

# CORPORATE GOVERNANCE REPORT

RE&S Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is committed to achieving a high standard of corporate governance by setting in place a framework of practices and policies that complies with the principles and guidelines of the Code of Corporate Governance (the “Code”) and promotes transparency, accountability and integrity. The Group believes that this is essential to the sustainability of the Group’s business and critical in protecting and enhancing shareholders’ interests in the long term.

This report sets out the Group’s main corporate governance practices for the financial period ended 30 June 2018 (“FY2018”) with reference to the Code and incorporating answers to the questions set out in the disclosure guidelines developed by SGX-ST in January 2015, which forms part of the continuing obligations of Listing Manual – Section B: Rules of Catalist of the SGX-ST (“Catalist Rules”). In areas where the Group has not complied with the Code, explanations have been provided. The report should be read in its entirety instead of separately under each principle of the Code and the guidelines therein.

With the issuance of the revised Code of Corporate Governance (“2018 Code”) by the Monetary Authority of Singapore on 6 August 2018 which will take effect for annual reports covering financial years commencing from 1 January 2019, the Group will review and implement measures to comply with the 2018 Code, where appropriate.

## BOARD MATTERS

### The Board’s Conduct of Affairs

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.**

The Board is accountable to the shareholders and its primary responsibility is the preservation and enhancement of long term value and returns for the shareholders. Its functions are distinct from Management responsibilities as it oversees the business affairs of the Group and supervises Management.

In addition to its statutory duties, the Board also:

1. Provides entrepreneurial leadership and setting the strategic plans and performance objectives of the Group;
2. Reviews the adequacy and effectiveness of the Group’s risk management and internal controls framework including financial, operational, compliance and information technology control and establishing risk appetite to safeguard shareholders’ interests and the Group’s assets;
3. Reviews the performance of the Group’s Key Management Personnel;

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4. Approves the annual budgets, significant capital expenditure, acquisitions and divestment proposals;
5. Approves the nomination and appointment/re-appointment of Directors, Board Committee members and Key Management Personnel;
6. Approves the release of the Group's quarterly and full year's financial results and interested person transactions;
7. Reviews sustainability issues such as environmental, social and governance factors, as part of its strategic formulation;
8. Identifies key stakeholder groups and recognize that their perceptions affect the Company's reputation.
9. Sets the Group's ethical values and standards to ensure that obligations to shareholders and other stakeholders are understood and met; and
10. Assumes responsibility for and ensuring the Group's compliance with good corporate governance practices.

All Directors objectively discharge their duties and responsibilities in good faith at all times as fiduciaries in the interest of the Group and are obliged to exercise reasonable due diligence and independent judgement when making decisions.

To assist in the execution of its responsibilities, the Board has established and delegated certain functions to its various Board Committees, namely, the Audit Committee (the "AC"), the Nominating Committee (the "NC"), the Remuneration Committee (the "RC") and the Administration Committee. Other than the Administration Committee, each of the rest of the Board Committees has its own defined scope of duties and written terms of reference (the "TOR") setting out the manner in which it is to function and operate. The effectiveness of each Board Committee is constantly monitored and reviewed on a regular basis to ensure their continued relevance. The TOR in relation to the responsibilities and functions of the Directors in each Board Committee is provided in this Report.

## **Board Meetings and Meetings of Board Committees**

The Board and the AC conduct at least four scheduled meetings each year and holds additional or ad hoc meetings at such other times as is necessary to address significant matters that may arise. Each of the NC and RC conducts at least one scheduled meeting each year. Board papers incorporating sufficient information from Management are forwarded to Board members in advance of a Board meeting to enable each member to be adequately prepared.

The Company's Constitution allows a Board meeting to be conducted by telephone conference, video conference, audio visual or through other communication equipment via which all persons participating in the meeting can communicate with each other simultaneously and instantaneously.

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In lieu of physical meetings, Board decisions are also made via written resolutions circulated to the members for their approvals.

The number of Board and Board Committees meetings held since the listing of the Company on 22 November 2017 till 30 June 2018 as well as the attendance of each Director at each of these meetings is set out below:

Directors	Board Meeting		AC Meeting		NC Meeting		RC Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Ben Yeo Chee Seong	2	2	2	2	2	2	2	2
Mr. Hiroshi Tatara	2	2	2	2 <sup>(1)</sup>	2	–	2	–
Mr. Yek Hong Liat John	2	2	2	2 <sup>(1)</sup>	2	2 <sup>(1)</sup>	2	2 <sup>(1)</sup>
Mr. Lee Lap Wah, George	2	2	2	2	2	2	2	2
Mr. Guok Chin Huat Samuel	2	2	2	2	2	2	2	2
Mr. Lim Ho Seng*	2	–	2	–	2	–	2	–

<sup>(1)</sup> By Invitation

\* Mr. Lim Ho Seng resigned as Independent Director on 7 February 2018.

