

CORPORATE GOVERNANCE REPORT

China Sunshin 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 complied with the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”) and the accompanying Practice Guidance to the Code, where they are applicable and practical to the Group. Where there is any deviation, appropriate explanation has been provided within this report.

This report sets out the Company’s corporate governance processes, practices and structures that were in place throughout the financial year ended 31 December 2019 (“**FY2019**”), with specific reference to the principles and provisions of the Code. 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: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Role of the Board

The Board assumes responsibility for stewardship of the Group, and puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company.

The Board’s 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;
- (f) assume responsibility for corporate governance; and
- (g) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Company has adopted internal guidelines setting forth matters which require Board approval. Matters which are specifically reserved to the full Board for decision include those involving interested person transactions (such as conflict of interest issues in relation to substantial shareholders and directors of the Company), material acquisitions and disposal of assets, annual budgets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies.

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Each Director is required to promptly disclose any conflict or potential conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as is practicable after the relevant facts have come to his knowledge. Where a director faces a conflict of interest issue, he will disclose and declare his conflict of interest, and recuse himself from discussions and decisions involving the issues of conflict. Each Board member makes decisions objectively in the interests of the Group.

Board and Board Committees

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 setting out their compositions, authorities and duties, and operating procedures (including reporting back to the Board) which are reviewed on a regular basis to ensure continued relevance and consistency with the Code. The effectiveness of each committee is also constantly being monitored.

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 for the period from 1 January 2019 to 31 December 2019, 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: 1	Number of Meetings Held: 1
	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.
Xu Xian Lei	4 out of 4	N.A.	N.A.	N.A.
Lim Heng Chong Benny	4 out of 4	4 out of 4	1 out of 1	1 out of 1
Xu Chun Hua	4 out of 4	4 out of 4	1 out of 1	1 out of 1
Koh Choon Kong	4 out of 4	4 out of 4	1 out of 1	1 out of 1
Tan Lye Heng Paul	4 out of 4	4 out of 4	1 out of 1	1 out of 1
Yan Tang Feng ⁽¹⁾	1 out of 4	1 out of 4	N.A.	N.A.

Note:

- (1) Mr Yan Tang Feng was appointed as Independent Director on 26 September 2019. For the period from 26 September 2019 to 31 December 2019, there was one Board meeting and one AC meeting held.

Directors' Orientation and Development

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 will undergo 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.

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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 Singapore Exchange Securities Trading Limited (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. They are also informed of and are encouraged to attend relevant seminars such as those organised by the SGX-ST, SID and other external professional organisations to keep abreast of developments relevant to their roles.

Access to Information

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.

Access to Management and Company Secretary

The Directors have separate and independent access to the Management and the Joint Company Secretaries at all times.

At least one Joint Company Secretary attends all Board meetings. The Joint Company Secretaries are responsible for preparing minutes of Board proceedings, and are responsible to the Board for advising on corporate and administrative matters, as well as facilitating orientation and assisting with professional development as required.

The appointment and removal of the Joint 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.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

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Board Composition

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	Board Committee Membership		
		AC	NC	RC
Xu Cheng Qiu ⁽¹⁾	Executive Chairman	–	Member	–
Liu Jing Fu	Executive Director and Chief Executive Officer	–	–	–
Xu Jun	Executive Director	–	–	–
Xu Xian Lei	Executive Director	–	–	–
Lim Heng Chong Benny ⁽²⁾	Lead Independent Director	–	Chairman	–
Xu Chun Hua ⁽³⁾	Independent Director	–	Member	Chairman
Koh Choon Kong ⁽⁴⁾	Independent Director	Chairman	–	Member
Tan Lye Heng Paul ⁽⁵⁾	Independent Director	Member	–	–
Yan Tang Feng ⁽⁶⁾	Independent Director	Member	–	Member

Notes:

- (1) Mr Xu Cheng Qiu was appointed as a member of the NC on 12 November 2019.
- (2) Mr Lim Heng Chong Benny ceased to be a member of the AC and RC on 12 November 2019.
- (3) Ms Xu Chun Hua ceased to be a member of the AC on 12 November 2019.
- (4) Mr Koh Choon Kong ceased to be a member of the NC on 12 November 2019.
- (5) Mr Tan Lye Heng Paul ceased to be a member of the NC and RC on 12 November 2019.
- (6) Mr Yan Tang Feng was appointed as Independent Director on 26 September 2019, and was subsequently appointed as a member of the AC and member of the RC on 12 November 2019.

The Board presently comprises 9 directors, of whom 5 are independent non-executive directors. The present composition of the Board complies with Provision 2.2 of the Code that the independent directors should make up a majority of the Board where the Executive Chairman is part of the management team and not an independent director, and with Provision 2.3 of the Code that the majority of the Board comprises non-executive directors. Given that the Independent Directors make up a majority of the Board, the Board is thus able to exercise objective judgment on corporate affairs independently.

Board Diversity

The Board recognises that board diversity is an essential element contributing to a well-functioning and effective Board, as well as the sustainable development of the Group. As such, the objectives of its board diversity policy are to promote and enhance the decision-making process of the Board through the perspectives derived from the professional expertise, business experience, industry discipline, skills, knowledge, gender, age, educational background, ethnicity and culture, length of service, and other diverse qualities of the Board members. When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of its members, the NC will consider the various aspects of board diversity, and set practical timelines to implement the policy. It will also report to the Board on an annual basis on the progress made in promoting and achieving its board diversity objectives.

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The Board is of the view that its current structure, size and composition is appropriate for effective decision-making, provides balance and diversity of expertise, gender and knowledge of the Company's business, foster constructive debate, and avoid groupthink. 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 nine directors, in recognition of the importance and value of gender diversity. The Board also consists of directors with ages ranging from 41 to more than 70 years old, and who have served on the Board for different tenures. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

Board Independence

The NC conducts a review annually to determine whether or not a director is independent, adopting the Code's definition of an "independent director" and guidance as to relationships, including those provided in the Code, the Listing Manual and the Practice Guidance to the Code, that are relevant in its determination. Each Independent Director is required to complete an annual declaration to confirm his/her independence, and in particular, that he/she does not have any relationship with the Company and its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interest of the Group. The independent directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

In assessing the independence of each Independent Director for FY2019, the NC noted that Mr Lim Heng Chong Benny, Mr Koh Choon Kong, Ms Xu Chun Hua and Mr Tan Lye Heng Paul, has each served on the Board for an aggregate period of more than 9 years from the respective dates of their first appointment. As such, the Board has subjected their independence to a particularly rigorous review.

The NC carried out the aforesaid review on the independence of each Independent Director in February 2020 (with Mr Lim Heng Chong Benny and Ms Xu Chun Hua as members of the NC abstaining from deliberation in respect of the review of his/her independence) based on the respective Independent Directors' self-declaration of his/her relationship with the Company and its related corporations, its substantial shareholders or its officers, 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.

After due consideration and with the concurrence of the NC (with each Independent Director abstaining from the discussion and decision-making process with respect to the assessment of his/her independence), the Board has determined that each of the Independent Directors 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.

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 FY2019, the Independent Non-Executive Directors meet regularly without the presence of Management.

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Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Division of the Roles of Executive Chairman and CEO

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 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.

Role of Lead Independent Director

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: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of 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, with the Lead Independent Director being the Chairman of the NC:

Lim Heng Chong Benny	–	Chairman
Xu Cheng Qiu	–	Member (appointed as member on 12 November 2019)
Xu Chun Hua	–	Member

Mr Koh Choon Kong and Mr Tan Lye Heng Paul, who were both members of the NC, ceased to be members on 12 November 2019.

