



尚舜化工  
SUN SINE

# 2018

## Annual Report

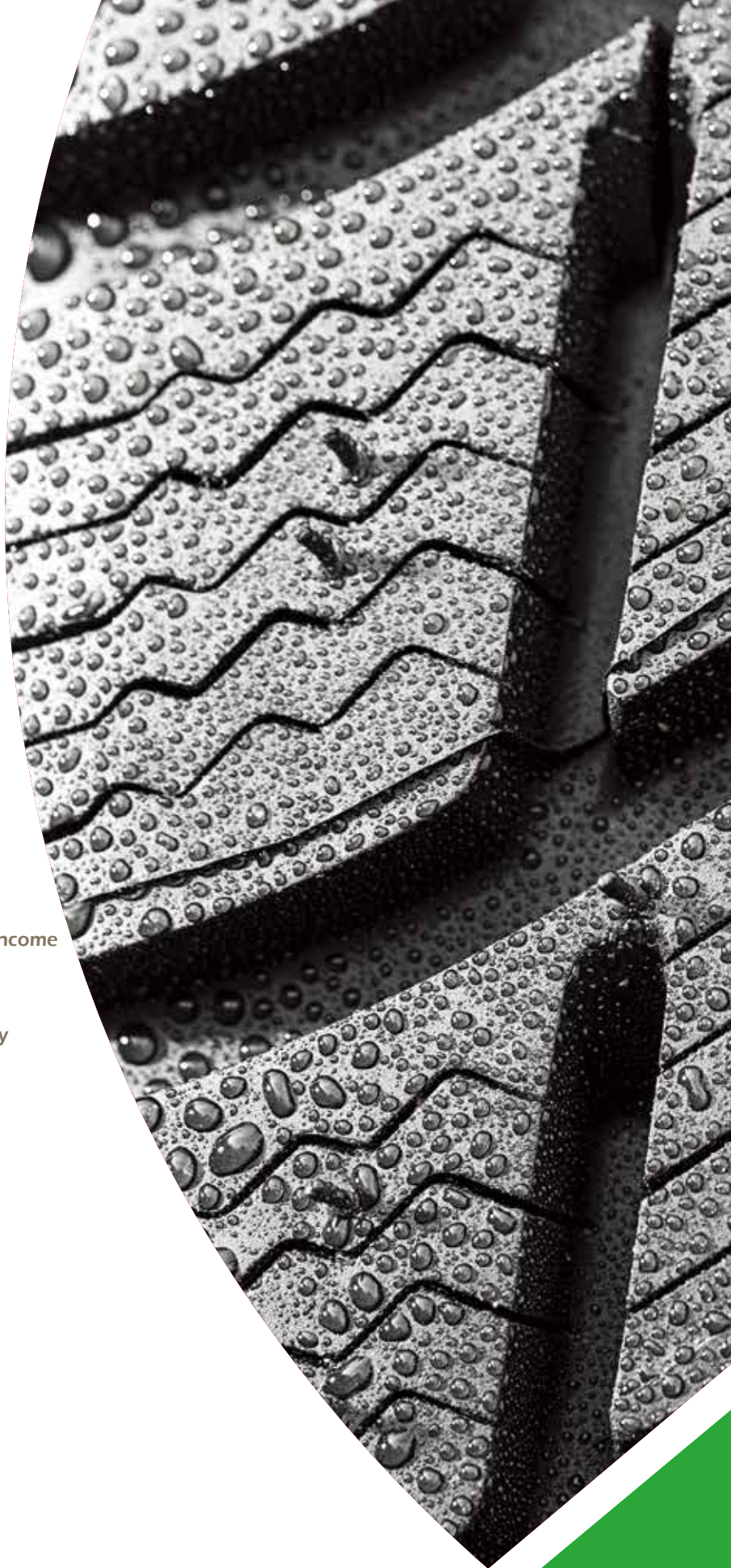
CHINA SUNSINE CHEMICAL HOLDINGS LTD.





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# CORPORATE **PROFILE**

China Sunsine Chemical Holdings Ltd. (“China Sunsine”) is a leading specialty chemical producer. It is the largest producer of rubber accelerators in the world and the largest producer of insoluble sulphur in the People’s Republic of China (“PRC”).

Our production facilities are located at Shanxian, Weifang and Dingtao in Shandong Province, the PRC. Our total production capacity is currently 172,000 tons per annum, comprising 97,000 tons of rubber accelerators, 30,000 tons of insoluble sulphur and 45,000 tons of anti-oxidant. We also have a centralised heating plant at Shanxian which generates steams and electricity.

Our products are sold under the “Sunsine” brand (accredited as “Shandong Province Famous Brand”). Our customers are mainly the tire companies which rely on the automobile industry. We have over 1,000 customers around the world and continue to serve more than 2/3 of the Global Top 75 tire makers, such as Bridgestone, Michelin, Goodyear, Pirelli, Sumitomo, Yokohama, Hankook, Cooper, Kumho Tires, as well as PRC tire giants such as Hangzhou Zhongce, GITI Tire, Shanghai Double Coin Tyre etc.

As a chemical producer serving its global customers, China Sunsine continuously improves its manufacturing and environmental protection capabilities. We have achieved GB/T19001-2016/ ISO9001:2015 standard for quality, GB/T24001-2016/ ISO14001:2015 standard for environment, and GB/T28001-2011 /OHSAS18001:2007 standard for occupational health and safety management system.