*Note: There was no Administration Committee Meeting held during FY2018.*

## Board Approval

The Board has adopted a set of internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved for the Board's decisions include those involving acquisitions or disposal of assets, corporate or financial restructuring, share issuance, interim dividends and substantial transactions which have a material impact on the Group. Management understands that these matters require the Board's approval and the Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group. Below the Board level, there is appropriate delegation of authority and approval sub-limits at Management level, to facilitate operational efficiency.

## Training of Directors

Upon appointment as a Director of the Company, a formal letter of appointment is provided to each new Director setting out his roles, responsibilities and obligations as a member of the Board. The new Directors have also met with the Management of the Company and were briefed on the Group's business, operations, structure as well as its history, core values, strategic directions, industry specific knowledge and the Group's governance practices relating to, *inter alia*, disclosure of interests in the Company's securities, prohibition on dealings in the Company's securities and restrictions on the disclosure of price sensitive information.

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From time to time, the Group's internal and external auditors, legal advisors and the Company Secretary may update or conduct briefings for the Directors on changes to the listing rules or to the laws and guidance pertaining to corporate governance practices, risk management, insider trading and financial reporting standards so that the Directors may discharge their fiduciary duties effectively. In addition, articles, press releases, reports released by SGX and ACRA which are relevant to the Group are circulated to the Board.

All the Independent Directors newly appointed to the Board in FY2018 have experience as Directors of listed companies.

The Group welcomes Directors to seek explanations or clarifications from and/or request for informal discussions with the Management on any aspect of the Group's operations or business. The Group is responsible for encouraging and funding the training of its Directors to enhance their skills and knowledge and will provide the budget and ongoing opportunities for the Directors to receive further training.

## **Board Composition and Balance**

**Principle 2: There shall be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.**

The Board currently comprises five (5) Directors of whom two (2) are Executive Directors and three (3) are Independent Directors. They are as follows:

Mr. Ben Yeo Chee Seong (Non-Executive Chairman and Independent Director)

Mr. Hiroshi Tataru (Executive Director and President)

Mr. Yek Hong Liat John (Executive Director and Chief Executive Officer)

Mr. Lee Lap Wah, George (Independent Director)

Mr. Guok Chin Huat Samuel (Independent Director)

There is no alternate Director on the Board.

## ***Independence of Directors***

The Board has a strong independent element as three (3) out of five (5) Directors are independent. In addition, the Board has an Independent Chairman.

The criteria for independence are defined in the Code and the independence of each of the Directors is reviewed by the NC. The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its Officers or its 10% shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgement in the best interest of the Company and the Group. The NC had reviewed the independence of each Independent Director and is of the view that these Directors are independent.

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There is no Independent Director who has served beyond 9 years since the date of his first appointment.

The Board considers that the current size and composition of the Board, which will be reviewed by the NC from time to time, has the appropriate balance of Independent and Executive Directors, taking into account the nature and scope of the Group's business and operations, that will be conducive to effective decision-making.

The Board and its Board Committees comprise respected individuals from diverse backgrounds with core competencies in accounting or finance, business and management, real estate, industry knowledge, strategic planning expertise and customer-based experience. There is a balance of skills, experience and background that will provide competent and effective stewardship of shareholders' interest and governance of the Group's business.

The Independent Directors exercise no management function in the Group.

The role of the Independent Directors is to review Management's performance, monitor the reporting of the Group's performance by the Management and constructively challenge and help to develop strategic goals. On a need-to basis, Independent Directors may meet privately without the presence of Management to review any matter as an appropriate check and balance on the Group's operations and performance.

## **Chairman and Chief Executive Officer**

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No individual should represent a considerable concentration of power.**

The Company has a separate Chairman and Chief Executive Officer (the "CEO").

Mr. Ben Yeo Chee Seong, an Independent Director, is the Chairman of the Board. He is responsible for the high standards of corporate governance, ensuring a rigorous compliance with the Code as he leads the Board in providing the strategic direction for the Group's operations through constructive and participative relations with Management and facilitates the effective contribution of Independent Directors. He also sets the Board's meeting agendas in consultation with the Company Secretary, ensuring that the Directors receive accurate, timely and clear information in preparation for each meeting, facilitates a balance of viewpoints and perspectives in Board discussions between the Executive and Independent Directors and ensure effective communication with shareholders.

Mr. Yek Hong Liat John, the CEO and Executive Director of the Company is also a controlling shareholder of the Company. He leads the Management of the Group in its business operations, development, performance and growth, ensuring that objectives are achieved through the effective working relationship and communications between the Board and Management of the Company.

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There is a clear balance of authority and decision making in the alignment of responsibilities between the Board and Management to ensure that no individual holds a concentration of power.

The AC, NC, RC and the Administration Committee are all chaired by Independent Directors.

Given the independence of the Chairman and the strong independent element of the Board to enable the exercise of independent and objective judgement on corporate affairs of the Group, the Board is of the view that there are adequate checks and balances in place to ensure that the process of decision-making by the Board is based on collective decision of Directors, without any concentration of power residing in any individual. In view thereof, there is no need for the Company to have a lead Independent Director.

The Independent Directors meet periodically without the presence of the other Directors and Management where necessary and provide feedback to the Chairman after such meetings.

