
RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of Hwa Hong Corporation Limited (the “**Company**”) refers to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 28 April 2020 in relation to the Company’s Annual Report for the financial year ended 31 December 2019 (“**FY2019 Annual Report**”), as follows:

SGX-ST Queries

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 both Provisions 8.1 and 8.2 of the Code with regards to the disclosure of remuneration, and there were no explanations provided for in your FY2019 Annual Report on how it is consistent with the intent of 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.

The Company’s Response

Provision 8.1 of the Code states that the company should disclose 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.

Provision 8.2 of the Code states that the company should disclose 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.

The Company has disclosed the following in its FY2019 Annual Report:

- Names, amounts and breakdown of remuneration of each individual Director in bands no wider than S\$250,000 on page 35 of the FY2019 Annual Report.
- Amounts of remuneration of each Key Management Personnel (“**KMP**”) in bands no wider than S\$250,000 on page 36 of the FY2019 Annual Report.
- Name of employees who are substantial shareholders of the Company, and immediate family members of a Director and substantial shareholder of the Company on page 36 of the FY2019 Annual Report. The said paragraph has also disclosed the relationship between the employees with the Directors and substantial shareholder.

To further clarify on how the practices the Company had adopted are consistent with the intent of Provisions 8.1 and 8.2 of the Code, the role of CEO is undertaken by the Group Managing Director and his remuneration was disclosed on page 35 of the FY2019 Annual Report under the heading “Disclosure on Remuneration”. The Company has 4 KMPs at the date of the disclosure of the FY2019 Annual Report.

Also, as explained in pages 36 and 37 the FY2019 Annual Report, given the highly competitive conditions in the Company's industry and the sensitivity and confidentiality of remuneration matters in general, and in the interests of maintaining good morale and a strong spirit of teamwork within the Group, the Remuneration Committee and the Board believes that the disclosure of the details of the remuneration of the Executive Directors, Non-Executive Directors and KMPs (including the name and aggregate total remuneration paid, as recommended by the Code), would be disadvantageous to the Group's interests. The Company has, however, disclosed the aggregate remuneration of the Executive Directors, Non-Executive Directors and KMPs (on an unnamed basis) in bands and will not be disclosing all forms of remuneration and other payments and benefits paid by the Company to its Directors and KMPs.

The Remuneration Committee of the Company will continuously review the Company's disclosure on remuneration for greater transparency as far as possible.

BY ORDER OF THE BOARD

Lee Soo Wei
Chief Financial Officer

30 April 2020