

China SunSine Chemical Holdings Ltd. (the “**Company**”) is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (collectively, the “**Group**”) to ensure greater transparency and protection of shareholders’ interests. The board of directors of the Company (the “**Board**”) is pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the “**Code**”) where it is applicable and practical to the Group, save for Guidelines 2.4 (9 year board tenure), 8.4 (reclaim incentives), 9.2 (directors’ remuneration disclosure), 9.5 (employee share schemes) and 16.1 (absentia voting) of the Code. Where there is any deviation, appropriate explanation has been provided within this report.

This report outlines the Company’s corporate governance processes and structure that were in place throughout the financial year ended 31 December 2018 (“**FY2018**”), with specific reference to the principles and guidelines of the Code and the best practices issued by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Board and the management of the Company (the “**Management**”) will continue to uphold the highest standards of corporate governance within the Company in accordance with the Code.

## (A) 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.**

#### *Role of the Board*

The Board assumes responsibility for stewardship of the Group. Its primary role is to protect and enhance long-term value and returns for shareholders. It provides entrepreneurial leadership, oversees the business and affairs of the Group, and approves the Group’s financial and strategic plans, key business initiatives, major investments and divestments proposals, and funding decisions.

Additionally, the Board has direct responsibility for decision-making in respect of the following corporate events and actions:

- (a) ensure that necessary financial and human resources are in place for the Group to meet its objectives;
- (b) oversee the processes of risk management, financial reporting and compliance, and evaluate the adequacy of internal controls;
- (c) establish, together with Management, the strategies and financial objectives to be implemented by Management;
- (d) review the performance of Management, approve the nominations of the Board of Directors and appointment of key management personnel, as may be recommended by the Nominating Committee;
- (e) review and endorse the framework of remuneration for the Board and key management personnel as may be recommended by the Remuneration Committee; and
- (f) assume responsibility for corporate governance.

To assist the Board in the execution of the Board’s responsibilities, certain functions of the Board have been delegated to 3 Board committees, comprising an Audit Committee (“**AC**”), a Nominating Committee (“**NC**”) and a Remuneration Committee (“**RC**”). Each of these committees functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. The effectiveness of each committee is also constantly being monitored.

# CORPORATE GOVERNANCE REPORT

The Board meets 4 times a year and as warranted by particular circumstances. Telephonic attendance and conference at the Board and Board committee meetings are allowed under the Constitution of the Company. The number of the Board and Board committee meetings held during the period from 1 January 2018 to 31 December 2018, as well as the attendance of each member at these meetings, are set out below:-

NAME OF DIRECTORS	Board	AC	NC	RC
	Number of Meetings Held: 4	Number of Meetings Held: 4	Number of Meetings Held: 2	Number of Meetings Held: 2
	Meetings Attended	Meetings Attended	Meetings Attended	Meetings Attended
Xu Cheng Qiu	4 out of 4	N.A.	N.A.	N.A.
Liu Jing Fu	4 out of 4	N.A.	N.A.	N.A.
Xu Jun	4 out of 4	N.A.	N.A.	N.A.
Ma Ying Qun <sup>(1)</sup>	1 out of 4	N.A.	N.A.	N.A.
Xu Xian Lei <sup>(2)</sup>	3 out of 4	N.A.	N.A.	N.A.
Lim Heng Chong Benny	4 out of 4	4 out of 4	2 out of 2	2 out of 2
Xu Chun Hua	4 out of 4	4 out of 4	2 out of 2	2 out of 2
Koh Choon Kong	4 out of 4	4 out of 4	2 out of 2	2 out of 2
Tan Lye Heng Paul	4 out of 4	4 out of 4	2 out of 2	2 out of 2

Notes:

(1) Mr Ma Ying Qun resigned as Executive Director on 18 April 2018.

(2) Mr Xu Xian Lei was appointed as Executive Director on 18 April 2018.

The Company has adopted internal guidelines setting forth matters which require Board approval. Matters which are specifically reserved to the full Board for decision are those involving interested person transactions (including, among others, conflict of interest issues in relation to substantial shareholders and directors of the Company), material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. Each Board member makes decisions objectively in the interests of the Group.

The Company has an orientation program for all new Directors, and the Directors also have the opportunity to visit the Group's operating facilities in the People's Republic of China and meet with Management to gain a better understanding of the Group's business operations. Directors who are first-time directors, or who have no prior experience as directors of a listed company are encouraged to attend the Listed Entity Director Programme conducted by the Singapore Institute of Directors ("**SID**"), and will also undergo briefings on the roles and responsibilities as directors of a listed company.

All newly appointed Directors will receive a formal letter from the Company setting out the duties and responsibilities as a Director, along with an information pack containing the Company's annual report, Constitution, respective Board committees' terms of reference (where applicable), as well as a template director's disclosure form pertaining to his/her obligations in relation to disclosure of interests in securities and conflict of interests.

The Directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, as well as changes in the relevant provisions of the Singapore Companies Act (Chapter 50) ("**Companies Act**") and listing rules of the SGX-ST, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members.

### Board Composition and Guidance

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment 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 through the NC examines and reviews its structure, size and composition annually, taking into account the scope and nature of the Company's operations. The nature of the current directors' appointments and membership on the Board committees are as follows:-

Name of Directors	Position held on the Board	Committee Membership		
		Audit	Nominating	Remuneration
Xu Cheng Qiu	Executive Chairman	–	–	–
Liu Jing Fu	Executive Director and Chief Executive Officer	–	–	–
Xu Jun	Executive Director	–	–	–
Ma Ying Qun <sup>(1)</sup>	Executive Director	–	–	–
Xu Xian Lei <sup>(2)</sup>	Executive Director	–	–	–
Lim Heng Chong Benny	Lead Independent Director	Member	Chairman	Member
Xu Chun Hua	Independent Director	Member	Member	Chairman
Koh Choon Kong	Independent Director	Chairman	Member	Member
Tan Lye Heng Paul	Independent Director	Member	Member	Member

Notes:

(1) Mr Ma Ying Qun resigned as Executive Director on 18 April 2018.