China Sunsine’s wholly-owned subsidiary, Shandong Sunsine Chemical was listed in the first batch of Champion Manufacturing Enterprise by the Ministry of Industry and Information Technology of China in January 2017.

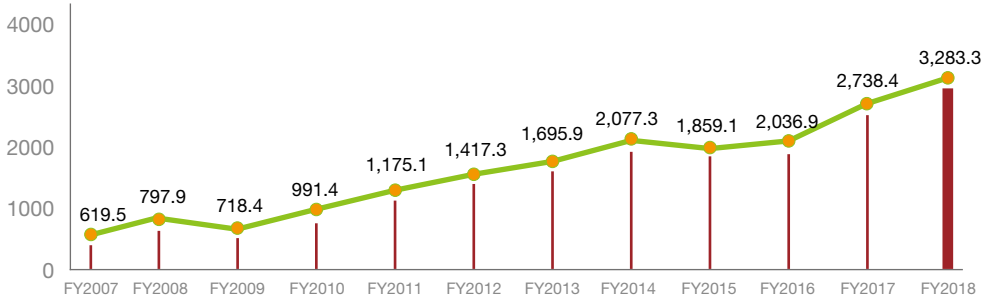
China Sunsine was listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST) on 5 July 2007.



# FINANCIAL HIGHLIGHTS

## Revenue

RMB' million



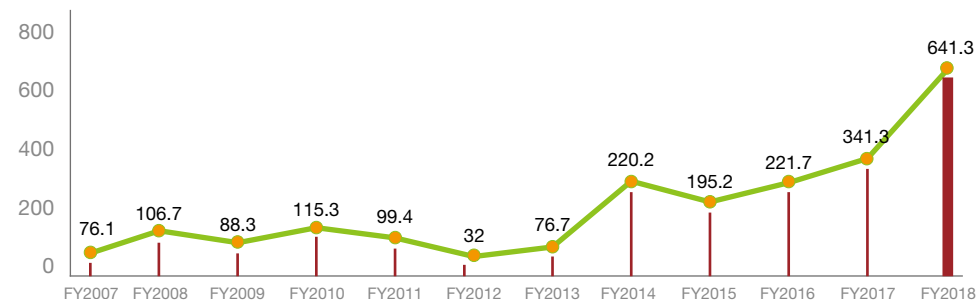
+ 16.4 %

CAGR (FY07-FY18)



## Net Profit

RMB' million



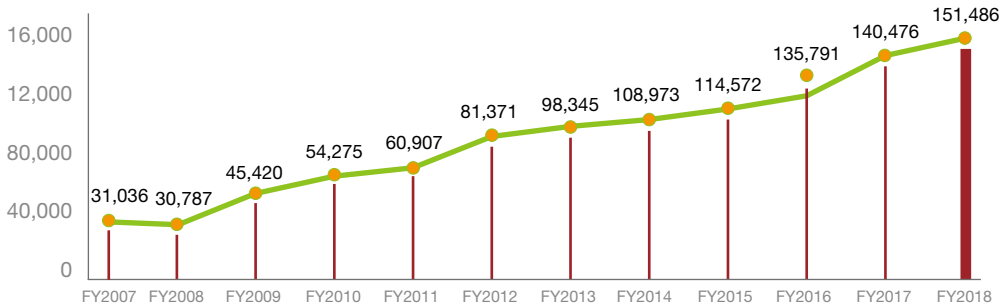
+ 21.4 %

CAGR (FY07-FY18)



## Sales Volume

Tons



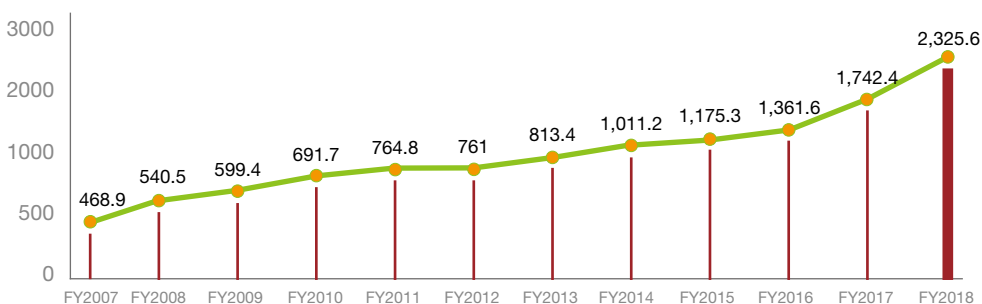
+ 15.5 %

CAGR (FY07-FY18)



## Net Assets

RMB' million



+ 15.7 %

CAGR (FY07-FY18)