## **Board Membership**

### **Principle 4: There should be a formal and transparent process for the appointment and reappointment of directors to the Board.**

The Board through the delegation of its authority to the NC has ensured that there is a formal and transparent process in the appointment and re-appointment of Directors who possess the relevant background, experience and knowledge in business, finance and management skills.

The NC currently comprises three (3) Independent Directors as follows:

Mr. Lee Lap Wah, George (Chairman)

Mr. Ben Yeo Chee Seong

Mr. Guok Chin Huat Samuel

The responsibilities of the NC in accordance with its TOR are as follows:

- (a) Recommend to the Board the appointment of new Directors (including alternate Directors, if applicable) and Key Management Personnel, including re-nominations of existing Directors for re-election in accordance with the Constitution of the Company, taking into account the Director's contribution and performance;
- (b) Review and approve any new employment of persons related to the Directors/CEO and/or substantial shareholders of the Company and proposed terms of their employment;
- (c) Determine on an annual basis whether or not a Director is independent bearing in mind the circumstances set forth in the Code of Corporate Governance as well as the relationship or circumstances which would deem a Director not independent;

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- (d) Review and decide whether or not a Director is able to and has been adequately carrying out his duties as Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments;
- (e) Review the training and professional development programmes for the Board;
- (f) Review succession plans for Directors, in particular, the Chairman of the Board, the Chief Executive Officer and Key Management Personnel;
- (g) Review the Directors' mix of skills, experience, gender, core competencies and knowledge of the Group which the Board requires to function competently and efficiently;
- (h) Determine and recommend to the Board the maximum number of listed company board representations which any Director may hold;
- (i) Develop a process for evaluation of the performance of the Board, its committees and the Directors and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers; and
- (j) Address how the Board has enhanced long-term shareholders' value and assess the contribution of each Director to the effectiveness of the Board.

## **Selection, Appointment and Re-appointment of Directors**

The NC is responsible for identifying and selecting potential new Directors based on their core competencies and relevant experience critical to the Group's business and may engage professional consultants and independent experts to undertake research on or assess candidates for new positions on the Board. The search criteria include integrity, diversity and the ability to commit time and referrals or recommendations from personal contacts and business associates may also be sought. The NC meets with the short-listed Board candidates to assess their suitability and availability. The NC then makes recommendations to the Board for its consideration and approval.

In accordance with Article 97 of the Company's Constitution, all Directors shall retire from office at the Company's Annual General Meeting (the "AGM") at least once every three (3) years by rotation. The retiring Directors are eligible to offer themselves for re-election.

In accordance with Article 103 of the Company's Constitution, new Directors are appointed by way of a Board resolution following which they are subject to re-election at the AGM. A retiring Director shall be eligible for re-election at the AGM at which he retires.

The NC had recommended to the Board that all the newly appointed Directors, be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation.

Each member of the NC shall abstain for voting on any resolutions in respect of his re-nomination as a Director.

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## **Directors' time commitments and Multiple Directorships**

Despite some of the Directors having other Board representations, the NC is satisfied that the Directors with multiple listed company board representation are able to devote sufficient time to the affairs of the Company and contribute significant expertise through their governance and guidance on the operational and financial performance of the Group. Currently, the maximum number of listed company board representations for the Directors is set at 6.

The key information regarding the Directors up to the date of this report is disclosed in the "Board of Directors" section on pages 6 to 10 of the Annual Report.

## **Board Performance**

**Principle 5: There shall be a formal annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each director to the effectiveness of the Board.**

The NC is responsible for recommending and implementing a process to assess the performance and effectiveness of the Board as a whole and its Board Committees as well as evaluating the performance of each Director in his contribution to the effectiveness of the Board. This is carried out on an annual basis.

Assessment and evaluation forms designed as a questionnaire have been developed and adopted for the process to determine the strengths and capabilities of the Board, the Board Committees and each of the Directors based on size and composition of the Board, attendance, participation in constructive discussions and communication, quality of decision making, timeliness of board papers, conduct, internal controls and other specific criteria relevant to the determination of efficacies. The forms including a section on self-assessment were completed by the Directors and were then collated by the Company Secretary and presented to the NC as a summary report.

The performance criteria will not be changed from year to year unless circumstances deem it necessary for any of the criteria to be changed and the onus should be on the Board to justify the decision. As the Company was newly listed, the NC will review the need for industry peer comparison criteria in the Board evaluation when appropriate.

Following the evaluation exercise for FY2018, the NC is satisfied that the Board, its Board Committees and each of the Directors are performing effectively and have met their respective performance objectives. All NC members have abstained from the voting and review of any matter in connection with the assessment of his performance. No external facilitator was engaged for the evaluation exercise.

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## Access to Information

**Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

Board members are provided with adequate and timely information prior to all Board and Board Committee meetings through detailed Board papers that are circulated to brief the Directors or provide progress reports on the Group's business, strategies, risk analysis, financial impact, regulatory or corporate governance issues and other matters requiring the Directors' attention and mandate.

At each quarterly Board meeting, Management will provide the quarterly reports on the Group's performance and financial results and consult the Board on any significant development or transactions relating to the Group's operations.