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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, and re-appointment of directors or alternate directors (if any), having regard to that director's contribution and performance (such as attendance, preparedness, participation and candour) where applicable;
- (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 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 review succession plans for directors, in particular, the appointment and/or replacement of the Executive Chairman, the CEO and key management personnel;
- (g) to make recommendations to the Board relating to the review of training and professional development programs for the Board and its directors;
- (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.

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, Mr Tan Lye Heng Paul and Mr Yan Tang Feng are independent. More details of the Board and NC's determination of the independence of the Independent Directors are set out under Principle 2 of this report in the section headed "*Board Independence*".

Other Principal Commitments and Board Representations

The NC determines annually whether a director with multiple board representations is able to and has been adequately carrying out his 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.

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.

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

- (a) pages 14 to 17 – Academic and professional qualifications;
- (b) page 46 – Key information (including each of the Director's board representations on other listed companies and other principal commitments (if any)); and
- (c) pages 47 to 48 – Shareholding in the Company and its related corporations.

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.

The NC has in place a formal process for the selection and appointment of new directors, and re-appointment of directors to increase transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment, as well as to advance the Company's objective of promoting board diversity.

Process for selection 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 Singapore Institute of Directors, search consultants, advertisements) to source for potential candidates;
- (c) The NC assesses suitability of short-listed candidates, meets 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.

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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.

At the forthcoming AGM, Mr Liu Jing Fu, Mr Xu Jun and Mr Tan Lye Heng Paul are due for retirement by rotation under Article 104 of the Constitution of the Company. Mr Liu Jing Fu and Mr Xu Jun had submitted themselves for re-nomination and re-election, and the NC reviewed and recommended their re-election. However, as part of the Board renewal process, Mr Tan Lye Heng Paul will not be seeking re-election at the forthcoming AGM.

Mr Yan Tang Feng, who was appointed as Independent Director on 29 September 2019, will cease to hold office at the forthcoming AGM in accordance with Article 114 of the Constitution of the Company, and has offered himself for re-election at the forthcoming AGM. Mr Yan Tang Feng has no relationship, whether familial, business, financial, employment or otherwise, with the Company, its related corporations, substantial shareholders, or any officers, which could interfere or be perceived to interfere with his independent judgment.

Mr Xu Jun is the son of the Executive Chairman of the Company, Mr Xu Cheng Qiu, who is deemed to be interested in the 60.25% shareholding (excluding treasury shares) in the Company held by Success More Group Limited, by virtue of his controlling interest in Success More Group Limited, and 0.59% shareholding in the Company (excluding treasury shares) held by UOB Kay Hian Pte Ltd as nominee. Mr Xu Jun is also the cousin of Mr Xu Xian Lei, the Executive Director of the Company.

The Board (save for Mr Liu Jing Fu, Mr Xu Jun and Mr Yan Tang Feng (collectively, the "**Retiring Directors**") who had abstained from the deliberation process in respect of their own re-election) has accepted the NC's recommendation and proposes that the Retiring Directors be re-elected at the forthcoming AGM.

Additional information in respect of the Retiring Directors seeking re-election at the forthcoming AGM pursuant to Rule 720(6) of the Listing Manual read with Appendix 7.4.1 of the Listing Manual, which are not otherwise disclosed in this Annual Report, will be provided to shareholders together with the Notice of Annual General Meeting in due course.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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.

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. More details of the Board and NC's assessment and determination exercise are set out under Principle 4 of this report in the sections headed "*Other Principal Commitments and Board Representation*" and "*Re-appointment of Directors*".

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.

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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 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 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.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Composition and Role of the RC

The RC currently comprises entirely independent directors as follows:

Xu Chun Hua	–	Chairman
Koh Choon Kong	–	Member
Yan Tang Feng	–	Member (appointed as a member on 12 November 2019)

Mr Lim Heng Chong Benny and Mr Tan Lye Heng Paul, who were both members of the RC, ceased to be members on 12 November 2019.