	2018	2017	2016	2015 restated	2014
(RMB' million)					
Total Assets	2,747.3	2,127.8	1,642.5	1,585.9	1,638.1
Total Liability	421.7	385.3	280.9	410.6	626.9
Shareholders' Equity	2,325.6	1,742.5	1,361.6	1,175.3	1,011.2
Cash and Cash Equivalent	1,038.6	499.6	275.9	341.3	122.8
Bank Borrowings	-	-	-	144.9	258.0
Treasury Shares	2.1	-	31.4	28.2	28.2
No of Shares ('million)					
No of Ordinary Shares	491.3	491.7	464.0	465.5	465.5
No of Treasury Shares	0.4	-	27.7	26.2	26.2
(RMB'million)					
Revenue	3,283.3	2,738.4	2,036.9	1,859.1	2,077.3
Gross Profit	1,125.9	788.1	540.4	492.0	567.4
Net Profit After Tax	641.3	341.4	221.7	195.2	220.2
Earnings before interest, tax, depreciation & amortisation (EBITDA)	803.9	565.1	407.4	390.6	406.8
Sales Volume (tons)					
Total Volume	151,486	140,476	135,791	114,572	108,973
Accelerator	83,255	83,335	82,767	76,090	76,089
Insoluble sulphur	25,759	22,283	20,031	15,417	12,102
Antioxidants	41,095	33,258	31,214	21,640	19,903
Others	1,377	1,600	1,779	1,425	879
Financial Analysis					
Gross Profit Margin (%)	34.3%	28.8%	26.5%	26.5%	27.3%
Net Profit Margin (%)	19.5%	12.5%	10.9%	10.5%	10.6%
EBITDA Margin (%)	24.5%	20.6%	20.0%	21.0%	19.6%
Current Ratio	4.8	3.7	3.7	2.4	1.7
Average YTD Trade Receivables Turnover(Days)	52	59	66	70	61
Average YTD Trade Payables Turnover (Days)	11	11	12	12	11
Average YTD Inventory Turnover (Days)	36	33	35	41	38
Return on Equity (%)	27.6%	19.6%	16.3%	16.6%	21.8%
Return on Asset (%)	23.3%	16.0%	13.5%	12.3%	13.4%
Gearing Ratio	-	-	-	0.12	0.26
Per Share Data					
NAV per Share (RMB cents)	473.3	354.4	293.4	252.5	217.2
EPS (RMB cents)	130.45	70.83	47.66	41.93	47.31
Proposed Dividend Per Share (SGD cents)	5.5	3.0	1.5	1.5	1.5

# CHAIRMAN'S STATEMENT



Given its competitive advantages in quality, scale, product range, cost, environmental protection, safety and market leadership, as well as efforts in other areas, the Group achieved very encouraging and unprecedented results in FY2018.

**DEAR SHAREHOLDERS,**

On behalf of the Board of Directors of China Sunsine Chemical Holdings Ltd. ("China Sunsine", together with its subsidiaries, collectively the "Group"), I am pleased to present the annual report for the financial year ended 31 December 2018 ("FY2018").

2018 was an exacting and exciting year, full of challenges and opportunities. Since the Chinese government implemented strict environmental protection policies and measures, the rubber chemicals industry became more consolidated, and these had resulted in a shortage in the supply of rubber chemicals in the first half of 2018.

Between the fourth quarter of 2017 and the second quarter of 2018, prices of rubber chemicals soared. The Group and those



that excelled in environmental protection and safety benefited greatly from the price spikes. Given its competitive advantages in quality, scale, product range, cost, environmental protection, safety and market leadership, as well as efforts in other areas, the Group achieved very encouraging and unprecedented results in FY2018.

**THE YEAR UNDER REVIEW**

FY 2018 revenue of RMB 3,283.3 million was 20% higher than FY2017. Owing to shortage of market supply and rising raw material prices, average selling price ("ASP") was 11% higher than the preceding year. Sales volume rose by 8% to a new record of 151,486 tons. This is the 10th consecutive year of sales volume growth since our IPO in 2007. As a result, the Group's net profit skyrocketed by 88% year-on-year to a new record of RMB 641.3 million.

The Group's net profit per share for FY 2018 was RMB 130.45 cents; net assets per share as of end-2018 was RMB 473.32 cents. The Group's financial position was further strengthened with cash and bank deposits amounting to RMB 1,038.6 million, and no borrowings.

The Group has maintained its market leadership position as the world's largest rubber accelerator producer and China's largest insoluble sulphur producer. China Sunsine is China's top rubber



# CHAIRMAN'S STATEMENT

chemicals producer by revenue. The “Sunsine” brand has won widespread acclaim from tire manufacturers and peers in the rubber chemicals industry.

The Group continues to vigorously carry out technological and management innovation. Through collaboration with academic institutions, we are gradually transforming and upgrading our production technologies. Environmental protection and safety production are the top priority of enterprises, as it is a basic guarantee for a sustainable and quality growth.

Significant progress has also been made in our three major expansion projects. The new boiler and generator equipment in our Guangshun Heating Plant started operation in the third quarter of 2018. We received trial-run approval for the 10,000-ton insoluble sulphur line in Dingtao was received in November

2018 and commercial production has started. Trial-run approval for the fully automated 30,000-ton of high-end accelerator TBBS project in Yongshun New District was received in January 2019, and we have commenced production of the first 10,000 tons of TBBS.

These projects will increase the Group's total production capacity by 20,000 tons to 172,000 tons in 2019.

## OUTLOOK AND PROSPECTS

According to the China Association of Automobile Manufacturers, China's new car sales in 2018 were 28.1 million units, down 2.8% from the previous year. This is the first decline after 28 consecutive years of growth. According to ResearchAndMarkets.com's research report, the compound annual growth rate (CAGR) of global automobile tires from 2018 to 2025 is estimated at 3.8%, which is mainly driven by the growth in automobile production demand.

For quality growth, we will continue to enhance our production and marketing efforts to maintain or even increase market share, focus on environmental protection and safety production, ensure sustainable growth, and carry out technological innovation.