(2) Mr Xu Xian Lei was appointed as Executive Director on 18 April 2018.

The Board presently comprises 8 directors, of whom 4 are independent directors. The present composition of the Board complies with the Code's guidelines that the independent directors should make up at least half of the Board where the Executive Chairman is part of the management team and not an independent director. The Board is thus able to exercise objective judgment on corporate affairs independently.

The Board is of the view that its current structure, size and composition is appropriate for effective decision-making, and provides balance and diversity of expertise, gender and knowledge of the Company's business. The NC is also satisfied that the Board comprises directors who as a group provide core competencies such as accounting or finance, legal, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, which are required for the Board to function effectively. In addition, the NC has noted that the Board comprises one female director out of a total of eight directors, in recognition of the importance and value of gender diversity. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The NC conducts a review to determine annually whether or not a director is independent, adopting the Code's definition of an "independent director" and guidance as to relationships, the existence of which would deem a director not to be independent. The Code also recommends that the independence of any director who has served more than 9 years from the date of his first appointment be subject to particularly rigorous review, taking into account the need for progressive refreshing of the Board. In assessing the independence of each Independent Director, the NC noted that each of the Independent Directors, namely, Mr Lim Heng Chong Benny, Mr Koh Choon Kong, Ms Xu Chun Hua and Mr Tan Lye Heng Paul has served on the Board beyond 9 years from the date of his/her first appointment.

# CORPORATE GOVERNANCE REPORT

The NC carried out the aforesaid review on the independence of each Independent Director in February 2019 (with each Independent Director abstaining from deliberation in respect of the review of his/her independence) based on the respective Independent Directors' self-declaration of interest in the Company and its related corporations, and his/her confirmation of independence and non-conflict of interest. In particular, the NC also took into account the actual performance of Mr Lim Heng Chong Benny, Mr Koh Choon Kong, Ms Xu Chun Hua and Mr Tan Lye Heng Paul on the Board and Board committees, and their Individual Director Self-Assessment of their contributions to the effectiveness of the Board, and was of the view that each of them has at all times exercised independent judgment in the best interests of the Company in the discharge of his/her director's duties and should therefore continue to be deemed an Independent Director, notwithstanding that they have served more than 9 years on the Board.

The Board does not impose any limit on the length of service of independent directors. The Board recognises the contributions of its independent directors who over time, have developed significant insights into and knowledge of the Group's business strategy and operations, and who are able to continue to provide valuable contributions to the Board. The Board also values the external experience of each of the independent directors, whose expertise in their respective fields of work adds diversity of views and depth to discussions.

Having reviewed the NC's recommendation, the Board has determined that each of Mr Lim Heng Chong Benny, Mr Koh Choon Kong, Ms Xu Chun Hua and Mr Tan Lye Heng Paul has continued to demonstrate strong independence in character and judgment in the manner in which he/she has discharged his/her responsibilities as a director of the Company. Each of them has continued to express his/her viewpoints, debated issues, sought clarifications where necessary, objectively scrutinised and challenged Management, and ask tough strategic and operational questions.

Each independent director had also abstained from deliberations in respect of the assessment on his/her own independence. Taking into account the views of the NC and the annual confirmation from each of the independent directors of his/her independence, the Board considers each of the independent directors to be independent and will be able to exercise independent judgment in the best interest of the Company in discharging their duties as independent directors.

The Independent Non-Executive Directors constructively challenge Management's assumptions, help develop proposals on strategy, and assess performance of Management, in the best interest of the Group. During FY2018, the Independent Non-Executive Directors meet regularly without the presence of Management.

## **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 one individual should represent a considerable concentration of power.***

To ensure an appropriate balance of power, increased accountability and a clear division of the roles and responsibilities between the Chairman and the Chief Executive Officer ("**CEO**"), the position of the Chairman and the CEO are held by separate individuals.

Currently, the Executive Chairman of the Company is Mr Xu Cheng Qiu. Mr Xu is the founder of the Group and plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. He is responsible for the overall strategic planning and growth of the Group. He also exercises control over the quality, quantity and timeliness of information flow between the Board and Management.

As Executive Chairman of the Board, Mr Xu bears responsibility for the effective working of the Board. He is responsible for, amongst others, ensuring that Board meetings are held when necessary, setting the Board meeting agendas to enable the Board to carry out its duties effectively and responsibly, taking a leading role to ensure and maintain a high standard of corporate governance, acting as a facilitator at Board meetings and maintaining regular dialogue with Management on all operational matters.

Mr Liu Jing Fu is the CEO and Executive Director of the Company. He is not an immediate family member of the Executive Chairman, Mr Xu Cheng Qiu. He has a wealth of experience in the rubber chemicals industry. As CEO, Mr Liu is responsible for the overall management and day-to-day operations of the Group.

In line with the recommendations in the Code, Mr Lim Heng Chong Benny has been appointed as the Lead Independent Director of the Company to lead and coordinate the activities of the independent directors and to address the concerns, if any, of the Company's shareholders.

Led by the Lead Independent Director, the independent directors meet regularly without the presence of Management to discuss matters such as the changes that they would like to see in the Board processes, corporate governance initiatives, and matters which they wish to discuss during the Board meetings. After such meetings, the Lead Independent Director will provide feedback to the Executive Chairman and the Board.