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of each individual director, the CEO and key management personnel (who are not directors or the CEO).

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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 Board and key management personnel, and the specific remuneration packages for each director as well as for the 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, benefits-in-kind, and termination terms to ensure they are fair;
- (b) to review the remuneration packages of all managerial staff who are related to any of the executive directors;
- (c) to review and approve the annual increments and/or variable bonus to be granted to the Executive Directors and key management personnel of the Company;
- (d) 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
- (e) 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 remuneration. No director will be involved in determining his 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. The RC should 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 FY2019, the Company did not seek any expert advice outside the Company on remuneration of its Directors.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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, determines the overall annual increment and bonus for each of the Executive Directors and key management personnel, and ensures that they are appropriate and proportionate to the sustained performance and value creation of the Group.

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 these directors. The Company will submit the quantum of directors' fees of each year to the shareholders for approval at each AGM.

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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 Practice Guidance.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

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 Lead Independent Director and Chairman of each Board committee are 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.

For the purpose of assessing the performance of Executive Directors and other key management personnel, key performance targets are clearly set out at the beginning of each financial year. 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.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

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 FY2019, are set out as follows:

Name of Directors and CEO	Salary	Bonus	Director's fees	Other benefits	Total Remuneration	
	%	%	%	%	%	S\$'000
Xu Cheng Qiu	7	93	–	–	100	5,307
Liu Jing Fu	50	50	–	–	100	110
Xu Jun	50	48	–	2	100	88
Xu Xian Lei	50	48	–	2	100	106
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
Yan Tang Feng ⁽¹⁾	–	–	100	–	100	10

Remuneration Band & Name of Key Management Personnel	Salary	Bonus	Other benefits	Total
	%	%	%	%
S\$250,000 and below S\$500,000				
Nil				
Below S\$250,000				
Tong Yiping	67	24	9	100
Wang Bao Li	27	70	3	100
Miao Jing ⁽²⁾	100	–	–	100
Ma Yue Bin	31	67	2	100
Liu De Ming	29	69	2	100

Notes:

(1) Mr Yan Tang Feng was appointed as Independent Director on 26 September 2019.

(2) 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 FY2019 is S\$532,000.

There was no employee of the Company or its subsidiaries who is a substantial shareholder, or an immediate family member of any director, the CEO or a substantial shareholder of the Company and whose remuneration exceeded S\$100,000 for FY2019. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The Company has no share option plans for FY2019. 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.

CORPORATE GOVERNANCE REPORT

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

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Risk Governance Structure

The Board is overall responsible for the governance of risk. The Board oversees the Group's risk management framework and policies, reviews the Group's business, financial and operational risks, and formulates strategies and measures to manage and mitigate these risks with the assistance of internal and external auditors.

The Board ensures that 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 Group, to safeguard the interests of the Company and its shareholders.

Enterprise Risk Management

The Company has 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. In 2019, the Company undertook a fresh round of review of its ERM programme with the assistance of a new ERM consultant, Messrs BDO LLP. 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 AC and the Board at least once a year or as and when new significant risks are identified.

CORPORATE GOVERNANCE REPORT

Internal Control and Risk Management Systems

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 2019.

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 have been properly maintained, and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's risk management and internal control systems are adequate and 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 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Composition and Role of AC

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

Koh Choon Kong	–	Chairman
Tan Lye Heng Paul	–	Member
Yan Tang Feng	–	Member (appointed as a member on 12 November 2019)

Mr Lim Heng Chong Benny and Ms Xu Chun Hua, who were both members of the AC, ceased to be members on 12 November 2019.

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.