The Group will also continue with its strategy of production-sales equilibrium with “continual increase in productions to drive higher sales volume, which in turn stimulates further expansions”. We will expand capacity to gain market share in the rubber chemicals industry. As the production of 10,000-ton TBBS line has been operating smoothly, the Group expects its utilization to ramp up rapidly. We will also undertake the second phase of the project for installation of equipment for another 20,000 tons of TBBS this year.





We are confident that the Group's competitive advantages in quality, scale, product range, cost, environmental protection, safety and market leadership will be further strengthened. Through the innovation, upgrading and expansion of our products at a faster pace, we will achieve quality and sustainable growth.

### PROPOSED DIVIDEND

In appreciation of shareholders' support, the Board of Directors is recommending a final one tier tax-exempt dividend of 5.5 Singapore cents per share, which is equivalent to 21% of the Group's 2018 net profit, in line with our dividend policy. This proposal is subject to shareholders' approval at the upcoming Annual General Meeting.

### ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I thank all shareholders for their confidence, persistence and trust in the Group over the years. I would also like to thank our customers, business associates, suppliers and the community for their long-standing support. Our achievements would not have been possible without the untiring efforts and professionalism of management and employees.

Looking back, we are proud of our achievements. Today, with confidence and passion, we are moving towards higher goals, taking on more social responsibilities, and creating higher shareholders' value!

**XU CHENGQIU**

Executive Chairman

March 2019





凭借着质量、规模、品种、成本、环保、安全、市场等综合优势，在各方的积极奋斗和努力进取下，集团2018财年的表现令人欢欣鼓舞，取得了前所未有的辉煌业绩。

## 尊敬的股东们：

我代表中国尚舜化工控股有限公司（“中国尚舜”，连同其子公司合称“集团”）董事会，很高兴地向大家呈上集团在截至2018年12月31日的财政年度（“2018财年”）的年度报告。

2018年是挑战和机遇并存的一年。自从中国实施严格的环保政策和措施以来，橡胶助剂行业集中度进一步提高，致使橡胶助剂在2018年上半年的供应出现紧张局面。

我们集团以及那些在环保、安全方面表现较好的企业，从此形势中获益。凭借着质量、规模、品种、成本、环保、安全、市场等综合优势，在各方的积极奋斗和努力进取下，集团2018财年的表现令人欢欣鼓舞，取得了前所未有的辉煌业绩。

## 年度业绩回顾

集团2018财年的营业收入同比提高了20%，至32.833亿元人民币。销量实现了自2007年上市以来的十年连续增长。集团



2018财年净利润同比大幅增长88%，达人民币6.413亿元，再创佳绩。

集团2018财年的每股净利为人民币130.45分，截至2018年12月31日每股净资产为人民币473.32分。集团的财务状况进一步稳健，净现金及银行存款达人民币10.386亿元，无任何贷款。

集团继续保持了全球最大的促进剂生产商和中国最大的不溶性硫磺生产商的行业领先地位。就企业销售总额来看，中国尚舜在中国橡胶助剂生产企业中排名第一。“尚舜”品牌在轮胎厂商以及橡胶助剂行业得到广泛赞誉。

集团继续大力开展技术创新与管理创新。加强与研究机构的合作，提高技术工艺，加快转型升级。同时，我们把环保安全作为企业发展的第一要务，促进企业可持续、高质量的发展。

我们的项目建设也取得了重大进展。广舜热力厂新增一个锅炉和一台发电机组的扩建项目于2018年第三季度正式启用；定陶10,000吨不溶性硫磺的生产线于2018年11月得到试产批复，现已投产；在单县永舜新区的30,000吨的促进剂TBBS升级扩能项目也于2019年1月获得试产批准，目前首期10,000吨TBBS生产线也已开始正式投产。

这两个项目使得集团的总产能增加20,000吨，达172,000吨，成为2019年集团的新的增长点。

## 今后展望

根据《中国汽车工业协会》的数据，中国2018年的新车销量为2810万辆，与前一年相比下降2.8%。这是在连续28年增长之后首次出现下跌。根据ResearchAndMarkets.com的研究报告预测，全球汽车轮胎从2018至2025年的复合年化增长率为3.8%，这主要是汽车产量增长需求所带动。

集团继续实施市场多元化战略，“以产促销、以销促产”的产销平衡策略。在橡胶化学品行业，提高产能、扩大市场份额。集团预计新增的1万吨TBBS产能的生产负荷率将很快上升，因此，会在今年开展二期工程，安装2万吨的TBBS生产线。

我们相信，集团在质量、规模、品种、成本、环保、安全、市场等综合优势将会进一步加强，通过加快产品的创新、升级、扩能，实现更高质量的可持续发展。

## 股息建议

为了感谢股东的支持，董事会建议派发每股5.5新分的免税终期股息，这个派息比例相当于集团2018财年净利的21%。此建议将在来临的股东大会上讨论通过。

## 衷心感谢

在此，我代表公司董事会，感谢股东们长期以来对集团的坚守和信任；感谢我们的客户、商业伙伴、供应商和社会各界对集团的长期支持；感谢管理团队和员工们不懈的努力和专业的精进。

回首过去，我们为取得的辉煌业绩感到骄傲和自豪。今天，我们满怀信心和激情，向更高的目标迈进，承担更多的社会责任，为股东创造更大的价值！

## 徐承秋

执行主席  
2019年3月



# OPERATIONS & FINANCIAL REVIEW

## OUR FINANCIAL PERFORMANCE IN FY2018

Despite the PRC economy growing at a slower pace, more stringent safety and environmental protection inspection conducted in the PRC, and the fluctuation of major raw material prices, as well as uncertainties in the geopolitical and economic situation, the Group has achieved another sterling set of results in FY2018.