### **Board Membership**

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

The Company has established a NC to, *inter alia*, make recommendations to the Board on all Board appointments. The NC currently comprises the following independent directors:

Lim Heng Chong Benny	–	Chairman
Koh Choon Kong	–	Member
Xu Chun Hua	–	Member
Tan Lye Heng Paul	–	Member

#### *Role of the NC*

The role of the NC is to establish a formal and transparent process for the appointment of new directors and the re-appointment of directors retiring by rotation, as well as to assess the effectiveness of the Board and the overall contribution of each director towards the effectiveness of the Board.

The principal functions of the NC include the following:

- (a) to make recommendations to the Board on all Board appointments, including re-nominations having regard to that director's contribution and performance (such as attendance, preparedness, participation and candour);
- (b) to review the independence of the directors annually;
- (c) to decide whether the director is able to and has been adequately carrying out his/her duties as director, in particular, where a director has multiple board representations;
- (d) to review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;
- (e) to identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;
- (f) to make recommendations to the Board relating to succession planning for directors, in particular, the Executive Chairman and the CEO;
- (g) to make recommendations to the Board relating to the review of training and professional development programs for the Board;
- (h) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- (i) to assess the effectiveness of the Board as a whole, and the contribution by each director to the effectiveness of the Board.

# CORPORATE GOVERNANCE REPORT

The NC has conducted an annual review of Directors' independence based on the Code's criteria for independence and is of the view that Mr Lim Heng Chong Benny, Mr Koh Choon Kong, Ms Xu Chun Hua and Mr Tan Lye Heng Paul are independent.

The NC determines annually whether a director with multiple board representations is able to and has been adequately carrying out his/her duties as a director of the Company. The NC has taken into account the respective director's actual conduct and effectiveness on the Board, and the time and attention given by each of them to the affairs of the Company, in making this determination, and is satisfied that all the directors having multiple board representations have been able to and have adequately carried out their duties as director.

As recommended by the Code, the Board has also adopted an internal guideline that each director should hold not more than 5 listed company board representations to address competing time commitments when directors serve on multiple boards. The NC believes a director's commitment and contributions to the Company, and his attendance at and contributions during Board and Board committee meetings are relevant factors to be taken into consideration in assessing whether a director has adequately discharged his duties.

The Company currently has no alternate directors on its Board. The Board is of the view that the appointment of alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. An alternate director, when appointed, should be subject to the same criteria and process for selection of directors, and be appropriately qualified.

## *Process for appointment of new directors*

The NC has recommended, and the Board has approved, a formal process for the selection of new directors as follows:

- (a) The NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- (b) Directors and Management may suggest suitable potential candidates. If necessary, the NC may enlist external help (for example, from the SID, search consultants, advertisements) to source for potential candidates;
- (c) The NC assesses suitability of short-listed candidates and discusses with them, if necessary, to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and
- (d) The NC makes recommendations to the Board for approval.

## *Criteria for appointment of new directors*

All new appointments are subject to the recommendation of the NC based on, *inter alia*, the following objective criteria:

- (a) Integrity;
- (b) Independent mindedness;
- (c) Possess core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board;
- (d) Able to commit time and effort to carry out duties and responsibilities effectively;
- (e) Experience in the relevant field of business of the Company or industries in which it operates; and
- (f) Financially literate.

*Re-appointment of directors*

All directors are to submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years. Under the Company's existing Constitution, one-third of the directors (except for the managing director, if any) for the time being (or if their number is not a multiple of 3, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting ("**AGM**") of the Company. In addition, a newly appointed director must also submit himself or herself for re-election at the AGM immediately following his or her appointment.

The NC has reviewed and recommended the re-election of Mr Xu Cheng Qiu, Ms Xu Chun Hua and Mr Lim Heng Chong Benny who will be retiring by rotation under Article 104 of the Constitution of the Company, and the re-election of Mr Xu Xian Lei, who will cease to hold office at the forthcoming AGM in accordance with Article 114 of the Constitution of the Company (collectively, the "**Retiring Directors**").

Mr Xu Cheng Qiu is the father of Mr Xu Jun and uncle of Mr Xu Xian Lei, who are both the Executive Directors of the Company. In addition, Mr Xu Cheng Qiu is deemed to be interested in the 59.72% shareholding in the Company held by Success More Group Limited, by virtue of his controlling interest of 74.27% in Success More Group Limited. Mr Xu is also deemed to be interested in 0.58% shareholding in the Company held by the nominees, UOB Kay Hian Pte. Ltd..

Mr Xu Xian Lei is the nephew of Mr Xu Cheng Qiu, the Executive Chairman of the Company, and cousin of Mr Xu Jun, the Executive Director of the Company.

Save as disclosed above, the Directors who are seeking re-election at the forthcoming AGM have no relationship including immediate family relationships with the other Directors, the Company or its 10% shareholders.

The Board has accepted the above recommendations and the Retiring Directors will be offering themselves for re-election at the forthcoming AGM.

Please refer to the explanatory notes to the Notice of AGM dated 15 April 2019 and pages 108 to 115 of this Annual Report for the additional information required pursuant to Rule 720(6) read with Appendix 7.4.1 of the Listing Manual of the SGX-ST ("**Listing Manual**").

The following key information regarding all directors is set out in the following pages of this Annual Report:

- |     |               |   |   |
|-----|---------------|---|---|
| (a) | pages 15 – 17 | – | Academic and professional qualifications;   |
| (b) | page 44       | – | Date of first appointment as director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding 3 years in other listed companies, and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and |
| (c) | pages 48 – 49 | – | Shareholding in the Company and its related corporations.   |

**Board Performance**

***Principle 5: There should be a formal 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 Board has implemented a formal process for assessing the effectiveness of the Board as a whole and the Board committees, as well as the contribution by each director to the effectiveness of the Board.