The Board has separate and independent access to Management and whenever necessary, Management will be invited to attend the Board meetings to participate in the discussions on the Group's operations.

The Directors also have separate and independent access to the Company Secretary who attends and records the minutes of all Board and Board Committee meetings. The Company Secretary assists the Chairman of the Board and of each Board Committee in ensuring that Board procedures are followed and reviewed in accordance with the Company's Constitution and regulatory laws. The Company Secretary's role is to advise the Board on all governance matters and the appointment and removal of the Company Secretary is subject to the approval of the Board.

The Board and the Directors, individually or as a group, may seek or obtain legal and other independent professional advice on any aspect of the Group's operations in order to perform their duties and the cost of obtaining such advice will be borne by the Company.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

The RC currently comprises three (3) Independent Directors as follows:

Mr. Guok Chin Huat Samuel (Chairman)

Mr. Ben Yeo Chee Seong

Mr. Lee Lap Wah, George

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The duties of the RC in accordance with its TOR are set out as follows:

- (a) Review and approve the Company's policy for determining executive remuneration including the remuneration of the CEO and Key Management Personnel;
- (b) Review the on-going appropriateness and relevance of the executive remuneration policy and other benefit programmes;
- (c) Consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each Key Management Personnel and employees who are related to Directors/CEO and substantial shareholders (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts);
- (d) Consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to Key Management Personnel;
- (e) Review and approve the design of all option plans, stock plans and/or other equity based plans;
- (f) For each equity based plan, determine each year whether awards will be made under that plan;
- (g) Review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan, including awards to Directors and each Key Management Personnel;
- (h) Review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles for each equity based plan; and
- (i) Approve the remuneration framework (including Director's fees) for Independent Directors of the Company.

No Director is involved in deciding his own remuneration.

The RC has full authority to engage any external professional advisors, as and when the need arises, on matters relating to remuneration and the cost of such engagement shall be borne by the Company. There were no external professional advisors engaged for FY2018.

The Company has entered into service agreements (the "Service Agreements") dated 31 October 2017 with Mr. Hiroshi Tatara, Executive Director and President and Mr. Yek Hong Liat John, Executive Director and CEO, respectively, taking effect from the date of admission of the Company to the Catalist Board of Singapore Exchange Securities Trading Limited on 22 November 2017. Each of the Service Agreements may be terminated by not less than 6 months' notice in writing by either party and does not contain onerous removal clauses.

The termination clauses contained in the contracts of service for Key Management Personnel are fair and reasonable and not overly generous. The RC aims to be fair and avoid rewarding poor performance.

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## Level and Mix of Remuneration

**Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

The remuneration policy of the Company is designed to align the interest of Executive Directors and Key Management Personnel with those of shareholders and the long term success of the Group. The policy seeks to attract, motivate and retain key employees with competitive remuneration packages base on the scope of the employee's responsibilities, prevailing market conditions and comparable industry benchmarks.

In determining remuneration packages, the RC takes into consideration the Code's principles and guidelines on the level and mix of remuneration and ensures that a proportion of the remuneration is linked to the individual's and the Group's performance. The Company has formulated a remuneration policy that sets a base salary as a fixed component of the remuneration and a variable bonus linked to the performance of the Company and the employee.

Annual review of the remuneration including the variable bonus of Key Management Personnel and Executive Directors are conducted by the RC to ensure that the remuneration is commensurate with the performance of each employee, taking into account the respective key performance indicators and the Group's financial results and risk policies.

Independent Directors do not have service agreements with the Company and each Independent Director receives a fee for serving on the Board and Board Committees based on his contributions including his time commitment and the scope of his responsibilities, subject to the approval of the shareholders at an AGM. The Directors' fees are reviewed by the RC and recommended to the Board which is of the view that the Independent Directors are not over compensated to the extent that their independence may be compromised.

The Executive Directors do not receive Director's fees.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company. The Company will avail itself of legal processes for recovery against the employees. As Executive Directors owe a fiduciary duty to the Company, the Company may avail itself of legal remedies in the event of such breach of fiduciary duties.

The Company has on 26 October 2017 adopted the RE&S Employee Share Option Scheme (the "ESOS") as set out in the Company's offer document dated 15 November 2017 (the "Offer Document"). Eligible participants (the "Participants") under the ESOS will have the opportunity to participate in the equity of the Company so that their interests are aligned with the interests of the Company and the shareholders and they are motivated towards better performance and the long-term growth and profitability of the Group. The ESOS also enables the Group greater flexibility in structuring compensation packages of eligible Participants so

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that the Group is able to offer compensation packages that are competitive in order to motivate and retain its employees. The Independent Directors and Key Management Personnel of the Company are eligible to participate in the ESOS which is designed to reward and retain the participants and to foster a long term commitment and dedication to the business of the Group. The Executive Directors being controlling shareholders of the Company are not eligible to participate in the ESOS.