The Group's revenue in FY2018 increased by 20% to RMB 3,283.3 million from RMB 2,738.4 million in FY2017, mainly due to the increase in both overall average selling price ("ASP") and sales volume. ASP for rubber chemicals increased by 11% to RMB 21,535 per ton in FY2018 as compared to RMB 19,398 per ton in FY2017; and sales volume of rubber chemicals for FY2018 achieved a new record high of 151,486 tons, as compared to 140,476 tons in FY2017. The increase in both ASP and sales volume were mainly due to short supply of rubber chemicals during the early part of FY2018 as a result of frequent environmental inspections which affected production of many other rubber chemical producers in the PRC.



## ANALYSIS OF SALES AND VOLUME

	Sales Volume (Tons)			Sales (RMB' million)		
	FY2018	FY2017	Change	FY2018	FY2017	Change
<b>Rubber Chemicals</b>						
Accelerators	83,255	83,335	-	2,283.2	1,915.1	19%
Insoluble Sulphur	25,759	22,283	16%	292.7	239.7	22%
Anti-oxidant	41,095	33,258	24%	655.1	535.4	22%
Others	1,377	1,600	(14%)	31.2	34.8	(10%)
<b>Total</b>	<b>151,486</b>	<b>140,476</b>	<b>8%</b>	<b>3,262.2</b>	<b>2,725.0</b>	<b>20%</b>
Domestic Sales	101,708	95,560	6%	2,009.4	1,753.3	15%
International Sales	49,778	44,916	11%	1,252.8	971.7	29%
Heating Power	111,249	74,777	49%	20.1	12.2	65%
Hotel & Restaurant	-	-	n.m.	1.0	1.2	(17%)

n.m. – not meaningful



The Group's sales volume for Accelerators remained flat as it has already reached full capacity. However, the sales volume for Insoluble Sulphur and Anti-oxidant products in FY2018 increased by 16% and 24%, respectively, mainly due to the reasons mentioned above.

Gross profit increased by 43% or RMB 337.8 million from RMB 788.1 million in FY2017 to RMB 1,125.9 million in FY2018, while the average Gross Profit Margin ("GPM") also increased by 5.5 percentage points from 28.8% in FY2017 to 34.3% in FY2018, as a result of higher ASP.

Other income increased by RMB 5.1 million from a total of RMB 16.1 million in FY2017 to a total of RMB 21.2 million in FY2018 mainly due to higher interest income and higher gain on sales of scrap materials.

Other gains amounted to RMB 19.6 million, consisting mainly of foreign exchange gains.

Selling and distribution expenses increased by 31% or RMB 23.8 million from RMB 75.7 million in FY2017 to RMB 99.5 million in FY2018 mainly due to higher freight cost and higher incentive payments to sales personnel.

Administrative expenses (including research and development expenses) increased by 56% or RMB 127.8 million from RMB

227.8 million in FY2017 to RMB 355.6 million in FY2018, mainly due to (i) increase in R&D expenses by RMB 78.7 million; (ii) increase in staff costs by RMB 39.5 million; (iii) increase in safety production expenses by RMB 11.9 million; (iv) increase in impairment on receivables by RMB 3.9 million, (v) increase in other administrative expenses by RMB 0.4 million, offset by (vi) decrease in depreciation charge by RMB 4.0 million; (vii) decrease in entertainment cost by RMB 2.6 million.

Profit before tax ("PBT") increased by 49% or RMB 234.7 million from RMB 476.9 million in FY2017 to RMB 711.6 million in FY2018 mainly due to the increase in sales revenue and gross profit.

Income tax expenses decreased by 48% from RMB 135.5 million in FY2017 to RMB 70.3 million in FY2018, mainly due to (i) our main subsidiary, Shandong Sunshin, enjoying the concessionary tax rate of 15% as a result of the "High-tech Enterprise" status being obtained, as compared to headline corporate income tax rate of 25%; and (ii) approximately RMB 48 million being credited against 2Q2018's income tax expenses.

Net profit attributable to shareholders increased by 88% or RMB 299.9 million from RMB 341.4 million in FY2017 to RMB 641.3 million in FY2018 mainly due to the increase in PBT and decrease in income tax expenses.





# OPERATIONS & FINANCIAL REVIEW



## FINANCIAL POSITION REVIEW

Property, plant and equipment increased by RMB 29.0 million from RMB 661.8 million in FY2017 to RMB 690.8 million in FY2018 mainly due to additions to property, plant and equipment, offset by depreciation charged.

Trade receivables increased by RMB 52.8 million from RMB 637.8 million in FY2017 to RMB 690.6 million in FY2018. Trade receivables included notes receivables provided by trade debtors. These notes receivables are promissory notes issued by local banks with low risks of non-recoverability. As at 31 December 2018 and 31 December 2017, the notes receivables were RMB 238.5 million and RMB 176.2 million, respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have decreased by RMB 9.5 million from RMB 461.6 million in FY2017 to RMB 452.1 million in FY2018, mainly due to tighter collection.

Trade payables decreased by RMB 7.9 million from RMB 71.1 million in FY2017 to RMB 63.2 million in FY2018, mainly due to the decrease in prices of raw materials purchased at the end of 4Q2018.

