



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

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**RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE  
FINANCIAL YEAR ENDED 31 JULY 2022**

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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 19 January 2023 in relation to the Annual Report for the financial year ended 31 July 2022 ("**FY2022 AR**") released on SGX-ST on 14 November 2022.

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

**SGX Query 1:**

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 were provided for in your FY2022 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 to SGX Query 1:**

As disclosed on Page 19 and 20 of the FY2022 AR, the Nominating Committee ("**NC**") and the Board has adopted the Code's criteria of an Independent Director in their review and are of the view that all Independent Directors have satisfied the criteria of independence. There is a strong and independent element as the Independent Directors make up one-third of the Board. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions are based on collective decision without any individual influencing or dominate the decision-making process.

Although the Company does not comply with Provision 2.2, nevertheless, the Board is made up of majority of Non-Executive Directors which is in compliance with Provision 2.3. Therefore, the Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs as matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively.

The composition of the Board is as follows:

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

The Company is currently undergoing the process of identifying the Independent Director for the Board’s consideration and approval. Upon completion of the process, the Company will make the necessary announcement to the SGX-ST via SGXNet.

The Board had made disclosures consistent with the intent of Principle 2 of the Code, in relation to the board diversity policy, the Board will endeavour to maintain a board diversity policy that addresses gender, skills and experience, and any other relevant aspects of diversity within year 2022 and describe such policy in its Annual Report for the financial year ending 31 July 2023. Please refer to the disclosures made under Page 19 and 20 of the FY2022 AR, where the NC and the Board has adopted the Code’s criteria of an Independent Director in their review and are of the view that all Independent Directors have satisfied the criteria of independence. There is a strong and independent element as the Independent Directors make up one-third of the Board.

As disclosed on page 23 of FY2022 AR, in considering whether an Independent Director who has served on the Board beyond 9 years is still independent, the Board has taken into consideration the following factors:

- The amount of experience and wealth of knowledge that the Independent Director brings to the Company;
- The attendance, active participation and ability to express his views independently at all times and present constructive challenges on issues, in the proceedings and decision-making process of the Board and Board Committee meetings;
- Provision of continuity and stability to the Management at the Board level as the independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business;
- The qualifications of the Independent Director and his expertise provide reasonable checks and balances for the Management;
- The Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared, responsive, and heavily involved in the discussions at the meeting; and
- The Independent Director provides overall guidance to Management and acts as a safeguard for the protection of Company’s assets and shareholders’ interests.

Under Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST coming into effect on 1 January 2022, the appointment of independent directors who have served an aggregate period of more than nine years will be subject to a two-tier voting process to be approved by the majority of (i) all shareholders and (ii) all shareholders, excluding shareholders who also serve as directors or the CEO (and their associates). The two-tier voting process will be valid for a term of the independent director appointment (up to three years). In this regard, the NC has conducted a rigorous review of the suitability of Mr. Sam Chong Keen being the Lead Independent Director who has served on the Board beyond 9 years and has determined that Mr. Sam Chong Keen remains independent. Mr. Sam Chong Keen had abstained from voting on any resolution in respect of his own appointment. In addition, the NC is of the view that Ms. Chu Hongtao is independent (as defined in the Code) and can exercise judgement on the corporate affairs of the Group independent of the Management.

Measures and considerations taken by the Board in compliance with Provision 2.4 of the Code:

- The Board regularly examines its size and, with a view to determining the impact of its number upon effectiveness, decides on what it considers an appropriate size for itself taking into account the scope and nature of the Company's operations. The composition of the Board is reviewed annually by the NC to ensure that there is an appropriate mix of expertise and experience and considering the balance and diversity of skills, experience, and gender to enable Management to benefit from a diverse perspective of issues that are brought before the Board. Together, the Directors as a group provide core competencies in business, investment, legal, audit, accounting, and tax matters. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its shareholders. No individual or small group of individuals dominates the Board's decision making.
- The Non-Executive Directors and Independent Directors participate actively during Board meetings. In addition to providing constructive advice to the Management on pertinent issues affecting the affairs and business of the Group, they also review the Management's performance in meeting goals and objectives of the Group's business segments. The Company has benefited from the Management's access to its Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The Non-Executive Directors and Independent Directors communicate amongst themselves and with the Company's auditors and senior management. Where necessary, the Company co-ordinates informal meetings for Non-Executive Directors and Independent Directors to meet without the presence of the Management.

