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Issuer: Resources Global Development Limited

Stock code: QSD

Meeting details:

Date: 21 May 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As disclosed in the company's business model (page 2 of the annual report), the group procures its supply of thermal coal from coal mines located in South Kalimantan, Indonesia for domestic sales.

As a policy, it does not maintain any coal stockpiles and it minimises trading risks by sourcing for coal only after securing confirmed sales contracts, i.e. it will typically enter into back-to-back coal sale and purchase contracts with its suppliers and customers respectively.

In the message from the chairman and chief executive officer, it was stated that the group had entered into fixed term coal contracts with suppliers and customers in FY2019 which provided the group with more certainty in trading volume but at a lower margin.

- (i) **Can management elaborate further on how the fixed terms coal contracts are structured and help shareholders understand how this affects the group's trading risks?**
- (ii) **What percentage of its coal trading business was conducted at spot market in FY2019?**
- (iii) **As a coal trader, what is the group's competitive advantage that sets it apart from its competitors?**

Q2. In Note 25 (page 104 – Segment information), it was disclosed that the group has 1 single major customer that contributed \$70.3 million in revenue in FY2019.

In FY2018, the group had three external customers who contributed between \$7.0 million and \$15.5 million each, for a total of \$36.4 million or 81% of the FY2018's total revenue.

In contrast, the sole major customer in FY2019 accounted for 83% of the group's total revenue in the year.

25 Segment information (cont'd)

Information about major customer

Revenue is derived from one (2018: three) external customers who individually contributed 10% or more of the Group's revenue and attributable to the coal trading segment as detailed below:

	Group	
	2019	2018
	\$	\$
Customer 1	70,274,868	13,907,610
Customer 2	–	6,980,529
Customer 3	–	15,549,238
	70,274,868	36,437,377

(Source: company annual report)

- (i) **Can management help shareholders understand if this is a deliberate and informed move to establish a closer relationship with just one major customer?**
- (ii) **Since management stated that it will focus on growing the customer base in the coal trading business, can management clarify its strategy?**
- (iii) **Did the board, especially the audit committee, re-evaluate the robustness of the group's risk management framework (including credit risk) in view of the customer risk concentration?**

Q3. In the Corporate governance report, the board, after careful deliberation, decided that full disclosure of the specific remuneration of each individual director is not in the best interests of the company and the board opted to disclose the remuneration of each individual director in the bands of S\$250,000 with further breakdown in percentage of his or her remuneration package (page 28; reproduced below).

Name of Director	Directors' Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
S\$250,001 to S\$500,000					
Mr Salim Limanto	–	56.0	44.0	–	100.0
Up to S\$250,000					
Mr Francis Lee	–	100.0	–	–	100.0
Mr Gouw Eng Seng	100.0	–	–	–	100.0
Mr Hew Koon Chan	100.0	–	–	–	100.0
Ms Alice Yan	100.0	–	–	–	100.0

(Source: company annual report)

- (i) **Would the board/remuneration committee ("RC") help shareholders understand the performance metrics and the key performance indicators used in the assessment of the CEO and the COO?** It is observed that the CEO received a remuneration package of up to \$250,000 with no bonus while the COO received a remuneration package of \$250,001 to \$500,000 with 44% as bonus.

The board further added that it had considered the confidential nature of remuneration matters, the relative size of the group, the competitive business environment in which the group operates in, and the negative impact such disclosures may have on the group.

However, in the offer document dated 14 January 2020, on pages 163-166, the company had disclosed the terms of the service agreements with the directors, as follows:

Pursuant to the terms of the respective Service Agreements, our Executive Director and Chief Executive Officer, and our Executive Director and Chief Operating Officer are entitled to receive a monthly salary of S\$20,000 and S\$16,000 respectively. ... Our Company shall also pay to each Executive, at the end of each calendar year, a fixed annual wage supplement of one month's base salary. In addition, each Executive shall be reimbursed all travelling, hotel, entertainment and other expenses reasonably and properly incurred by the Executive in the performance of his duties under the Service Agreement. Apart from the above, none of our Executives will be entitled to any annual profit sharing.

- (ii) **Given that the details of the service agreements are disclosed in the offer document, and that the company has stated its commitment to maintaining high standards of corporate governance (page 19), would the RC consider improving the company's remuneration disclosure so as to better comply with the Code of Corporate Governance 2018?**

[^]Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)