Other payables increased by RMB 58.8 million from RMB 219.2 million in FY2017 to RMB 278.0 million in FY2018 mainly due to higher accrued operating expenses, as well as increase in staff incentive payables due to better performance.

## CASH FLOW REVIEW

Net cash generated from operating activities increased by RMB 303.5 million from RMB 395.5 million in FY2017 to RMB 699.0 million in FY2018 mainly due to higher operating profit generated during the year.



Net cash used in investing activities decreased by RMB 80.9 million from RMB 205.1 million in FY2017 to RMB 124.2 million in FY2018 mainly due to the decrease in additions to property, plant and equipment.

Net cash used in financing activities increased by RMB 92.4 million from net cash generated of RMB 40.9 million in FY2017 to net cash used of RMB 51.5 million in FY2018 mainly due to: (i) in FY2017, the Company placed out its treasury shares to various investors for a net cash consideration of approximately S\$17.5 million (equivalent to RMB 85.9 million), and (ii) the Company paid more dividends to its shareholders in FY2018 as compared to the dividend payment in FY2017.

## EXPANSION PROJECT

The Group intends to commence its expansion of the Phase II 20,000-ton fully-automated production line for the accelerator, TBBS. The production line is expected to be ready for commercial production by the end of FY2019 with a capital expenditure budget of approximately RMB 60 million.

The Group has also entered into an Investment Agreement with the Shanxian Local Government, pursuant to which the Local Government has agreed to grant Shandong Sunshine a piece of land located in Shandong Shanxian Chemical Zone, for Shandong Sunshine to carry out an investment project, in phases, to further expand its capacities in Rubber Chemical products, for a total investment amount of up to RMB 2.5 billion, of which RMB 1.5 billion will be invested in property, plant and equipment.

	FY2018 RMB' million	FY2017 RMB' million	Change RMB' million
Cash generated from operating activities	699.0	395.5	303.5
Cash used in investing activities	(124.2)	(205.1)	80.9
Cash generated from/(used in) financing activities	(51.5)	40.9	(92.4)
Net increase in cash and cash equivalents	523.3	231.3	292.0
Cash and bank balances at end of year per consolidated statement of cash flows	1,034.9	496.0	538.9



Below is a summary of our estimated Annual Capacity<sup>1</sup> at the end of each financial year:

Tons	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 <sup>e</sup>
Accelerators	70,500	87,000	87,000	87,000	87,000	87,000	117,000
Insoluble Sulphur	20,000	20,000	20,000	20,000	20,000	30,000	30,000
Anti-oxidant	25,000	45,000	45,000	45,000	45,000	45,000	45,000
Total	115,500	152,000	152,000	152,000	152,000	162,000	192,000

<sup>1</sup>Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT.

# BOARD OF DIRECTORS



XU XIAN LEI

XU JUN

LIU JING FU

XU CHUN HUA

XU CHENG QIU





KOH CHOON KONG

LIM HENG CHONG BENNY

TAN LYE HENG PAUL

### XU CHENG QIU

*Executive Chairman*

XU CHENG QIU is the Executive Chairman of our Group, responsible for the overall management, formulation and implementation of our business strategies. He has more than 30 years of experience in the rubber chemical industry. He joined our Group in 1977, when the predecessor of our subsidiary, Shanxian Chemical, was first established. In December 1998, Mr Xu, together with other employees, executed an MBO and he became the Executive Chairman and General Manager of Shanxian Chemical. He was also honoured with numerous awards, amongst them “Outstanding Entrepreneur” award, from the Heze City Economic and Trade Committee and “Excellent Leader in Technological Innovation” by China Rubber Industry Association (CRIA). Mr Xu is part of a group of Chairpersons spearheading the various committees of CRIA. He obtained his degree in Rubber Chemical Engineering from Shandong Chemical College in 1966 and became a qualified senior engineer in 1989.

### LIU JING FU

*Executive Director*

*Group Chief Executive Officer*

LIU JING FU is our Executive Director and was appointed as the Groups Chief Executive Officer in November 2013 to oversee the whole Group’s operations and be responsible for the overall strategic planning of the Group. Prior to this appointment, Mr Liu was the General Manager of the Group’s key subsidiary, Shandong Sunsine Chemical Co., Ltd. Prior to joining our Group in 2006, he was the deputy chairman of Heze Petroleum Chemical Association and the Deputy Chairman of Heze Electrical, Mechanical and Petrochemical Association. He was honoured the “Shandong Province 8th 5-Year Plan Technological Advancement Outstanding Worker” Award in 1995. Mr Liu obtained his degree in Chemical Engineering from Shandong Chemical College in 1980, and became a qualified senior engineer in 1993.

# BOARD OF DIRECTORS

## **XU JUN**

Executive Director

XU JUN is our Executive Director and was appointed in November 2013 as the Vice-Chairman of Shandong Sunsine to assist our Chairman, Mr Xu Cheng Qiu, in the strategic planning, direction and overall management of the subsidiary. He joined the Group in 1998 as the head of the management department. In 2003, he was promoted to Assistant to General Manager and subsequently became our Deputy General Manager in 2006. Mr Xu obtained his diploma in Business Administration from Jining University of Technology in 1992 and the ISO9000 Internal Auditor Qualification in 2002.

## **XU XIAN LEI**

Executive Director

XU XIAN LEI was appointed as Executive Director on 18 April 2018. He is in charge of overall management and operations of our China subsidiaries. Prior to that, he was Group's First Deputy General Manager, assisting the General Manager in the day-to-day operations. Mr Xu has more than 14 year's experiences in production, finance and management. Mr Xu graduated from Renmin University of China, majored in Business Administration.