The assessment of the Board and the Board committees provided an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes allowed him/her to discharge his/her duties effectively and the changes that should be made to enhance the effectiveness of the Board as a whole.

# CORPORATE GOVERNANCE REPORT

The individual director's assessment exercise allowed each director to reflect upon his/her own performance on the Board so that the overall quality of the board members may be improved upon and enhanced. It also assisted the NC in determining whether to re-nominate directors who are due for retirement by rotation at the next AGM, and in determining whether directors with multiple board representations are nevertheless able to and have adequately discharged their duties as directors of the Company.

The NC determines how the Board's performance may be evaluated and proposes objective performance criteria. Such performance criteria is approved by the Board and addresses how the Board has enhanced long-term shareholders' value.

## *Evaluation processes*

### *(a) Board and Board committees*

Each Board member is required to complete a Board and Board Committees Assessment Checklist ("**Checklist**"). Based on the returns from each of the directors, the Chairman of the NC prepares a consolidated report and thereafter presents the report to the Board for discussion on the changes which should be made to help the Board and Board committees discharge their respective duties more effectively.

### *(b) Individual directors*

In the case of the assessment of individual directors, each director is required to complete an individual director's assessment form by way of a self-assessment of his/her contribution to the effectiveness of the Board. Based on the returns from each of the directors, the Chairman of the NC prepares a consolidated report and thereafter presents the report to the Board. The Chairman of the Board then provides the necessary feedback on the respective Board performance of each director, with a view to improving their respective performance on the Board.

## *Performance criteria*

The performance criteria for the Board evaluation are in respect of the Board size, composition and independence, conduct of meetings, corporate strategy and planning, risk management and internal control, Board performance in relation to discharging its principal functions, Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference, achievement of financial targets which includes return on equity, improvement of performance of the Company's share price vis-à-vis the Singapore Straits Times Index, recruitment policy, process for determining remuneration and compensation of directors and key management personnel, financial reporting, and communication with shareholders.

The individual director's performance criteria are categorised into (1) attendance at Board meeting and related activities, (2) adequacy of preparation for Board meeting, (3) contribution in strategic/business decision, finance/accounting, risk management, legal/regulatory, human resource management, or any other specialist area of each director, (4) area of experience, (5) generation of constructive debate, (6) maintenance of independence, (7) disclosure of related party transactions, and (8) overall assessment.

## **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.***

To assist the Board in fulfilling its responsibilities, Management provides the Board with complete and adequate information in a timely manner. As a general rule, Board papers are required to be sent to the directors at least 7 days before the Board meeting so that the members may better understand the matters prior to the Board meeting and discussion may be focused on questions that the Board has about the Board papers. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Key management personnel who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting.

Management also provides the Board members with background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts, internal financial statements, together with explanations for any material variance between the projections and actual results in respect of its financial performance.

The Directors are also provided with the names and contact details of the Company's senior management and the Company Secretaries to facilitate direct, separate and independent access to senior management and the Company Secretaries.

The Company Secretaries administer, attend and prepare minutes of Board proceedings. They assist the Chairman by ensuring that Board procedures (including but not limited to assisting the Chairman by ensuring the timely and proper exchange of information between the Board and Board committees, and between senior management and the non-executive directors, and facilitating orientation and assisting in the professional development of the Directors as required) are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act and Listing Manual are complied with. They also assist the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view to enhancing long-term shareholders' value.

The appointment and removal of the Company Secretaries are subject to the approval of the Board as a whole.

The Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in the discharge of their duties, at the expense of the Company.

## **(B) REMUNERATION MATTERS**

### **Procedures for Developing Remuneration Policies**

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

The RC currently comprises entirely independent directors as follows:

Xu Chun Hua	–	Chairman
Koh Choon Kong	–	Member
Lim Heng Chong Benny	–	Member
Tan Lye Heng Paul	–	Member

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors and senior management. The principal functions of the RC include the following:

- (a) to review and recommend to the Board for endorsement a framework of remuneration for the Executive Chairman, CEO, directors and key management personnel of the Company. The framework will cover all aspects of remuneration, including without limitation, directors' fees, salaries, allowances, bonuses, options, share-based incentives, and benefits-in-kind;
- (b) to review the remuneration packages of all managerial staff who are related to any of the executive directors;
- (c) in the case of directors' service agreements, to consider what compensation or commitments the directors' service agreements, if any, would entail in the event of early termination; and

- (d) to recommend to the Board, in consultation with senior management and the Executive Chairman, any long-term incentive scheme (including share schemes) and to consider the eligibility of directors for benefits under such long-term incentive schemes.

The recommendations of the RC would be submitted to the Board for endorsement. Each member of the RC will refrain from voting on any resolution in respect of the assessment of his/her remuneration. No director will be involved in determining his/her own remuneration.

The RC has access to expert advice in the field of executive remuneration outside the Company with regards to remuneration matters wherever necessary, subject to the Board's approval. The RC shall ensure that existing relationships, if any, between any of its directors or the Company and its appointed remuneration consultants, will not affect the independence and objectivity of the remuneration consultants. In FY2018, the Company did not seek any expert advice outside the Company on remuneration of its Directors.

## **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 RC assists the Board by ensuring that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholders' value. The RC reviews and recommends to the Board the remuneration package, determine the overall annual increment and bonus for each of the Executive Directors and key management personnel.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies, as well as the costs of living in the cities in which the Company operates. As part of its review, the RC ensures that the performance related elements of remuneration form a significant and appropriate part of the total remuneration package of executive directors and key management personnel, and is designed to align the directors' and key management personnel's interests with those of shareholders and link rewards to corporate and individual performance, taking into account industry benchmarks. The RC also reviews all matters concerning the remuneration of independent directors by ensuring that the remuneration is commensurate with the level of contribution, taking into account factors such as effort and time, and responsibilities of the directors. The Company will submit the quantum of directors' fees of each year to the shareholders for approval at each AGM.

