as mentioned in page 9 of the Corporate Governance Report.

By Order of the Board

Dato' Michael Loh Soon Gnee
Executive Chairman & Chief Executive Officer
ASTI Holdings Limited
10 July 2020