## **LIM HENG CHONG BENNY**

Lead Independent Director

LIM HENG CHONG BENNY is our Lead Independent Director. Mr Lim has been in legal practice for more than 20 years, and is presently a partner at Chris Chong & C T Ho LLP, where he focuses his practice on fund management and investment advisory matters, financial services regulatory compliance, and the structuring and establishment of Singapore and offshore funds. His other main areas of practice include corporate finance, mergers and acquisitions, cross-border joint ventures and investments, and regulatory compliance for listed companies and registered charities. Mr Lim holds a Bachelor of Laws and a Master of Laws, both from the National University of Singapore.

**XU CHUN HUA**

Independent Director

XU CHUN HUA is our Independent Director. She has more than 40 years of experience in the rubber and rubber chemical industry. Ms Xu was the Principal of Qingdao Rubber Tyre Engineering University. Previously, she was a lecturer in Nanjing Chemical University and she used to work for Beijing Rubber Chemical Research Centre. She is currently serving as Vice President of the China Rubber Industry Association. She has also written various articles for journals and magazines such as Rubber Industry, Synthetic Rubber Industry, as well as compiled handbooks such as the Synthetic Rubber Handbook and Rubber Chemical Practical Handbook. She obtained her degree in High Polymer Chemistry from Fudan University in 1965.

**KOH CHOON KONG**

Independent Director

KOH CHOON KONG was appointed as our Non-Executive Director in November 2009, and re-designated as Independent Director in December 2012. He has more than 20 years of audit, accounting, corporate finance and business experience, and currently is part of the management team of the largest independent power producer (IPP) in Bangladesh, Summit Power International Limited. Mr Koh served as Group CFO of several SGX-listed corporations and worked in diverse organisations including Citicorp Investment Bank (Singapore) Limited, EtonHouse International, ICH Capital and Price Waterhouse. He graduated from the Nanyang Technological University with a Bachelor of Accountancy and later obtained his Master of Business Administration degree from the University of Manchester. He is a member of the Singapore Institute of Director, a Chartered Accountant of Singapore, as well as a CFA charter holder.

**TAN LYE HENG PAUL**

Independent Director

TAN LYE HENG PAUL is our Independent Director. He was re-appointed on 12 June 2017. He is the managing director of CA TRUST PAC, a firm of Chartered Accountants. He has over 20 years of auditing experience including two years as an internal auditor of a large Singapore public listed company. He is active in academia, giving lectures in finance related topics since 1991. He is also an Independent Director of two other Singapore public listed companies. He holds a Master's degree in Business Administration from University of Birmingham, UK. He is a fellow of the Association of Chartered Certified Accountants (ACCA) and the Institute of Singapore Chartered Accountants (ISCA) and a full member of Singapore Institute of Directors (SID). He is also an Accredited Tax Advisor of the Singapore Institute of Accredited Tax Professionals (SIATP).



# KEY EXECUTIVES



## **TONG YIPING**

*Chief Financial Officer*

TONG YIPING has been promoted as Chief Financial Officer in March 2016. He joined the Group as Group's Financial Controller in October 2013. Mr Tong is responsible for the overall financial operations of the Group as well as corporate secretarial matters. He has more than 15 years of experience as an accounting professional. Prior to joining the Company, Mr Tong was the Finance Manager of China Yuchai International Ltd, a company listed in New York Stock Exchange. Mr Tong is a fellow with the Association of Chartered Certified Accountants, and a member of Institute of Singapore Chartered Accountants. He obtained an honours bachelor degree in Accountancy from Oxford Brookes University, UK.



## **MA YUE BIN**

*Deputy General Manager*

MA YUE BIN was appointed as Group's Deputy General Manager to oversee the whole Group's production in March 2016. He also oversees the operation of the Group's subsidiary, Shengtao Chemical. He joined the Group in 1986 and has over 25 years of experience in production, operation and management. From September 1995 to June 1998, he took the correspondence course of Shandong Economic Management Institute.



**WANG BAOLI**

*General Manager Assistant*

WANG BAOLI was appointed as General Manager Assistant in charge of the Group's Sales and Marketing in January 2018. Prior to that, Mr Wang was the Finance Manager of the Group's subsidiary, Shandong Sunsine Chemical Co., Ltd., in charge of the finance matters as well as the control of the product selling prices and terms. He has more than 25 years' finance, sales control and management experiences since he joined the Group in 1992. Mr Wang graduated from Shandong University of Finance and Economics with a Bachelor degree in Accounting.



**LIU DE MING**

*Deputy General Manager*

LIU DE MING was appointed as Group's Deputy General Manager in March 2016. Mr Liu was also concurrently appointed as the General Manager of the Group's subsidiary, Weifang Sunsine, to oversee the whole operation of Weifang Sunsine. Prior to that, he was as the Deputy General Manager of Weifang Sunsine. Mr Liu joined the Group in 1995 since his graduation from Beijing Chemical University. Mr Liu has more than 30 years of working experiences in production, technology and management.