Only the executive directors have entered into service agreements with the Company, which are for a fixed appointment period. The RC reviews and recommends to the Board what compensation commitments the executive directors' service agreements would entail in the event of early termination, and aims to be fair and avoid rewarding inadequate performance. The terms of the executive directors' service agreements were approved by the Board.

Pursuant to the terms thereof, the service agreements may be terminated by either party giving not less than six (6) months' notice in writing. Each of the key management personnel were issued a letter of appointment, the terms of which were reviewed by the RC, and approved by the Board. The RC is satisfied that the termination clauses set out in the service agreements and the letters of appointment are fair and reasonable to the parties, and are not overly generous.

The Company has not adopted the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from its Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Company will review the feasibility of having such contractual provisions in future renewals of service agreements and/or employment contracts of its Executive Directors and key management personnel as recommended by the Code.

## 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 its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

### *Policy in respect of independent directors' remuneration*

The independent directors do not enter into service agreements with the Company. They are paid directors' fees, the amount of which is dependent on their level of responsibilities. Each independent director is paid a basic fee. In addition, independent directors who perform additional services through Board committees are paid an additional fee for such services. The members of the AC are paid a higher fee than the members of the other Board committees because of the heavier responsibilities and more frequent meetings required of them. The Chairman of each Board committee is also paid a higher fee as compared to members of the committee in view of the greater responsibility carried by that office. The amount of directors' fees payable to independent directors is subject to shareholders' approval at the Company's AGM.

### *Remuneration policy in respect of executive directors and other key management personnel*

The Company advocates a performance-based remuneration system that is flexible and responsive to the market and the performance of the Company and the individual employee. This allows the Company to better align executive compensation with shareholders' value creation. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the performance of the Company and the individual employee.

Key performance targets are used to assess the performance of Executive Directors and other key management personnel. These targets include, where applicable, revenue, gross profit margin, net profit after tax, return on shareholders' equity, total shareholders return (i.e. dividend plus share price movement over the year), and safety production and environmental protection related targets.

### *Level and mix of remuneration of the directors, key management personnel (who are not also directors or the CEO) for FY2018*

The level and mix of each of the directors' remuneration, and that of each of the key management personnel (who are not also directors or the CEO) for FY2018, are set out as follows:

Name of Directors and CEO	Salary	Bonus	Director's fees	Other benefits	Total Remuneration	
	%	%	%	%	%	S\$'000
Xu Cheng Qiu	Please refer to note (1) below					
Liu Jing Fu	50	48	–	2	100	115
Xu Jun	50	48	–	2	100	91
Ma Ying Qun <sup>(2)</sup>	100	–	–	–	100	33
Xu Xian Lei <sup>(3)</sup>	50	48	–	2	100	84
Lim Heng Chong Benny	–	–	100	–	100	50
Xu Chun Hua	–	–	100	–	100	45
Koh Choon Kong	–	–	100	–	100	45
Tan Lye Heng Paul	–	–	100	–	100	40

# CORPORATE GOVERNANCE REPORT

Remuneration Band & Name of Key Management Personnel	Salary %	Bonus %	Other benefits %	Total %
<b>S\$250,000 and below S\$500,000</b>				
Nil				
<b>Below S\$250,000</b>				
Tong Yiping	77	15	8	100
Xu Yu Fu <sup>(4)</sup>	100	–	–	100
Wang Bao Li <sup>(5)</sup>	17	80	3	100
Miao Jing <sup>(6)</sup>	20	77	3	100
Liu De Ming	14	83	3	100
Ma Yue Bin	14	83	3	100

Notes:

- (1) The remuneration of Mr Xu Cheng Qiu is not disclosed in the table above as the RC and the Board are undertaking a comprehensive review of Mr Xu's remuneration package for FY2018 to FY2020, and have not finalized the same as at the date of issue of this annual report. For the financial year ended 31 December 2018, approximately S\$12 million was accrued in the income statement for the purpose of Mr Xu's remuneration. This accrued remuneration amount is at the upper range of the Board's best estimation but does not necessarily signify that the full accrued amount will actually be paid out. The Company will make an appropriate announcement in due course once the new remuneration package of Mr Xu is finalized and approved by the RC and the Board.
- (2) Mr Ma Ying Qun resigned as Executive Director on 18 April 2018.
- (3) Mr Xu Xian Lei was appointed as Executive Director on 18 April 2018.
- (4) Mr Xu Yu Fu resigned as Deputy General Manager in charge of the Group's Sales and Marketing with effect from 31 January 2018.
- (5) Mr Wang Bao Li was appointed as General Manager Assistant in charge of the Group's Sales and Marketing on 1 February 2018.
- (6) Ms Miao Jing resigned as Group's Chief Engineer on 15 March 2019.

The Company has not disclosed the exact amount of the remuneration of its key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information. The aggregate remuneration paid to key management personnel (who are not directors or the CEO) in FY2018 is S\$514,000.

Except as disclosed, no employee of the Company or its subsidiaries is an immediate family member of any director or CEO or a controlling shareholder of the Company and whose remuneration exceeded S\$50,000 for FY2018. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The Company has no share option plans for FY2018. Accordingly, no share option has been granted to the above directors or key management personnel. The Company may consider to have such a scheme to align the interests of key executives with that of shareholders, improving performance and achieving sustainable growth for the Company.