The ESOS will be administered by the Administration Committee comprising members of the NC and RC, namely Mr. Ben Yeo Chee Seong, Mr. Lee Lap Wah, George and Mr. Guok Chin Huat Samuel. In compliance with the requirements of the Catalist Rules, a Participant who is a member of Administration Committee shall not be involved in the deliberation or decision in respect of the ESOS options to be granted to that member of the Administration Committee.

The ESOS shall continue in force at the discretion of the Administration Committee, subject to a maximum period of 10 years commencing on the date on which the ESOS was adopted by the Company in a general meeting, provided always that the ESOS may continue beyond the above stipulated period with the approval of its shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

As at the date of this report, no options have been granted under the ESOS since its commencement.

## Disclosure on Remuneration

**Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

A breakdown showing the level and mix of each Director's and Key Management Personnel's remuneration for FY2018 is set out below:

Name of Director	Salary (%)	Performance Bonus (%)	Director's Fees (%)	Total (%)
<b>S\$500,000 – S\$750,000</b>				
Mr. Hiroshi Tataru*	100.00	–	–	100.00
Mr. Yek Hong Liat John*	100.00	–	–	100.00
<b>Below S\$250,000</b>				
Mr. Ben Yeo Chee Seong <sup>(1)</sup>	–	–	100.00	100.00
Mr. Lee Lap Wah, George <sup>(1)</sup>	–	–	100.00	100.00
Mr. Guok Chin Huat Samuel <sup>(1)</sup>	–	–	100.00	100.00
Mr. Lim Ho Seng <sup>(1)(2)</sup>	–	–	100.00	100.00

\* Executive Directors who have entered into service agreements with the Company taking effect on 22 November 2017. They do not receive Director's fees. Mr. Hiroshi Tataru is President and Mr. Yek Hong Liat John is CEO of the Company respectively. Each Executive Director is entitled to a performance bonus in each financial year which is calculated based on the Group's consolidated Profit before Tax. For FY2018, both Executive Directors have voluntarily waived their performance bonus entitlement.

<sup>(1)</sup> Independent Directors newly appointed on 30 October 2017. Fees for FY2018 were pro-rated accordingly.

<sup>(1)(2)</sup> Mr. Lim Ho Seng resigned as Independent Director on 7 February 2018.

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The Company is of the view that in a small and medium-sized enterprise environment, disclosure of the Directors' remuneration in bands of S\$250,000 should be sufficient to provide an insight into the link between compensation and performance of the Directors and further details are deemed to be not in the interest of the Company due the sensitivities and confidentiality of remuneration.

Name of Key Management Personnel	Salary (%)	Performance Bonus (%)	Total (%)
<b>S\$250,000 – S\$500,000</b>			
Mr. Foo Kah Lee, Chief Financial Officer ("CFO")	82.50	17.50	100.00
Mr. Eddie Tang Yew Kong, Chief Operating Officer	89.50	10.50	100.00
<b>Below S\$250,000</b>			
Mr. Lim Shyang Zheng, Chief Supply Chain Officer and Deputy Director	89.50	10.50	100.00

Notwithstanding Guideline 9.3 of the CG2012, there were only three Key Management Personnel (who are not Directors or the CEO) during FY2018. The aggregate total remuneration paid to the above Key Management Personnel amounted to S\$716,320 for FY2018.

There is no termination, retirement or post-employment benefits granted to Directors and Key Management Personnel.

Although the Code recommends full disclosure by the Company of the exact remuneration of its Directors, CEO and top five (5) Key Management Personnel on a named basis, the Company is of the view that it is not in its best interest to disclose confidential details of remuneration due to the competitiveness of the industry for key talent.

The Company does not have employees who are immediate family members of a Director or the CEO whose remuneration exceeds S\$50,000 during FY2018.

## ACCOUNTABILITY AND AUDIT

### Accountability

**Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

In compliance with the Catalist Rules on the Company's disclosure obligations, the Company ensures that its shareholders are informed of all major developments, financials and price sensitive information relating to the Group on a timely basis through SGXNET and the press.

Accountability to the shareholders is demonstrated through the presentation of the Group's quarterly and annual financial statements, results announcements, press release and all other announcements on the Group's business and operations.

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The Board embraces open-ness and transparency in the conduct of the Company's affairs. Management maintains regular contact and communication with and makes available to the Directors the management accounts and other financial statements as and when required so that the Board may monitor the Group's position and present a balanced and understandable assessment of the Group's performance and prospects to its shareholders.

## **Risk Management and Internal Control**

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's asset, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

As the Company does not have a Risk Management Committee, the Board oversees the governance of risks in the Group and ensures that Management maintains a sound system of risk management and internal controls to safeguard the Company's assets and the interests of shareholders. The Board however recognizes that no cost effective system can totally preclude against errors and irregularities such as human errors, poor judgement in decision making, losses or fraud. The Group's system of internal controls and risk management therefore do not provide an absolute assurance that there will be no adverse events or circumstances faced by the Company in its operations or results.

The Group has in place an enterprise risk management ("ERM") framework. This ERM framework has 4 principal risk categories, namely strategic, financial, operational and compliance risks. The Group's risk management framework is aligned with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Controls Integrated Framework.

