

**JADASON ENTERPRISES LTD  
(REG. NO. 199003898K)**

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES  
TRADING LIMITED ON THE COMPANY'S ANNUAL REPORT 2019**

The Board of Directors (the "Board") of Jadason Enterprises Ltd (the "Company", and together with its subsidiaries, the "Group") refers to the queries raised by Singapore Exchange Securities Trading Limited ("SGX-ST") on 19 June 2020, in respect of the Company's Annual Report for the financial year ended 31 December 2019 ("Annual Report").

The Board wishes to provide the following additional information in response to SGX-ST's queries:

Query (a)

With reference to the audited consolidated cash flow statement on page 47 of the Company's Annual Report 2019, please provide an explanation for the material difference in

- (i) the amount of the net cash flows generated from operating activities of approximately \$4,535,000, as compared to the unaudited financial results announcement of the Company of \$3,845,000 for the financial year ended 31 December 2019;
- (ii) the amount of the net cash flows used in investing activities of approximately \$(551,000), as compared to the unaudited financial results announcement of the Company of \$(847,000) for the financial year ended 31 December 2019; and
- (iii) the amount of the net cash flows used in financing activities of approximately \$(3,255,000), as compared to the unaudited financial results announcement of the Company of \$(2,269,000) for the financial year ended 31 December 2019; and

Please also explain whether and how the Company has complied with Listing Rule 704(6).

Company's response:

	Per Annual Report	Per Announcement dated 28/2/2020	Variance	Note
	S\$'000	S\$'000	S\$'000	
Net cash flows generated from operating activities	4,535	3,845	690	(1),(2)
Net cash flows used in investing activities	(551)	(847)	296	(2)
Net cash flows used in financing activities	(3,255)	(2,269)	(986)	(1)
Net increase in cash and cash equivalents	729	729	-	

#### Note 1

Subsequent to the announcement on 28 February 2020, there was a reclassification of interest expenses paid on lease arrangements (under the new accounting standard SFRS(I) 16 Leases) and short-term loan of S\$986,000 from operating activities to financing activities.

#### Note 2

Subsequent to the announcement on 28 February 2020, there was an adjustment to reduce the amount of additions of property, plant and equipment and increase the operating loss by S\$296,000.

There was no change to the net increase in cash and cash equivalents in FY2019.

#### Query (b)

Listing Rule 719(1) requires the Board to comment on the adequacy and effectiveness of the company's internal controls and risk management systems, and the AC's concurrence with the Board's comments. Where either the Board or the AC comments that the issuer's group's internal controls or risk management systems have weaknesses, the issuer must provide clear disclosure on the weaknesses and the steps taken to address them.

Please clarify whether and how Listing Rule 719(1) has been complied with.

Company's response:

The Company would like to add the words 'and effective' after the word 'adequate' in the second paragraph of Page 26 of the Annual Report. The amended paragraph, with the 2 new words added and underlined, is as follows:

Based on the risk management framework established and maintained by the Group, the audit findings of our internal and external auditors, as well as the assurance received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the internal control and risk management systems put in place are adequate and effective to address the key financial, operational, compliance and information technology risks affecting the Group's operations.

The Company clarified that Listing Rule 719(1) has been complied with.

#### Query (c)

Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.

Please clarify whether and how Listing Rule 1207(10C) has been complied with. Where the internal audit function is outsourced, please provide information on the relevant experience of the accounting firm and the engagement team.

Company's response:

As mentioned in Page 28 of the Annual Report, the internal audit function of the Group is outsourced to Yang Lee & Associates. The internal auditors report primarily to the Audit Committee ("AC"), and has unrestricted access to the documents, properties and personnel of the Group.

Additionally, as mentioned in Page 27 of the Annual Report, the AC has reviewed the internal audit plan developed by the internal auditors in consultation with, but independent of Management. The AC has also reviewed the audit findings and recommendations of the internal auditors, and is satisfied that the internal audit function is performed by suitably qualified and experienced professionals.

Yang Lee & Associates, the outsourced internal auditor, is a professional service firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability Reporting advisory services. The firm was set up in the year 2005 and currently maintains an outsourced internal audit portfolio of more than 25 SGX-ST listed companies in distribution, manufacturing, services, food & beverage, retail and property development industries.

The Engagement Team for this engagement comprises two Directors, a Manager and supported by two Associates. Each of the two Directors has more than 20 years of relevant experience whilst the Manager has approximately 10 years of relevant experience.

The AC is of the opinion that the internal audit function is independent, effective and adequately resourced, and the Company clarified that Listing Rule 1207(10C) has been complied with.

#### Query (d)

Provision 2.4 of the Code of corporate governance 2018 (the "Code") states that, "The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report."

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide 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 it has not disclosed its board diversity policy and

progress made towards implementing the board diversity policy, including objectives. 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 interests of the Company.

Company's response:

The Company made the following disclosure on Pages 19 and 20 of the Annual Report with regard to its board composition and diversity practices:

The Board believes that it should have a diversity of skills, experiences and network of business contacts to perform competently. It recognises the importance of all aspects of diversity, including diversity of business and industry experience, background, gender and age. All Board appointments are made on merit, and each Director is appointed on the strength of his caliber, experience, background, business contacts and ability to contribute to the strategy and performance of the Group.

The Board currently has two female Directors, out of the five members.

The Board is of the view that its current size and composition meets the criteria of its diversity policy and facilitates effective decision-making, taking into consideration the scope and nature of the Group's operations, and in particular the challenges and demands of operating in China. The Nominating Committee ("NC") is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses core competencies in areas such as accounting and finance, legal, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge.

The Board, together with the NC, will review its size and composition from time to time, to ensure that it has the diversity of talents and experience to govern the Group effectively.

The qualifications and experience of the Directors can also be found on Pages 12-13 and 103-106 of the Annual Report.

Hence, whilst the Company has not disclosed a formal board diversity policy, the practices adopted by it 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 interests of the Company.

#### Query (e)

Provision 8.1 of the Code states that "The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

- (a) each individual director and the CEO; and
- (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.” (emphasis added)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide 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 the amounts of remuneration of each individual director and the CEO, the names of the top five key management personnel (who are not directors or the CEO), and in aggregate the total remuneration paid to these key management personnel. 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 Page 24 of the Annual Report the remuneration of its directors in bands of S\$250,000, and on Page 25 that each of the key management personnel (who are not Directors or the CEO) earned below S\$250,000 in FY2019. No bonus was paid in FY2019, as disclosed on Page 24 of the Annual Report.

The aggregate remuneration of the executive Directors and the aggregate Directors’ fees are also disclosed in the audited financial statements.

As explained on Page 25 of the Annual Report, the Company is not disclosing the remuneration of Directors and key management personnel (who are not Directors or the CEO) of the Group as it believes that such disclosure is disadvantageous to the retention of personnel and business interests of the Group. For the same reason, the Company is also not disclosing the names and the aggregate remuneration of the Group’s key management personnel (who are not Directors or the CEO) except for those as disclosed on Page 14. The Group is of the view that disclosure of such information increases the risk of poaching by other competitors, and would negatively impact the competitive edge of the Group.

The Company has disclosed on Page 24 of the Annual Report (see Principle 7) its remuneration policies, and the relationship between corporate performance, value creation and executives’ remuneration. Taken as a whole, the Company believes that the disclosures provided are sufficiently transparent in providing an understanding of the remuneration of its Directors and key management personnel, consistent with the intent of Principle 8 of the Code.

By Order of the Board

Tan Kok Yong  
Company Secretary  
23 June 2020