



ASIA ENTERPRISES HOLDING LIMITED

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(Company Registration No. 200501021H)

(Incorporated in Singapore)

(the "Company")

REPLY TO SGX QUERY REGARDING FY2020 ANNUAL REPORT

The Board of Directors (the "Board") of Asia Enterprises Holding Limited ("Asia Enterprises" or the "Company") wishes to respond to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") with respect to the Company's annual report for the year ended 31 December 2020 ("FY2020 Annual Report").

SGX Query 1:

Listing Rule 704 (6) states that an issuer must immediately announce if there is are (sic) material adjustments to the full year audited results and to disclose and explain the material adjustments via an SGXNET announcement. We note that it was stated in the release of full year financial results that the net cash flows from operating activities was \$5,628,000 while the audited results state that the net cash flows from operating activities was \$4,336,000, net cash flows from investing activities was \$339,000 in the release of full year financial results while the audited results state that the net cash flows from investing activities was \$1,713,000, and the net cash flows used in financing activities was \$-2,221,000 in the release of full year financial results while the audited results state that the net cash flows used in financing activities was \$-2,303,000. Given that no announcement was released on SGXNet for the above material adjustment, please explain the discrepancies as well as how the Company is in compliance with Listing Rule 704 (6).

Company's response to SGX Query 1:

The adjustments to the consolidated statement of cash flows in the audited financial statements for the financial year ended 31 December 2020 ("FY2020") arose primarily from a reclassification of items between the net cash flows from operating activities and used in financing activities, as well as a reclassification of non-cash provisions in the net cash flows from operating activities and investing activities. Specifically, the items that were reclassified in the audited statement of cash flows were (i) provision for dismantling and removing costs; (ii) interest and principal portion paid on lease liabilities; and (iii) Covid-19 related rent concessions from lessor

Specifically, lower net cash flows from operating activities of S\$1,292,000 in FY2020 Annual Report as compared to the unaudited financial results announcement for FY2020 is made up of:

- a) Reclassification of \$1,374,000 from investment activities to operating activities as the increase of property, plant and equipment is due to provision for dismantling and removing. The reclassification is to reflect the non-cash movement.
- b) Net movement of \$82,000 finance cost for lease liability and Covid-19 related rent concessions were trued up in both the operating and financing activities to reflect the expense/income incurred in the operating activities and the actual cash flows in the financing activities.

Correspondingly, (a) above accounted for the higher cash inflow from investing activities and (b) accounted for the higher cash outflow from financing activities of \$82,000 in the audited consolidated statement of cash flows.

These adjustments in the audited consolidated cash flow statement do not have an impact on the Group's cash balance of S\$51,170,000 as at 31 December 2020. The Company had assessed the reclassifications and the trued up of the net \$82,000 being not material, have decided not to proceed with the release of an announcement in accordance with Listing Rule 704 (6), as the reclassifications and the trued up did not affect the cash balance as at 31 December 2020 and were not considered price-sensitive information. In this regard, the Company is in compliance with Listing Rule 704.

SGX Query 2:

Listing Rule 1207 (10C) requires an issuer's audit committee's comment on whether the internal audit function is independent, effective and adequately resourced. We note the company stated that "[the] AC conducted a review and concluded that the internal audit function has adequate resources to perform its functions, is independent from the activities that it audits and has appropriate standing within the Group." Please state if the audit committee is satisfied with the effectiveness of the internal audit function. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

Company's response to SGX Query 2:

The Audit Committee is of the view that it is satisfied with the effectiveness of the Company's internal audit function. The Group has outsourced its internal audit functions to MS Risk Management Pte. Ltd. ("MSRM"). Their findings were presented directly to the Audit Committee.

MSRM is an affiliated firm of Moore Stephens LLP, a leading accounting and consulting firm that has been established in Singapore for more than 30 years. MSRM is a member of the Institute of Internal Auditors Singapore ("IIA") and staffed with persons with the relevant qualifications and experience to perform the review and testing of controls of the Group's processes consistent with the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The MSRM team is headed by Ms Lao Mei Leng, a Director of MSRM and also an Audit Partner of Moore Stephens LLP. Ms Lao is a practising member of the Institute of Singapore Chartered Accountants and a member of IIA and the Singapore Institute of Directors. She has more than 20 years of audit experience and provides audit services, documentation of policies and procedures, sustainability reporting, Sarbanes-Oxley Act ("SOX") compliance and corporate governance review to a number of public-listed companies, MAS-regulated entities and government agencies. Ms Lao is assisted by a Manager who directly oversees the engagement team and has over 13 years of experience in providing risk management services.