There are no termination, retirement and post-employment benefits that may be granted to directors, CEO or the top five key management personnel (who are not directors or the CEO).

**(C) ACCOUNTABILITY AND AUDIT****Accountability**

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

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price-sensitive public reports, and reports to regulators (if required). Management currently provides all members of the Board with appropriately detailed management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis.

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET to the SGX-ST, press releases, the Company's website, public webcast, media and analyst briefings.

**Risk Management and Internal Controls**

***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 assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

Management reviews and seeks to identify areas of significant business risks on an ongoing basis, and takes appropriate measures to control and mitigate such risks. Management also reviews all significant control policies and procedures and highlights all significant matters to the Board. The Board oversees Management in the design, implementation and monitoring of the risk management and internal control systems of the Company.

The Company has, on 3 July 2009, set up a Risk Management Advisory Committee ("**RMAC**") to oversee the Group's risk management framework and policies, review the Group's business, financial and operational risks, and to advise the Board on strategies and measures to manage and mitigate these risks. The RMAC is headed by the Executive Chairman of the Company, together with 6 executives (including a director and the Chief Financial Officer ("**CFO**")), whose names are set out below:

Xu Cheng Qiu	–	Chairman
Xu Xian Lei	–	Member
Tong Yiping	–	Member
Ma Yue Bin	–	Member
Wang Bao Li	–	Member
Liu Kun	–	Member
Zheng Huai Yu	–	Member

In order to ensure and maintain a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, an Enterprise Risk Management ("**ERM**") programme was developed with the assistance of the Company's previous internal auditor, Messrs MS Risk Management Pte Ltd, and has been implemented to identify, prioritise, assess, manage and monitor key risks faced by the Group. In 2015, the Company appointed a new internal auditor, Messrs Baker Tilly Consultancy (Singapore) Pte. Ltd., which refreshed the ERM programme to identify new risks, if any. The risk management system covers, *inter alia*, financial, operational, compliance and information technology controls of the Group. The key risks identified are deliberated by Management, and reported to the RMAC, which is responsible for the effective implementation of risk management strategy, policies and processes within the framework of the ERM programme. The RMAC will also follow up on the actions required to be taken by Management to mitigate such identified risks. The RMAC also reviews the adequacy and effectiveness of the ERM programme periodically, and reports its findings to the Board at least once a year or as and when new significant risks are identified.

# CORPORATE GOVERNANCE REPORT

To ensure that its internal control and risk management systems are adequate and effective, the Company has also requested its internal auditor to take such identified risks into consideration in drawing up the annual internal audit plan. The Company's internal auditor also assists the Company to conduct an annual review of the adequacy and effectiveness of the Company's internal controls. The external auditor, during the conduct of their normal audit procedures, may also report on matters relating to internal controls. Any material non-compliance or failures in internal control, and recommendations for improvements, are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect, and holds regular discussions with Management to ensure the timely and proper implementation of such recommendations. Based on the reports submitted by the internal and external auditors received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal control and risk management processes of the Group are inadequate or ineffective, or there are non-compliance of the Company's system of internal control and processes.

Based on the internal control and risk management systems established and maintained by the Group, the work conducted by the internal and external auditors as set out in their respective reports, the review by the AC of the implementation of the recommendations of the internal and external auditors as aforesaid, and the report of the RMAC to the Board, the Board, with the concurrence of AC, is of the opinion that the system of internal control and risk management procedures maintained by Management are adequate and effective to meet the needs of the Company in addressing the financial, operational, compliance and information technology risks to the Company and the Group as at 31 December 2018.

The Board has also received a letter of assurance from the CEO and the CFO confirming, *inter alia*, that:

- (a) the financial records of the Company for FY2018 have been properly maintained, and the financial statements give a true and fair view of the Company's operations and finances for FY2018; and
- (b) the Company's risk management and internal control systems are effective.

The Board notes that no system of internal controls can provide absolute assurance against or eliminate the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities. However, by identifying and managing risks that may arise on a regular basis, the Group believes that it will be better placed to mitigate risks such as material financial misstatements or losses, and to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and management of business risks.

## **Audit Committee**

***Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.***

The AC currently comprises the following directors, all of whom are independent non-executive directors:

Koh Choon Kong	–	Chairman
Lim Heng Chong Benny	–	Member
Xu Chun Hua	–	Member
Tan Lye Heng Paul	–	Member

All the members bring with them invaluable industry knowledge and professional expertise in the financial, legal and business spheres, and have adequate financial management knowledge and experience to discharge their responsibilities as members of the AC.

The primary functions of the AC include the following:

- (a) to review the financial and operating results and accounting policies of the Group;

- (b) to review the scope and results of the audit and its cost effectiveness;
- (c) to review the financial statements before submission to the Board and the external auditor's report on the financial statements;
- (d) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance;
- (e) to review the quarterly, half-yearly and full year announcement of results of the Group before submission to the Board for approval;
- (f) to consider and review the assistance given by Management to the auditors;
- (g) to discuss with the external auditor the nature and scope of the audit before the audit commences;
- (h) to review the external audit plan and the results of the external auditor's examination and evaluate the effectiveness of the Group's internal control system;
- (i) to review the independence and objectivity of the external auditor;
- (j) to recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and approve the terms of engagement and remuneration payable to the external auditor;
- (k) to review interested person transactions to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of shareholders, and are in compliance with the then prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual);
- (l) to review the internal audit plan and findings of the internal auditor;
- (m) to commission and review the major findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and
- (n) to undertake such other functions and duties as may be required by statute or the Listing Manual and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

In addition, the AC has independent access to the internal and external auditors, who report independently their findings and recommendations to the AC. The AC met with the internal and external auditors, without the presence of Management, at least once during the year. The AC also undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor. The aggregate amount of fees paid to the external auditor for FY2018 is S\$194,000. No non-audit fees were paid to the external auditor for FY2018 which may affect their independence. The Company has complied with the requirements of Rules 712 and 715 of the Listing Manual in relation to the appointment of auditing firms.

