

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 2020 ("ANNUAL REPORT 2020")**

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 23 April 2021 in connection with the Company's Annual Report 2020 released via SGXNet on 29 March 2021 (the "**Annual Report 2020**"):-

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. Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, CEO and KMP should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the CEO should specify the names, amounts and breakdown of remuneration. We note that the Company declined to disclose each individual director and CEO's exact remuneration. Instead, the Company disclosed the remunerations in bands of S\$250,000. Please explain and clarify how this disclosure provides sufficient transparency and information to shareholders and is consistent with the intent of Principle 8 of the Code.

Response:

In its Annual Report 2020, the Company had disclosed:-

- (a) on page 50, 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 49, how the Executive Director and CEO's remuneration package is aligned with interests of shareholders, including the formula to determine the variable component of the Executive Director and CEO's remuneration which is in the form of a cash bonus linked solely to the Group's profit before income tax for a particular financial period; and
- (c) on page 50, the names, amount and breakdown of its top five KMP in percentage bands no wider than S\$250,000, and the variable component of the remuneration and in aggregate the total remuneration paid to these KMP, in accordance with Provision 8.1(b) of the Code.

After much deliberation, the Board is of the view rather than disclosing to the nearest dollar, the current form of disclosure is a good indication of the Executive Director and CEO's remuneration package. In arriving at this decision, the Board had taken into consideration, *inter alia*:-

- (a) the commercial sensitivity and confidential nature of remuneration matters;
- (b) the rationale for the Company's existing disclosure of remuneration of the top five KMP (who are not Directors) of the Group in bands of S\$250,000 – the Company does not disclose the aggregate remuneration paid to each 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 – this rationale would equally apply to the disclosure of the aggregate remuneration paid to our Executive Director and CEO;
- (c) the existing disclosure at page 49 of the Annual Report on how the Executive Director and CEO's remuneration package is aligned with interests of shareholders, including the formula to determine the variable component of the Executive Director and CEO's remuneration; and
- (d) 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 on a long-term basis.

For these reasons, the Company is of the view that the information disclosed provides investors with sufficient insights 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
26 April 2021