CORPORATE GOVERNANCE REPORT

The primary functions of the AC include the following:

- (a) to discuss and review at least annually any significant financial reporting issues and judgments in relation to the financial statements and how the issues are addressed so as to ensure the integrity of the financial statements;
- (b) to discuss and review at least annually the adequacy and effectiveness of the internal controls and risk management system of the Group with respect to financial, operational, compliance and information technology risks;
- (c) to review any announcements relating to the Company's financial performance before submission to the Board for approval;
- (d) review the assurance from the CEO and the CFO who are responsible for the financial records and financial statements;
- (e) to assess and review at least annually the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit functions;
- (f) to discuss and review with auditors regarding, *inter alia*, the assistance given by Management to the auditors;
- (g) to assess and review at least annually the independence and objectivity of the external auditors, taking into consideration to the aggregate fees paid for audit and non-audit services provided by the external auditors;
- (h) to recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and the terms of engagement and remuneration payable to the external auditor taking into consideration the quality of work carried out by the external auditors and the basis of such assessment;
- (i) 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);
- (j) to review the internal audit plan and findings of the internal auditor;
- (k) 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
- (l) 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.

CORPORATE GOVERNANCE REPORT

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.

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.

External Auditor

In evaluating the quality of the work carried out by the external auditor, Messrs Nexia TS Public Accounting Corporation ("**Nexia TS**"), the AC's assessment of the performance of Nexia TS was based on Nexia TS's firm-wide audit quality framework, which is in line with the requirements of the Singapore Standards on Quality Control 1 (Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Service Engagements) ("**Nexia AQI Framework**"). The key elements of the Nexia AQI Framework include assessment on the experience and involvement of senior audit team members, training programmes and independence requirements of the team members, regular inspections by both internal and external parties (e.g. the Accounting and Corporate Regulatory Authority Practice Monitoring Programme inspections), human resources (e.g. attrition rates of the audit team).

In evaluating the nomination of Nexia TS for re-appointment for the financial year ending 31 December 2020, the AC has considered the adequacy of the resources, experience and competence of Nexia TS. The AC also undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor. It is noted that the aggregate amount of fees paid to the external auditor for FY2019 is S\$203,000. No non-audit fees were paid to the external auditor for financial year ended 31 December 2019 which may affect their independence. None of the members of the AC were partners of Nexia TS or has any financial interest in Nexia TS.

Upon such evaluation, the AC 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. The Company has complied with the requirements of Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of auditing firms.

Internal Auditor

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 compensation of the Internal Auditor, which meets the professional standards set out in the Code.

The Internal Auditor's primary line of reporting is to the Chairman of the AC, although the Internal Auditor 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, effectiveness and independence of the internal audit function, and is satisfied that it is adequately resourced and has appropriate standing within the Company.

CORPORATE GOVERNANCE REPORT

Whistle-Blower Policy

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. The Company publicly discloses, and clearly communicates to employees, the existence of the Policy and procedures for raising such concerns. During the year, the AC received one whistle-blowing complaint, and after careful and thorough investigations, the Board concluded that there was no evidence to substantiate the allegations stated in the complaint.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meeting

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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.

Conduct of General Meetings

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

To encourage more shareholder participation, the Company's general meetings are held in the city centre of Singapore, which is easily accessible to most shareholders. Notices of general meetings are published through the SGXNET, and in the newspapers, as well as despatched to shareholders, together with the Appendix, Annual Report and Sustainability Report within the prescribed time period. Any shareholder who is not a relevant intermediary (as defined in the Companies Act) and who is unable to attend any general meeting is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. Pursuant to the Companies Act, the Central Provident Fund Board and relevant intermediaries may appoint more than two proxies. 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 motions 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 Auditors are also present to address shareholders' queries (if any) about the conduct of audit and the preparation and content of the auditors' report. All the Directors (except Mr Xu Cheng Qiu, Mr Liu Jing Fu and Mdm Xu Chun Hua) had attended the AGM and the extraordinary general meeting of the Company held on 30 April 2019 and 8 November 2019, respectively.

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.

