



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 2019

The Board of Directors of Teckwah Industrial Corporation Ltd (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the query raised by the SGX-ST on 2 May 2020 and responds as follows:-

SGX-ST's Query

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 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.

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 ("KMP") (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 Company had disclosed on page 49 of its FY2019 Annual Report its reasons for deviating from Provision 8.1 of the Code, as follows:

"In view of the competitive pressures in the labour market on retaining talent, the Company believes that it is not in its best interest to disclose the details of the remuneration of the individual directors and top five KMPs (who are not directors) as required by Provision 8.1(a) and (b) of the 2018 Code. The Remuneration Committee has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure. The Company believes that given the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Group's talent pool."





The Company would like to further elaborate on the reasons for deviation as follows:

- (i) due to the commercial sensitivity and confidential nature of staff remuneration matters, the Company is of the view that such disclosures could be prejudicial to the interests of shareholders;
- (ii) given the competitive business environment which Teckwah operates in, the Company faces significant competition for talent in its sector, and it had not disclosed the remuneration of the key executives including the Managing Director, so as to minimise potential staff movement and undue disruption to its management team which would be prejudicial to the interests of shareholders; and
- (iii) it is important for the Company to ensure stability and continuity of its business by retaining a competent and experienced management team and being able to attract talented staff and disclosure of the remuneration of the key executives including the Managing Director would make it difficult to retain and attract talented staff on a long term basis.

The Company had also disclosed on page 49 of its FY2019 annual report that an annual review of remuneration is carried out by the Remuneration Committee to ensure that the remuneration of the Executive Directors and KMPs commensurate with their performance and that of the Company, having regard to the financial and commercial health and business needs of the Group including market trends. The components of the remuneration of the Executive Directors and KMPs comprise a fixed component and a variable component. The fixed component is in the form of a base salary, annual wage supplement and benefits-in-kind. The variable bonus element is in the form of performance bonus and profit sharing, based on the Company's and respective individual key performance indicators that are designed to incentivise good performance, leading to value creation of the Company. The key performance indicators include the Company's profitability and other financial and operational indicators as determined by the Board. Staff appraisals are conducted once a year. The Executive Directors and KMPs had met their respective key performance indicators in respect of FY2019.



Taking into account the reasons why disclosure in accordance with Provision 8.1 of the Code would be prejudicial to the interests of shareholders and the disclosure of the composition of remuneration, appraisal process and performance indicators which go towards determination of the performance bonus of the Executive Directors and KMPs which, the Board has determined that there is sufficient 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 are consistent with the intent of Principle 8.

By Order of the Board

Lo Swee Oi
Company Secretary

Date: 5 May 2020