The ERM framework enables the Company to identify risks and adopt effective and expedient measures to control, alleviate or mitigate the risks. The ownership of the risks lies with the respective heads of departments who will implement appropriate risk management solutions and policies and continually monitor the risk profiles and refine the outcomes.

In FY2018, the Company's internal auditor has conducted a review of the Group's key strategic, operational, financial, compliance and information technology risks and risks responses relevant to the achievement of the Group's objectives.

The Group's external auditor has also carried out in the course of their statutory audit a review of the Group's material internal controls. The AC has noted the recommendations of both the internal and external auditor with regards to the Company's risk management and will monitor the effectiveness of the actions taken by Management based on the recommendations of the auditors.

The Board has received written assurance from the CEO and the CFO that the financial records of the Group have been properly maintained, that the financial statements give a true and fair view of the Group's operations and finances and that the Group's risk management and internal controls systems are adequate and effective.

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Based on the internal controls established and maintained by the Group and reviewed by Management on an on-going basis, the review conducted by the internal auditor, the statutory audit carried out by the external auditor, information and reports provided to the Board and the AC and the written assurance from the CEO and CFO, the Board with the concurrence of the AC is of the opinion that for FY2018, the Group's internal controls addressing financial, operational, compliance risks, and the Group's information technology control and risk management systems were adequate and effective for FY2018.

## **Audit Committee**

### **Principle 12: The Board should establish an audit committee with written terms of reference which clearly sets out its authority and duties.**

The AC currently comprises three (3) Independent Directors as follows:

Mr. Ben Yeo Chee Seong (Chairman)

Mr. Lee Lap Wah, George

Mr. Guok Chin Huat Samuel

All the AC members have recent and relevant accounting experience or related financial management expertise. Mr. Ben Yeo Chee Seong, Chairman of the AC is a registered accountant and member of the Institute of Singapore Chartered Accountants. Both Mr. Lee Lap Wah, George and Mr. Guok Chin Huat Samuel have extensive experience in the banking and financial services industry. None of the members of the AC is a former partner or director of the Company's current auditing firm.

The role of the AC is to assist the Board in discharging its corporate governance responsibility of safeguarding the Group's assets, maintaining adequate accounting records and developing and ensuring effective systems of internal controls in the Company.

The AC has met twice since the listing of the Company on 22 November 2017 till 30 June 2018. Guided by its TOR, the AC has performed the following functions during FY2018:

- (a) Assisted the Board in the discharge of its responsibilities on financial and reporting matters;
- (b) Reviewed, with the Company's internal and external auditors, the audit plans, scope of work, the evaluation of the system of internal accounting controls, their management letter and Management's response, and results of the audits compiled by the internal and external auditors, and shall review, at regular intervals with the Management, the implementation by the Group of the internal control recommendations made by the internal and external auditors;
- (c) Reviewed the periodic financial statements and results announcements, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards, the Catalist Rules and any other statutory/regulatory requirements, as well as concerns and issues arising from the audit, including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;

# CORPORATE GOVERNANCE REPORT

- (d) Reviewed significant financial reporting issues and judgments with the Chief Financial Officer and the external auditor so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;
- (e) Reviewed and reported to the Board, at least annually, the effectiveness and adequacy of the Company's internal control and procedures, addressing financial, operational, information technology and compliance risks and discuss issues and concerns, if any, arising from the internal audits;
- (f) Reviewed the independence and objectivity of the internal and external auditors as well as consider the appointment or re-appointment of internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;
- (g) Reviewed and discussed with the external auditor any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- (h) Reviewed the Group's financial risk areas, with a view to providing an independent oversight of the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, if the findings are material, to be immediately announced via SGXNET;
- (i) Reviewed the co-operation given by the Management to the Company's internal and external auditors;
- (j) Made recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and approved the remuneration and terms of engagement of the external auditor;
- (k) Reviewed and approved transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);
- (l) Reviewed any potential conflicts of interest and Interested Person Transactions;
- (m) Reviewed the cash management processes of the Group;
- (n) Reviewed and adopted the whistle-blowing policy; and
- (o) Met once with the Company's external and internal auditors without the presence of Management and reviewed the overall scope of the external audit, the internal audit and the assistance given by the Management to the auditors.

The AC has considered the report from the external auditor including their findings and discussions with Management on significant risks and audit focus areas which have been set out as Key Audit Matters in the audit report for FY2018 and in pages 51 to 53 of this Annual Report.

# CORPORATE GOVERNANCE REPORT

The AC will generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC will also undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

The AC has full access to co-operation by Management, unrestricted access to information relating to the Group and the full discretion to invite any Director or Management to attend its meetings.

The AC has considered the independence of the external auditor and undertaken a review of all the non-audit services performed by the external auditor. Notwithstanding that the amount of non-audit fees of S\$200,000 paid to the external auditor for FY2018 constituted 62% of total fees paid to the external auditor amounting to S\$321,000 (including S\$121,000 for audit fees), the AC is satisfied that the non-audit fees comprised mainly a one-time non-recurring fee of S\$180,000 in connection with our IPO and does not, in the opinion of the AC, affect the independence and objectivity of the external auditor. The aggregate amount of fees paid to the external auditor and a breakdown of the fees paid in total for audit and non-audit services are set out in page 82 of this Annual Report.