CORPORATE GOVERNANCE REPORT

At the forthcoming AGM, the Company will put all resolutions to vote by poll so as to better reflect shareholders' interest and ensure greater transparency. A scrutineer will also be appointed to count and validate the votes cast at the forthcoming AGM. Votes cast, for or against and the respective percentages, on each resolution are tallied and informed to shareholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings.

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

The results of general meetings are also disclosed by way of Company announcement on the SGX-ST. The Company Secretary prepares minutes of general meetings, which incorporate substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, if any, and responses from the Board and Management. These minutes are published on the Company's corporate website.

Dividend Policy

The Company has declared and paid dividends every year since its initial public offering in 2007. However, in view of the uncertain economic conditions and the anticipated capital expenditure for the Group's expansion plans as announced in February and March 2020, it is difficult for the Company to commit to a fixed dividend policy. Nevertheless, the Board will discuss recommendations for dividend payments, whether in the form of final dividends or interim dividends, during Board meetings, taking into consideration the availability of the Company's retained earnings, the Group's profitability and financial position, capital expenditure requirements, future expansion or investment plans, and other relevant factors as may be determined by the Board.

The Board has recommended a one-tier tax exempt final dividend of S\$0.01 per ordinary share for FY2019.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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.

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company.

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 at which shareholders can access information on the Group.

CORPORATE GOVERNANCE REPORT

The Company has an investor relations policy which provides for a mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. 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.

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. During FY2019, the Company held quarterly public briefings for shareholders, investors, analysts and the media on its financial results after each release of its results announcement, and it was noted that many shareholders participated in these briefings.

(E) MANAGING STAKEHOLDER RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Group’s key focus areas during FY2019 are ensuring sales and production equilibrium, and environmentally friendly and safe production, improving production process through automation and investing in R&D, enhancing customer satisfaction and employees’ well-being, and contributing to community development.

The Group engages and manages its relationships with key stakeholders through various means. Full details of the Group’s strategy, key areas of focus, and methods of engagement can be found in the Company’s Sustainability Report 2019.

The Company maintains and updates its corporate website regularly with various information on the Group and the Company which serves as an important resource for investors and all stakeholders. The CFO and IR manager are the contact persons with whom the stakeholders may directly communicate, and their contact details are provided in the Company’s corporate website and in its press releases.

(F) OTHER CORPORATE GOVERNANCE MATTERS

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.

CORPORATE GOVERNANCE REPORT

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.

Interested Person Transactions

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions ("**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. On a quarterly basis, Management reports findings of IPTs, if any, during AC meetings.

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 FY2019.

Material Contracts

Pursuant to Rule 1207(8) of the Listing Manual, 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 the CEO, each director or controlling shareholder, which are either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE REPORT

PARTICULARS OF DIRECTORS

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	76	Executive Chairman	11 October 2006	30 April 2019	None	None
Liu Jing Fu	68	Executive Director and CEO	18 May 2007	26 April 2018	None	None
Xu Jun	50	Executive Director	18 May 2007	28 April 2017	None	None
Xu Xian Lei	41	Executive Director	18 April 2018	30 April 2019	None	None
Lim Heng Chong Benny	49	Lead Independent Director	18 May 2007	30 April 2019	<u>Directorship in other Listed Companies</u> - Alliance Healthcare Group Limited <u>Other Principal Commitments</u> - Chris Chong & C T Ho LLP	BM Mobility Ltd. (f.k.a. Ziwo Holdings Ltd.)
Xu Chun Hua	77	Independent Director	18 May 2007	30 April 2019	<u>Other Principal Commitments</u> - China Rubber Industry Association Rubber Chemical Commission	None
Koh Choon Kong	49	Independent Director	15 November 2009	26 April 2018	<u>Other Principal Commitments</u> - Summit Power International Limited	None
Tan Lye Heng Paul	55	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.
Yan Tang Feng	50	Independent Director	26 September 2019	N.A.	<u>Other Principal Commitments</u> - Sinolion Holdings Pte. Ltd.	None