

RESPONSES TO QUERIES FROM SGX-ST ON THE FY2019 ANNUAL REPORT

First Resources Limited (the “**Company**”) refers to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 4 June 2020 in relation to the Company’s annual report for the financial year ended 31 December 2019 (the “**Annual Report**”):

SGX-ST Query 1:

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. In this regard:

Provision 8.1 of the Code states that:

*“The company discloses 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 (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.**”*

We note the Company’s disclosure on remuneration at pages 34-36 of the FY2019 Annual Report. Where the Company’s practices deviate from the provisions of the Code, please explicitly state the provision from which it has deviated from and explain how the practices it 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.

Company’s Response:

The Company would like to clarify that it has disclosed on page 35 of the Annual Report the remuneration (in terms of names, exact amount and breakdown) of all the Directors (including the CEO and Deputy CEO) of the Company. Hence, the Company has fully complied with Provision 8.1(a) of the Code with regards to disclosure of Directors’ remuneration.

In relation to the remuneration of the top five key management personnel (“KMP”), the Company has disclosed on page 36 of the Annual Report the total remuneration paid to these KMP, the breakdown and remuneration band for each of the five KMP on a no-name basis, together with the reasons why the disclosure was not made on an individually named basis. As such, the Company is substantially in compliance with Provision 8.1(b) of the Code with regards to disclosure of remuneration for the top 5 KMP (who are not directors or the CEO), other than the recommendation to disclose the names of the individual KMP.

As mentioned in page 36 of the Annual Report, the Company believes that it may not be in the best interest of the Company to disclose the remuneration of KMP on an individually named basis as recommended by the Code, as such disclosure may affect its ability to motivate, retain and nurture employees. In view of the competitive environment and limited talent pool in the industry that the Group operates in, the Company is of the opinion that such disclosure should be on a no-name basis.

The Company would like to elaborate on the reasons for not disclosing the names of the individual KMP as follows:

- (a) Given the competitive business environment which the Group operates in, the Company faces significant competition for talent in the plantation sector and it had not disclosed the names of the KMP in order to minimise potential staff movement and undue disruptions to its senior management team and business operations, which would not be in the best interests of Shareholders.
- (b) In view of the long-term nature of the plantation business, it is imperative for the Company to ensure the stability and continuity of its business led by a competent and experienced senior management team and disclosure of the remuneration of KMP on an individually named basis would make it difficult to retain and attract talented management staff on a long term basis.

The Annual Report had also disclosed on page 36 the components of each KMP's remuneration, comprising the fixed salary and variable bonus, as well as the annual appraisal process which takes into account both qualitative and quantitative key performance indicators in assessing the performance of the KMP and which goes towards determination of their performance bonus. The use of such performance metrics demonstrates the relationship between the KMP's remuneration, performance and long term value creation for the Company, which is consistent with the intent of Principle 8 of the Code.

SGX-ST Query 2:

Please clarify whether the Company's Vice President of Finance also performs the role of the Company's Chief Financial Officer. We note on page 37 of the 2019 annual report that: "*The Board has received assurance from the CEO and Vice President of Finance that the financial records have been properly maintained and the financial statements for the year ended 31 December 2019 give a true and fair view of the Company's operations and finances.*" (Emphasis added).

Company's Response:

The Vice President of Finance undertakes the functional duties and responsibilities equivalent to the role of a Chief Financial Officer. Such duties include ensuring that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

SGX-ST Query 3:

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications.

Company's Response:

The Company's Head of Internal Audit is a Certified Internal Auditor under the Institute of Internal Auditors ("IIA") and has more than 20 years of working experience in internal audit and accounting. As disclosed in page 41 of the Annual Report, the Internal Audit function adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) issued by the IIA.