During the year, the AC performed independent reviews of the financial statements of the Company before the announcement of the Company's quarterly and full-year results. The AC also reviewed and approved both the Company's internal and external auditors' plans to ensure that the plans covered sufficiently the terms of audit scope in reviewing the significant internal controls of the Company. Such significant controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the internal and the external auditors were forwarded to the AC. Significant issues were discussed at these meetings.

# CORPORATE GOVERNANCE REPORT

The AC is briefed by the external auditor of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit planning memorandum and the audit report.

In July 2010, the Singapore Exchange Limited and the Accounting and Corporate Regulatory Authority jointly issued the publication “Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors” which aims to enhance audit quality in Singapore by providing guidance to ACs in their evaluation of their external auditors, especially during the appointment, re-appointment and rotation of statutory auditors.

Accordingly, the AC evaluated the performance of the external auditor, Messrs Nexia TS Public Accounting Corporation (“**Nexia TS**”), based on the key indicators of audit quality set out in the publication, and upon such evaluation, recommended to the Board that Nexia TS be nominated for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

None of the members of the AC were partners of Nexia TS within the last 12 months or has any financial interest in Nexia TS.

The AC also reviewed the Company’s “Whistle-Blower Policy” (“**Policy**”) which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

Following the launch of the Policy, a set of guidelines which was reviewed by the AC and approved by the Board, was issued to assist the AC in managing allegations of fraud or other misconduct which may be made pursuant to the Policy, so that investigations may be carried out in an appropriate and timely manner, and disciplinary or civil actions that may be initiated following completion of investigations, are appropriate, balanced, and fair. As of to-date, there were no reports received through such mechanism.

On a quarterly basis, Management reports findings of interested person transactions (“**IPTs**”), if any, during AC meetings.

## **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 role of the internal auditor is to assist the AC by ensuring that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

The Company’s internal audit functions are out-sourced to Messrs Baker Tilly Consultancy (Singapore) Pte. Ltd. (the “**Internal Auditor**”), which is staffed with professionals with relevant qualifications and experience. The Internal Auditor has unrestricted direct access to the AC. The AC approves the hiring, removal, evaluation and fees of the Internal Auditor, to ensure independence of Internal Auditor from the Management.

The Internal Auditor’s primary line of reporting is to the Chairman of the AC, although the Internal Auditor would also liaise with the CEO and the CFO on administrative matters.

During the year, the Internal Auditor adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational, compliance and information technology controls. Audits were carried out on all significant business units in the Company. All findings and recommendations of the Internal Auditor are submitted to the AC for deliberation with copies of these reports extended to the Executive Chairman, the CEO and the relevant senior management officers.

The AC also reviews annually the adequacy and effectiveness of the internal audit function, and is satisfied that it is adequately resourced and has appropriate standing within the Company.

**(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES****Shareholder Rights**

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

The Company is committed to maintaining and improving its level of corporate transparency, providing timely, fair and adequate disclosure of relevant information to shareholders so that they will be apprised of the developments that may have a material impact on the Company's securities. The Company does not practice selective disclosure. Such information is published through the SGXNET. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company ensures true and fair information is delivered adequately to all shareholders and to ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.

A registered shareholder who is not a relevant intermediary (as defined in the Companies Act) and who is unable to attend may choose to appoint up to two proxies to attend and vote on his behalf. Pursuant to the Companies Act, the Central Provident Fund Board and relevant intermediaries may appoint more than two proxies.

At general meetings, the appointed independent scrutineer will explain to the shareholders the rules, including the poll voting procedures that govern such general meetings.

**Communication with Shareholders**

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

The Board is mindful of its obligations to provide timely and fair disclosure of material information to the SGX-ST in accordance with the Corporate Disclosure Policy as set out in the Listing Manual. The Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Material information is communicated to shareholders in a timely manner through:

- (a) announcements of full year and quarterly financial results which are published via the SGXNET;
- (b) annual reports or circulars of the Company that are prepared and sent to all shareholders;
- (c) notices of AGMs and extraordinary general meetings published in the newspapers;
- (d) press releases on major developments of the Group; and
- (e) the Company's website at [www.ChinaSunsine.com](http://www.ChinaSunsine.com) at which shareholders can access information on the Group.

The Company has an investor relations ("IR") manager who communicates with its shareholders, analysts and potential investors regularly and attends to their queries. Together with the CFO, the IR manager also manages the dissemination of corporate information to the public as well as institutional investors, and promotes relations with and act as liaison for such parties. The contact details of the CFO and IR manager are provided in the Company's website and in its press releases.

# CORPORATE GOVERNANCE REPORT

The Board establishes and maintains regular dialogue with its shareholders through analyst briefings and at general meetings. The AGM of the Company is the principal forum for dialogue and interaction with all shareholders as elaborated in Principle 16 below. The Company holds quarterly briefings for shareholders on its financial results after each release of its results announcement, and shareholders are invited to participate, communicate and exchange their views with the Directors and CFO.

The Company has established a dividend policy for FY2017 and FY2018. The dividend policy will be based on a payout ratio of not less than 20% of the Group's consolidated net profit after tax, excluding non-recurring, one-off and exceptional items. The dividend payments, whether in the form of final dividends or interim dividends, will be subject to the availability of the Company's retained earnings, the Group's financial position, capital expenditure requirements, future expansion or investment plans, and other relevant factors as may be determined by the Board.