The Company has complied with Rules 712 and 715 of the Catalist Rules in the appointment of its external auditor and has recommended to the Board the re-appointment of RSM Chio Lim LLP as its external auditor at the forthcoming AGM.

The AC is also authorized by the Board to investigate or commission investigations into the Group's accounting, auditing, internal controls, financial practices or any related matter thereto with full access to records, resources and personnel in order to discharge its functions effectively.

The Group has in place a whistle blowing policy through which employees, external parties who have business relations with the Company such as customers, suppliers or any other person, may, without fear of reprisals and in good faith raise concerns or report on irregularities with regards to financial reporting or suspected acts of misconduct or any other improprieties, through a confidential channel and well defined process to the Chairman of the AC, the Head, Human Resource and/or the Deputy Director. The policy has been communicated to all employees and details of the policy may also be found at the Company's website at [www.res.com.sg](http://www.res.com.sg). The Group is committed to a high standard of ethics and adopts a zero tolerance approach towards fraud or other improprieties. The AC ensures that there are unobstructed channels for investigations to be overseen by the AC, where necessary and will review appropriate follow-up action as warranted.

No whistle blowing reports were made in FY2018.

The external auditor provide regular updates and briefings to the AC and changes to accounting standards and other financial issues to enable the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. The Company will arrange to send AC members to seminars on updates to Financial Reporting Standards ("FRS"), when required. In the review of the financial statements for FY2018, the AC is of the view that the financial statements are fairly presented in conformity with the relevant FRS of Singapore in all material respects.

# CORPORATE GOVERNANCE REPORT

## Internal Audit

### **Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

The Company has outsourced its internal audit function to Nexia TS Risk Advisory Pte Ltd (“Nexia TS”), to assist the Company in reviewing the design and effectiveness of key internal controls which address financial, operational, compliance and information technology risks and the Company's risk management policy and system as a whole. Nexia TS reports directly to the AC on audit matters and to the CEO on administrative matters.

The Board recognizes that it is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Group's business and assets while Management is responsible for implementing the internal control procedures in a timely and appropriate manner. The internal auditor has unfettered access to the documents, records, properties and personnel of the Group including the AC and procedures are in place for the internal auditor to report their findings and recommendations to the AC for its review. Management will update the AC on the implementation and status of action plans recommended by the internal auditor.

The AC will review and approve the annual internal audit plan and the appointment and remuneration of the internal auditor to ensure the adequacy and effectiveness of the internal audit function of the Company. For FY2018, a comprehensive internal audit was performed and completed by Nexia TS prior to the listing of the Company on 22 November 2017. The AC has also conducted a meeting with Nexia TS without the presence of management to review the Company's internal controls and risk Management.

The AC is satisfied that Nexia TS is adequately resourced and staffed by suitably qualified and experienced professionals who have appropriate standing in the firm. Nexia TS is a member of the Institute of Internal Auditors (“IIA”). The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing set by IIA.

## SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

### Shareholders Rights

### **Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights and continually review and update such governance arrangements.**

The Company upholds the best practices of transparency and accountability to its shareholders. The Board ensures that all shareholders are treated fairly and equitably and the rights of all investors including non-controlling shareholders are safeguarded and protected.

The Company does not practice selective disclosure and ensures that all shareholders are informed on a timely basis via SGXNET of all major developments that impact the Group or could materially affect its share price.

# CORPORATE GOVERNANCE REPORT

Shareholders are encouraged to attend and participate in the Company's general meeting and actively engage the Board and Management on the Group's activities, financial performance, strategies and goals. All shareholders are entitled to vote and the Company will conduct voting by poll for all resolutions tabled at the general meeting.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy form sent in advance. The Company's Constitution allows corporations which provide nominee or custodial services to appoint more than two (2) proxies to vote at general meetings.

## **Communication with Shareholders**

### **Principle 15: Companies should actively engage shareholders and put in place investor relations policy to promote regular, effective and fair communication with shareholders.**

In accordance with the Catalist Rules, the Board is committed to keeping the Company's shareholders informed of all major developments that affect the Group. All price sensitive information are released publicly via SGXNET.

Communication with shareholders is made through:

- Annual reports and/or circulars issued to all shareholders within the mandatory period;
- Quarterly announcements containing a summary of the financial information and affairs of the Group via the press and SGXNET;
- Public announcements via SGXNET;
- Press releases on major developments;
- Notices of shareholders' meetings advertised in a newspaper in Singapore;
- Company's corporate website at [www.res.com.sg](http://www.res.com.sg)

The Group has appointed Financial PR Pte Ltd as its Investor Relations and enquiries from shareholders may be directed to the investor relations firm, the contact details of which are set out in the corporate information page of this Annual Report. As the Company was newly listed on 22 November 2017, the Company has not solicited the views of shareholders. The Company will review the need for analyst briefings, investor roadshows or Investors' Day briefings when necessary.