### **SGX Query 2:**

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, and no explanations were provided for in your FY2022 annual report on how it is consistent with the intent of Principle 8 of the Code.

We refer to pages 28 and 29 of FY2022 annual report which states amongst others that, "The Company believes that it is not in the Group's interest to disclose the remuneration of the KMPs to the full extent recommended, due to continuing confidentiality and sensitivity of executives' remuneration and, moreover, such disclosure may hamper its ability to retain the Group's talent pool in a competitive environment. Given the highly competitive industry conditions the Group operates in and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the remuneration of the Directors and top four key management personnel (who are not Directors or the CEO) of the Group is only set out in bands of S\$250,000 and above."

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 to SGX Query 2:**

In accordance with Listing Rule 710 and Provision 8.1 of the Code, the Company has disclosed on page 28 of the FY2022 AR, the aggregate total remuneration of the top four key management personnel (who are not Directors or the CEO) amounted to S\$589,237 for FY2022.

With respect to the Directors' remuneration, the Board is of the view that each Director's remuneration is expressed in bands of S\$250,000 with a percentage breakdown rather than disclosing to the nearest dollar, is good indication, of each Director's remuneration package, as remuneration continues to be a sensitive subject.

The Board has disclosed on pages 28 and 29 of FY2022 AR, the Company believes that it is not in the Group's interest to disclose the remuneration of the KMPs to the full extent recommended, due to continuing confidentiality and sensitivity of executives' remuneration and, moreover, such disclosure may hamper its ability to retain the Group's talent pool in a competitive environment. Given the highly competitive industry conditions the Group operates in and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the remuneration of the Directors and top four key management personnel (who are not Directors or the CEO) of the Group is only set out in bands of S\$250,000 and above.

The Board believes that the disclosure provided is in the interest of the Company as it would allow its directors and key management personnel to maintain some degree of personal confidentiality on remuneration matters.

The Company's Human Resource conducts annually a pay equity audit which typically consists of the following processes:

- Identify and compare the Directors' and key management personnel's compensation to published salary data for comparable roles in the industry. Comparable roles refer to those with substantially similar skills, responsibilities, and effort, and are performed under similar working conditions.
- Conduct a regression analysis to assess pay discrepancies while controlling for legitimate factors, such as work experience, education, and training.
- Reward performance bonus based on hard factors such as company's financial performance as well as soft factors such as exceptional individual performance or effort in delivering key strategic business targets.
- Remediate pay disparities. The Company corrects existing pay gaps by making adjustments to compensation.

The Board is of the opinion that the current disclosure of the remuneration details for the Directors and key management personnel does not compromise the ability of the Company to be consistent with the intent of Principle 8 of the Code due to the following:

- The RC comprises a majority of independent directors, including the Chairman of RC, in consultation with the Chairman of the Board, conducts reviews of a framework of remuneration policies for key executives and Directors serving on the Board and Board Committees and determines specifically the remuneration package for each Executive Director of the Company. The RC covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses and incentives.
- In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry as well the Group's relative performance and the performance of its individual Directors.
- The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

### **SGX Query 3**

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 32 of FY2022 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(18)(B)(c).

### **Company's Response to SGX Query 3:**

As disclosed on page 32 of the FY2022 Annual Report, the Group has implemented a whistle-blowing policy to provide arrangements whereby concerns on financial improprieties or other matters raised by whistle-blowers 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 identify 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 complainant are protected against from any detrimental or unfair treatment.

### **BY ORDER OF THE BOARD**

Lim Huan Chiang  
Executive Director and Chief Executive Officer  
3 February 2023