The Company has recommended a final dividend at S\$0.055 per ordinary share for FY2018.

## **Conduct of Shareholder 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.***

Notices of general meetings are despatched to shareholders, together with the annual report or circulars within the time period prescribed by the regulations. If any shareholder is unable to attend, he is allowed to appoint up to 2 proxies to vote on his behalf at the meeting through proxy forms sent in advance. At shareholders' meetings, each distinct issue is proposed as a separate resolution. Shareholders are invited to put forth any questions they may have on the resolutions tabled and to be decided upon. All directors, in particular, the chairman of each Board committee, are required to be present at general meetings of shareholders to address shareholders' questions. The external auditor is also present at such meetings to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

At the forthcoming AGM, the Company will put all resolutions to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. A scrutineer will also be appointed to count and validate the votes cast at the forthcoming AGM. The detailed results of the poll voting showing the number of votes casted for and against each resolution and the respective percentages will be announced accordingly at the AGM.

The results of general meetings are also disclosed by way of Company announcement on the SGX-ST. The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries, if any, from shareholders and responses from the Board and Management. These minutes are available to shareholders for their inspection upon request.

## **(E) DEALINGS IN SECURITIES**

The Group has adopted and implemented policies in line with Rule 1207(19) of the Listing Manual in relation to the dealing of shares of the Company. The policies have been made known to directors, executive officers and any other persons as determined by Management who may possess unpublished material price-sensitive information of the Group.

The Group and its officers and employees are prohibited from trading in the Company's securities, during the period beginning 1 month and 2 weeks before the date of the announcement of the full year or quarterly results respectively and ending on the date of the announcement of the relevant results ("**Prohibited Periods**"). Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group.

Directors and officers are required to comply with and observe the laws on insider trading even if they trade in the Company's securities outside the Prohibited Periods. They are discouraged from dealing in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

## **(F) INTERESTED PERSON TRANSACTIONS**

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of IPTs. All IPTs are subject to review by the AC to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

In the event that a member of the AC is interested in any IPT, he or she will abstain from reviewing that particular transaction.

The Board will ensure that all disclosure, approval and other requirements on IPTs, including those required by prevailing legislation, the Listing Manual and accounting standards are complied with.

There were no IPTs of aggregate value exceeding S\$100,000 conducted during FY2018.

## **(G) MATERIAL CONTRACTS**

Save for the Service Agreements entered into with the executive directors, no material contracts, not being contracts entered into in the ordinary course of business, had been entered into by the Company and its subsidiaries involving the interest of any director or controlling shareholder of the Company during the period under review.

# CORPORATE GOVERNANCE REPORT

## PARTICULARS OF DIRECTORS PURSUANT TO THE CODE

Name of Director	Age	Board Appointment Executive/ Non-Executive/ Independent	Date of First Appointment	Date of Last Re-appointment	Current Directorship / Chairmanship in other Listed Companies & Other Principal Commitments	Past (three years) Directorship in other Listed Companies
Xu Cheng Qiu	75	Executive Chairman	11 October 2006	27 April 2016	None	None
Liu Jing Fu	67	Executive Director and CEO	18 May 2007	26 April 2018	None	None
Xu Jun	49	Executive Director	18 May 2007	28 April 2017	None	None
Xu Xian Lei	40	Executive Director	18 April 2018	N.A.	None	None
Lim Heng Chong Benny	48	Lead Independent Director	18 May 2007	27 April 2016	<u>Other Principal Commitments</u> - Chris Chong & C T Ho LLP	BM Mobility Ltd. (f.k.a. Ziwo Holdings Ltd.)
Xu Chun Hua	76	Independent Director	18 May 2007	27 April 2016	<u>Directorship in other Listed Companies</u> - Beijing New Universal Science and Technology Co., Ltd.  <u>Other Principal Commitments</u> - China Rubber Industry Association Rubber Chemical Commission	None
Koh Choon Kong	48	Independent Director	15 November 2009	26 April 2018	<u>Other Principal Commitments</u> - Summit Power International Pte. Ltd.	Oriental Group Ltd.
Tan Lye Heng Paul	54	Independent Director	18 May 2007	26 April 2018	<u>Directorship in other Listed Companies</u> - Serial System Ltd - Second Chance Properties Ltd  <u>Other Principal Commitments</u> - CA Trust PAC	Sin Ghee Huat Corporation Ltd.

## APPENDIX

**Code of Corporate Governance**  
**Specific principles and guidelines for disclosure**

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	25-40
Guideline 1.4 The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	26
Guideline 1.5 The type of material transactions that require board approval under guidelines	26
Guideline 1.6 The induction, orientation and training provided to new and existing directors	26
Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	27-28
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	27-28
Guideline 3.1 Relationship between the Chairman and CEO where they are immediate family members	28
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	29
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	30
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	30-31
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	31
Guideline 5.1 The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	31-32

# CORPORATE GOVERNANCE REPORT

Relevant Guidelines or Principles	Page Reference in this Annual Report
<p>Guideline 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board</p>	33-34
<p>Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company</p>	34
<p>Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration</p>	34-36
<p>Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)</p>	35-36
<p>Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives</p>	35-36
<p>Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel</p>	36
<p>Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000</p>	36
<p>Guideline 9.5 Details and important terms of employee share schemes</p>	36
<p>Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met</p>	35-36

Relevant Guidelines or Principles	Page Reference in this Annual Report
<p>Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems</p> <p>The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems</p> <p>The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems</p>	37-38
<p>Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board</p>	38-39
<p>Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement</p>	39
<p>Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report</p>	40
<p>Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements</p>	39-40
<p>Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings</p>	41-42
<p>Guideline 15.5 Where dividends are not paid, companies should disclose their reasons</p>	42