## **Dividend policy**

The Board does not have a fixed dividend policy. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit, growth, cash position, cash flow generated from operations, projected capital requirements for business growth and other factors as determined by the Board.

# CORPORATE GOVERNANCE REPORT

As set out in the Company's Offer Document, the Board intended to recommend and distribute dividends of at least 35% of the Group's net profits attributable to shareholders in each of FY2018 and FY2019. The Board has therefore proposed, for shareholders' approval, a final one tier tax-exempt dividend of 0.4 Singapore cent that will represent a dividend payout of 39.6% of the Group's FY2018 net profits.

## **Conduct of Shareholders' Meetings**

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

All shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Company's strategy and goals. If the shareholders are unable to attend the general meetings, the Company's Constitution allows the shareholder to appoint proxies to attend and vote on his/her behalf.

All Directors including Chairman of the Board and the respective chairman of the Board Committees, the CEO, Management and the external auditor, will be present at the forthcoming AGM to answer queries on the affairs of the Group or on the content of the auditor's report from shareholders. Minutes of general meetings will be available to shareholders on request.

Each item of special business included in the notice of the general meetings will be accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions will be proposed for substantially separate issues at a general meeting.

All resolutions at general meetings are put to vote by poll. The detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET after the general meetings.

## **DEALINGS IN COMPANY'S SECURITIES**

In compliance with Rule 1204(19) of the Catalist Rules, the Company has adopted an internal compliance code on dealings in the Company's securities. All Directors and officers of the Group are prohibited from dealing in the Company's securities during the period commencing two (2) weeks before the announcement of the Group's quarterly financial results and the period commencing one (1) month before the announcement of its full-year results. They are expected to observe insider trading laws at all times even during the permitted trading periods or when they are in possession of unpublished price sensitive information and are also not to deal in the Company's securities on short term considerations. Directors and the CEO are required to notify their dealings in the Company's securities within two business days.

# CORPORATE GOVERNANCE REPORT

## INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons within the definition set out in Chapter 9 of the Catalist Rules (the "IPTs") and has established procedures for review and approval of interested person transactions entered into by the Group. All IPTs are subject to review by the AC to ensure that they were conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The AC has reviewed the IPTs entered into during FY2018 as follows (as disclosed in the Offer Document):

<b>Name of interested person</b>	<b>Aggregate value of all interested person transactions during the financial year under view (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000)</b>
1. Hiroshi Tatara*	S\$685,000	–
2. Yek Hong Liat John*	S\$685,000	–

\* The Company is required to furnish to Ministry of Manpower ("MOM") a security bond of S\$5,000 for each foreign worker hired by the Company in Singapore. Prior to the listing of the Company, the Group made certain arrangements with insurers to issue letters of guarantees in lieu of the security bonds. Our Executive Director and President, Mr. Hiroshi Tatara, and our Executive Director and CEO, Mr. Yek Hong Liat John (the "Executive Directors") provided indemnities to the insurers with an aggregate value of S\$685,000 for the guarantees issued to MOM. The guarantees will expire when the contract of employment of the foreign worker ends or is terminated.

Subsequent to the listing of the Company, the Group has entered into new arrangements with the insurers on the security bonds for foreign workers pursuant to which our Company will provide the requisite indemnities and no new indemnities will be required from the Executive Directors.

The AC has reviewed and is of the view that the IPTs are not prejudicial to the interests of the Company or of its minority shareholders.

The IPTs above does not exceed the threshold limits under Chapter 9 of the Catalist Rules of SGX-ST and no announcement or shareholders' approval is required. The Group does not have a general mandate for interested person transactions.

## MATERIAL CONTRACTS

Save for the Service Agreements between the Company and the Executive Directors and the IPTs disclosed in this Annual Report, there are no material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling shareholder during FY2018.

# CORPORATE GOVERNANCE REPORT

## USE OF INITIAL PUBLIC OFFERING (IPO) PROCEEDS

Pursuant to the Company's IPO, the Company received net proceeds of approximately S\$11.9m and as at 28 September 2018 the net proceeds have been utilized as follows:

<b>Use of proceeds from the Invitation</b>	<b>Allocated S\$'000</b>	<b>Utilized S\$'000</b>	<b>Balance S\$'000</b>
Business expansion, through establishment of new F&B Outlets and/or suitable acquisitions, joint ventures or strategic alliances	7,000	3,561	3,439
Refurbishment and improvement of our existing F&B Outlets	2,000	775	1,225
For our general corporate and working capital requirements	1,357	1,357	–
For payment of underwriting and placement commissions as well as offering expenses	1,523	1,523	–
<b>Gross proceeds from the Invitation</b>	<b>11,880</b>	<b>7,216</b>	<b>4,664</b>

## SPONSORSHIP

The continuing sponsor of the Company is DBS Bank Ltd. (the "Sponsor"). In FY2018, there was a non-sponsor fee of S\$661,400 paid to the Sponsor for acting as the Issue Manager, Underwriter and Placement Agent for the Company's IPO.