



TIONG WOON CORPORATION HOLDING LTD.

(Company Registration Number: 199705837C)

RESPONSE TO SGX-ST'S QUERY ON THE ANNUAL REPORT FOR FINANCIAL YEAR ENDED 30 JUNE 2020

The Board of Directors 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 2020 ("2020 Annual Report") and wishes to provide further information as follows:

SGX-ST's Query

(a) 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 of the Code with regards to the disclosure of remuneration. 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.

(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 Provisions 8.2 of the Code with regards to the disclosure of remuneration (and in particular, whether the disclosures pertaining to employees who are substantial shareholders or immediate family members of substantial shareholders), and there were no explanations were provided for in your FY2020 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

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.

The remuneration of each individual directors and the CEO as well as top five key management personnel are set out in incremental bands of S\$250,000. The Company had disclosed on pages 34 and 36 of its FY2020 Annual Report its reasons for deviating from Provision 8.1 of the Code, as follows:

“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 \$250,000.”

“The Board has deliberated with regards to the Code’s recommendations to fully disclose the amounts and breakdown of remuneration of at least the top five (5) key management personnel (who are not Directors or the CEO) and in aggregate the total remuneration paid to these key management personnel. The Board is of the opinion that, in view of the confidentiality nature and sensitivity of key management personnel (who are not Directors or the Executive Chairman) remuneration matters and the Board’s concern over poaching of key management personnel (who are not Directors or the Executive Chairman) by competitors, the Board had opted to disclose the remuneration of key management personnel (who are not Directors or the Executive Chairman) in percentage terms and in incremental bands of \$250,000. Further, the Board is of the view that the total aggregate remuneration paid to the top five (5) key management personnel (who are not Directors or the Executive Chairman) is not material as the total aggregate remuneration paid amounted to less than 4% of the total other operating expenses of the Group.”

Provision 8.2 of the Code states that the company discloses 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 had disclosed the remuneration in bands no wider than S\$250,000 of the employees who are either directors, CEO or key management personnel and their relationships with the relevant director or the CEO or substantial shareholder on pages 34 to 36 of its FY2020 annual report. The Company had also disclosed on page 36 of its FY2020 annual report on other employee’s name who is immediate family member of a director and the CEO of the Company and whose remuneration exceeded S\$100,000 during the year, and in bands no wider than S\$100,000 and his relationship with the relevant Executive Directors and CEO of the Company.

The Company had also disclosed on pages 33 and 34 of its FY2020 annual report that the annual review of the remuneration are carried out by the Remuneration Committee (“RC”) to ensure that the remuneration of the Executive Directors and key management personnel 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 the 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 and key management personnel 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 shareholders. 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. The remuneration policy also applies to all employees who are substantial shareholders or immediate family members of substantial shareholders.

BY ORDER OF THE BOARD

Ang Kah Hong
Executive Chairman

20 October 2020
Singapore