SGX Query 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. Practice Guidance 2 requires an issuer to state the Company's board diversity policy and progress made towards implementing the board diversity policy, including objectives. We note that the Company has not adopted a formal board diversity policy. Please state if the Company's practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Company's response to SGX Query 3:

While the Company has not adopted a formal board diversity policy, the Nominating Committee is of the view that the Board and Board Committees are of an appropriate size, and comprises Directors who have the appropriate balance and diversity of skills, gender, knowledge of the Company, expertise and experience such as banking, accounting and legal to function effectively and make informed decisions overseeing the Group's business. In addition, the Company recognises and embraces the importance and benefits of having a diverse Board and gives due consideration to diversity factors such as appropriate balance of skills, knowledge, professional experience, gender and age at the Board level. The Board is of the view that its current composition has an appropriate level of independence and diversity of thought and background, and is of an appropriate size, to enable it to make decisions in the best interests of the Company, which is consistent with the intent of Principle 2 of the Code.

SGX Query 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. Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, CEO and KMP should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the CEO should specify the names, amounts and breakdown of remuneration. We note that the Company declined to disclose each individual director and CEO's exact remuneration. Instead, the Company disclosed the remunerations in bands of S\$250,000. Please clarify if this disclosure provides sufficient transparency and information to shareholders and is consistent with the intent of Principle 8 of the Code.

Company's response to SGX Query 4:

The Company has disclosed on Page 19 of its FY2020 Annual Report the breakdown of the remuneration of the individual directors in bands no wider than S\$250,000, and the components of directors' remuneration (base salary, other benefits, fees and variable payments). After taking into consideration the relative size of the Company, the competitive business environment in which it operates and the sensitive nature of such disclosure, the Board is of the opinion that a full disclosure may have a negative impact on the Company. While the Company did not provide the exact remuneration of each director, the aggregate remuneration paid and fees payable to Directors of the Company have been disclosed separately on Page 19 and Page 51 Note 3C of the FY2020 Annual Report. The Company has also set out on Page 18 of its FY2020 Annual Report, the Remuneration Committee's responsibilities in reviewing the framework of remuneration packages which takes into consideration the industry standards, the Company's relative performance and performance of individual directors to align with the long-term interests of the Company. A proportion of the Executive Directors' remuneration is linked to performance and achievement of financial targets approved by the Board. Accordingly, the Company is of the view that its practices are consistent with the intent of Principle 8 of the Code.

SGX Query 5:

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. Practice Guidance 8 of the Code states that remuneration disclosures of 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 as well as the breakdown of remuneration provided. We note the Company had declined to disclose the breakdown of remuneration of its top five (5) KMP. Please clarify if this disclosure provides sufficient transparency and information to shareholders and is consistent with the intent of Principle 8 of the Code.

Company's response to SGX Query 5:

The Company has disclosed on Page 19 of its FY2020 Annual Report the breakdown of the remuneration of key management personnel based on the bands established in Practice Guidance 8 of the Code. In FY2020, the remuneration of each key management personnel who is not a Director or CEO is below S\$250,000. Due to the competitive nature of the industry that the Group operates in, the Board believes it is unwise to disclose the breakdown of the remuneration of these key management personnel. Nevertheless, the Company has provided the aggregate compensation for the five named key management personnel for FY2020. The Company has also set out on Page 18 of its FY2020 Annual Report, the Remuneration Committee's responsibilities in reviewing the framework of remuneration packages which takes into consideration the industry standards, the Company's relative performance and performance of management personnel to align with the long-term interests of the Company. The Board believes the Company's current practices are consistent with the intent of Principle 8 of the Code.

By Order of the Board
Lee Yih Chyi
Managing Director
23 April 2021