

HAFARY HOLDINGS LIMITED

(Company Registration No: 200918637C)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 ("ANNUAL REPORT 2021")

The Board of Directors (the "**Board**") of Hafary Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to provide the following response to the query raised by SGX-ST on 4 April 2022 in connection with the Company's Annual Report 2021 released via SGXNet on 23 March 2022:-

Query:

We note that the Company had not complied with Provisions 8.1(a) of the Code with regards to the disclosure of remuneration, and there were no explanations provided for in your 2021 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.

Response:

Principle 8 of the Code requires companies to be transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Under Provision 8.1(a) of the Code, the Company is required to disclose in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of each individual director and the CEO.

In its Annual Report 2021, the Company disclosed:-

- (a) on page 54, the names, amounts and a breakdown of the remuneration of each director of the Company in bands of S\$250,000, including a percentage breakdown of the variable and fixed remuneration received by our Executive Director and CEO;
- (b) on page 52, how the Executive Director and CEO's remuneration package is aligned with interests of shareholders, including how the variable component of the Executive Director and CEO's remuneration is calculated, in accordance with the terms of the Executive Director and CEO's services agreement with the Company;
- (c) on page 53, the Board's view that (a) the current disclosure is a good indication of the Executive Director and CEO's remuneration package and provides sufficient insights as to the Company's remuneration policies; and (b) that full disclosure of the specific remuneration of each individual Director and the key management personnel is not in the best interest of the Company or its stakeholders. The Board holds this view for the following reasons:

- (i) the commercial sensitivity and confidential nature of remuneration matters;
- (ii) the rationale for the existing disclosure of remuneration of each director of the Company in bands of S\$250,000. The Company does not disclose the aggregate remuneration paid to each of such individuals in view of the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group; in addition, such disclosure of specific remuneration information may encourage inappropriate peer comparisons and discontent and may, in certain cases, give rise to recruitment and talent retention issues;
- (iii) the existing disclosure relating to how the Executive Director and CEO's remuneration package is aligned with the interests of shareholders, including the formula to determine the variable component of the Executive Director and CEO's remuneration, and
- (iv) the relative size of the Group, the competitive business environment in which the Group operates in, and the negative impact such disclosure may have on the Group in attracting and retaining talent at the Board level and key management personnel level on a long- term basis.

Notwithstanding the above, and in view of Principle 8 of the Code, the Group wishes to disclose in this announcement, a breakdown of the remuneration of each director of the Company (including our Executive Director and CEO) in bands of S\$50,000, including a percentage breakdown of the variable and fixed remuneration received:

Remuneration band and name of Director	Directors' fee (%)	Salary, CPF and allowance (%)	Variable or performance related bonus (%)	Total (%)
S\$800,000 to S\$849,999				
Mr Low Kok Ann	–	29	71	100
Below S\$50,000				
Datuk Edward Lee Ming Foo, JP	100	–	–	100
Mr Low See Ching	100	–	–	100
Ms Cheah Yee Leng	100	–	–	100
Mr Yong Teak Jan @ Yong Teck Jan	100	–	–	100
Mr Ong Beng Chye	100	–	–	100
Mr Terrance Tan Kong Hwa	100	–	–	100
Mr Foo Yong How	100	–	–	100

Given the above, the Company is of the view that the information disclosed provides investors with sufficient transparency and information as to the remuneration policies, level and mix of remuneration, procedure of setting remuneration and the relationships between remuneration, performance and value creation, and is consistent with the intent of Principle 8 of the Code.

By Order of the Board

Low Kok Ann
Executive Director and CEO
6 April 2022