



TIONG WOON CORPORATION HOLDING LTD
(Company Registration No. 199705837C)
Incorporated in Singapore

RESPONSE TO SGX-ST'S QUERY ON THE ANNUAL REPORT FOR FINANCIAL YEAR ENDED 30 JUNE 2021

The Board of Directors (the "Board") of Tiong Woon Corporation Holding Ltd (the "Company" or together with its subsidiaries, the "Group") refers to the query raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on the Annual Report for the financial year ended 30 June 2021 (the "Annual Report") and wishes to provide further information as follows:

SGX-ST's Query

- (a) Listing Rule 716 provides, inter alia, that an issuer may appoint different auditing firms for its subsidiaries or significant associated companies, provided that the Board and Audit Committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer. In this regard, we note that the Company has disclosed on page 95 of the Annual Report, a list of auditors for its subsidiaries. Please confirm that the Board and Audit Committee are satisfied that these appointments would not compromise the standard and effectiveness of the Company's audit and the basis for their assessment.
- (b) 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 the 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 interests of the Company.
- (c) 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 2.3 of the Code as non-executive directors do not make up a majority of your Board, and there were no explanations were provided for in the 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 interests of the Company.
- (d) 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 were provided for in the 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 interests of the Company.

- (e) 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 8.2 of the Code as regards to the disclosure of remuneration, and there were no explanations were provided for in the 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.

Company’s Response

We refer to page 42 of the Annual Report, whereby it was disclosed that in recommending the re-appointment of the external auditors, the Audit Committee (the “AC”) and the Board have considered the Listing Rule 718 and where appropriate the revenue contribution by the subsidiaries; and have concluded that certain subsidiaries are not significant to the Group. It was further disclosed that the AC and the Board have reviewed the appointment of different auditors for its foreign-incorporated subsidiaries and/or significant associated companies and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. It was also shared that in recommending the re-appointment of the external auditors, the AC considered and reviewed various factors including the adequacy of resources, experience of supervisory and professional staff to be assigned to the audit, the size and complexity of the Group and its business and operations.

We refer to page 31 of the Annual Report, whereby it was disclosed that as our Chairman Mr Ang Kah Hong is not independent, independent directors should make up a majority of the Board as required under Provision 2.2 of the Code. It was further noted therein that although less than a majority of the Board is made up of independent directors, they comprise more than one-third of the Board. The Board is of the view that the independent directors have demonstrated high commitment in their roles as directors and have ensured that there is a good balance of power and authority.

We refer to page 31 of the Annual Report, whereby it was disclosed that although less than a majority of the Board is made up of non-executive directors as required under Provision 2.3 of the Code, there is a clear division of roles and responsibilities between the Chairman, Chief Executive Officer (the “CEO”) and the Executive Directors which ensures an appropriate balance of power between the Board, the Chairman, CEO and the Executive Directors, thereby enhancing accountability and greater independent decision making ability.

We refer to page 32 of the Annual Report, whereby it was disclosed that the Company recognises that a diverse Board is an important element which will better support the Company’s achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline, gender, age, tenure of service and other distinguishing qualities of the directors. In reviewing the Board composition, the Nominating Committee (the “NC”) will consider all aspects of diversity in order to arrive at an optimum balanced composition of the Board. The selection of the directors will be based on merit

against an objective criteria that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board. As a Group, the Directors bring with them a broad range of expertise and experience in areas such as accounting or finance, law, business and management, industry knowledge, strategic planning and customer-based experience and knowledge. The diversity of the Directors' experience allows for the useful exchange of ideas and views. In addition, the Company wishes to update that it is in the midst of formalising its Board Diversity Policy, and will set out its policy for promoting diversity on the Board in due course.

Provision 8.1 of the Code requires 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.

As disclosed in page 38 of the Annual Report, the Board has deliberated with regards to the Code's recommendation to fully disclose the amounts and breakdown of remuneration of each individual Director and the CEO. The Board is of the opinion that, in view of the confidentiality nature, sensitivity and competitive reasons, the amounts and breakdown of remuneration of each individual Director are not disclosed. The Board has opted to disclose the remuneration of each individual Director in percentage terms and in incremental bands of S\$250,000. Remuneration bands and components in percentage terms of the Directors' remuneration for the financial year ended 30 June 2021 are set out therein.

The remuneration bands and components in percentage terms of the top five (5) key management personnel (who are not Directors or the CEO) for FY2021 have been set out in page 38 of the Annual Report. As explained therein, the Board is of the view and explains that, given the highly competitive industry conditions coupled with the sensitivity and confidentiality of remuneration matters, the disclosure of the remuneration packages of the key management personnel and the disclosure of remuneration of key management personnel on a named basis, as required by Provision 8.1 of the Code, would be prejudicial to the Company's interests.

As disclosed in page 37 of the Annual Report, annual review of the remuneration are carried out by the Remuneration Committee (the "RC") to ensure that the remuneration of the Executive Directors are commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. In structuring the remuneration framework, the RC also takes into account the risk policies of the Group, the need for remuneration to be symmetric with the risk outcomes and the time horizon of risks. The Company has a staff remuneration policy which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary which takes into consideration the remuneration and employment conditions within the same industry and in comparable companies and variable bonus that is linked to the performance of the Group as a whole and their individual performance. The remuneration of the Company's Executive Directors has been formulated to attract, retain and motivate individuals the Group relies on to achieve its business strategy and create long-term value for its stakeholders. This is designed to align remuneration with the interests of shareholders and other stakeholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. The RC believes that fair performance-related pay should motivate good performance and that rewards should be closely linked to and commensurate with it.

As required under Provision 8.2 of the Code, 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, have been duly set out in page 39 of the Annual Report.

By Order of the Board
TIONG WOON CORPORATION HOLDING LTD

Ang Kah Hong
Executive Chairman

5 November 2021