SGX-ST Query 4:

Listing Rule 210(5)(a) requires directors who has no prior experience as a director of an issuer listed on the Exchange to undergo training in the roles and responsibilities of director of a listed issuer as prescribed by the Exchange. We note that Mr Chang See Hiang, Ms Wong Su Yen and Mr Peter Ho Kok Wai have been appointed to your Board on 01/03/2019, 15/05/2019 and 01/11/2019 respectively. Please disclose if Mr Chang, Ms Wong and Mr Ho had attended trainings as required, the date of the training(s) attended, and if no trainings have been attended, the reason why.

Company's Response:

Mr Chang See Hiang, who was appointed on 1 March 2019, has prior experience as a director of an issuer listed on the Exchange as stated in the Company's announcement dated 28 February 2019 as well as on Page 27 of the Annual Report. Mr Chang has more than 10 years' of experience as a director of public listed companies listed on the Exchange. Therefore, Mr Chang is not required to undergo the compulsory training in the roles and responsibilities of director of a listed issuer as prescribed by the Exchange.

Ms Wong Su Yen, who was appointed on 15 March 2019, has prior experience as a director of an issuer listed on the Exchange as stated in the Company's announcement dated 29 April 2019 as well as on Page 27 of the Annual Report. She is currently an independent director of Yoma Strategic Holdings Ltd and Nera Telecommunications Ltd. Therefore, Ms Wong is not required to undergo the compulsory training in the roles and responsibilities of director of a listed issuer as prescribed by the Exchange.

Mr Peter Ho Kok Wai was appointed on 1 November 2019. As explained in the Company's announcement dated 31 October 2019 as well as on Page 27 of the Annual Report, although Mr Ho has no prior experience as a director of a listed issuer listed on the Exchange, he currently sits on five companies that are listed on Bursa Malaysia. Given his existing listed directorships as well as his memberships on various board committees (Audit, Nominating and Remuneration Committees) of these Bursa-listed companies, the Board was of the opinion that he has the requisite knowledge and experience to discharge his roles and responsibilities as an Independent Director and as a member of the Audit Committee of a company listed on the

Exchange. The Board was of the view that Mr Peter Ho Kok Wai need not undergo the mandatory training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Notwithstanding that, Mr Peter Ho Kok Wai has voluntarily requested to attend the training on one of the core modules – “Listed Entity Director Essentials” under the mandatory training modules to be conducted by the Singapore Institute of Directors and has completed the course on 13 May 2020.

SGX-ST Query 5:

Listing Rule 1207(19 (b) and (c)) states that:

- “(b) An officer should not deal in his company's securities on short-term considerations; and
(c) A listed issuer and its officers should not deal in the listed issuer's securities during the period commencing two weeks before the announcement of the Issuer financial statements for each of the first three quarters of its financial year and one month before the announcement of the Issuer's full year financial statements (if required to announce quarterly financial statements), or one month before the announcement of the Issuer's half year and full year financial statements (if not required to announce quarterly financial statements).”*

We note the Company's security dealing policy on page 44 of the FY2019 Annual Report. Going forward, please comply **fully** with the requirements of the listing rule for the subsequent years for annual reporting.

Company's Response:

The Company has been in compliance with the above best practices on dealings by the listed issuer and its officers in its securities set out in the SGX-ST Listing Rules 1207(19), described as follows:-

- (i) As disclosed in page 44 of the Annual Report, the Company has an internal compliance code on securities trading, which provides guidance and internal regulations pertaining to dealings in the Company's securities by its Directors and officers.
- (ii) As disclosed in paragraph 3.12 of the Appendix to Notice of Annual General Meeting dated 4 May 2020, the Company will not purchase or acquire any Shares pursuant to the Share Purchase Mandate during the periods stipulated in the SGX-ST Listing Rules 1207(19)(c).

The Company's policy on dealing in its securities to be disclosed in next year's Annual Report will be expanded to include the prohibitions for the Company and its officers.

BY ORDER OF THE BOARD
FIRST RESOURCES LIMITED

Tan Lay Hong
Company Secretary
5 June 2020