Over  
**1,000**  
customers  
globally

**1/3**  
output  
exported





Serving more than  
**2/3**  
of the Global Top  
75 tire makers

**ASIA-  
PACIFIC**

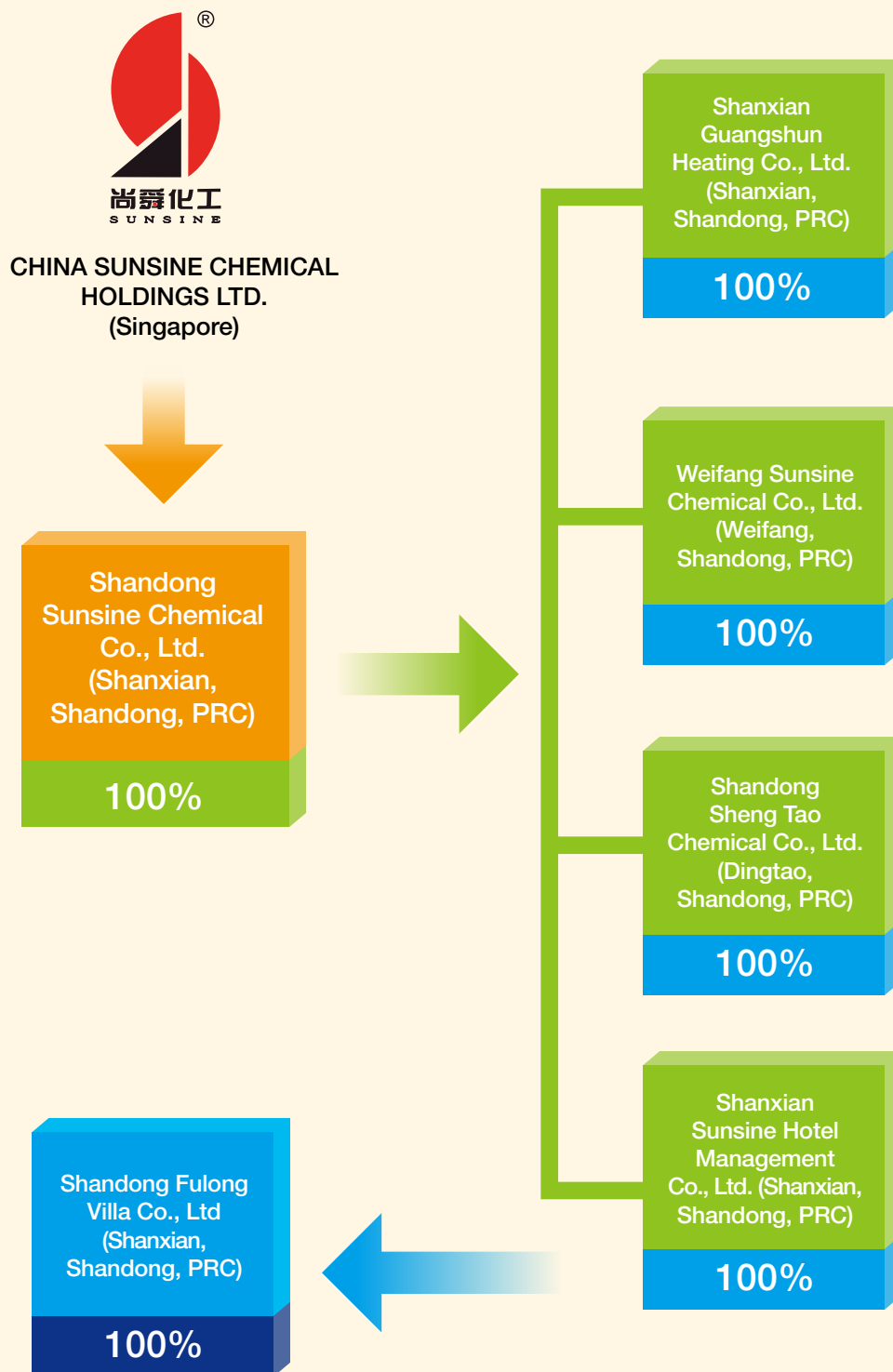
- India
- Korea
- Japan
- Malaysia
- Thailand
- Indonesia
- Vietnam
- Australia
- New Zealand



# SUPERIOR PRODUCTS **WE OFFER**



# GROUP STRUCTURE





# CORPORATE INFORMATION

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

### Singapore Office

112 Robinson Road  
#11-01 Singapore 068902  
Tel: +65 6220 9070  
Fax: +65 6223 9177  
E-mail: info@ChinaSunsine.com  
Website: www.ChinaSunsine.com

### China Main Offices

Shandong Sunsine Chemical Co., Ltd.  
Shandong Shanxian Economic Development Zone  
Shandong Province  
Post Code: 274300  
The People's Republic of China

Weifang Sunsine Chemical Co., Ltd.  
Lingang Chemical Zone South Area  
Weifang Binhai Economic Development Zone  
Shandong Province  
Post Code: 262737  
The People's Republic of China

### BOARD OF DIRECTORS

Xu Cheng Qiu *Executive Chairman*  
Liu Jing Fu *Executive Director and CEO*  
Xu Jun *Executive Director*  
Xu Xian Lei *Executive Director*  
Lim Heng Chong Benny *Lead Independent Director*  
Xu Chun Hua *Independent Director*  
Koh Choon Kong *Independent Director*  
Tan Lye Heng Paul *Independent Director*

### AUDIT COMMITTEE

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

### NOMINATING COMMITTEE

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

### REMUNERATION COMMITTEE

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



### JOINT COMPANY SECRETARIES

Dai Lingna  
Tong Yiping *FCCA CA (Singapore)*

### BANKERS

China Construction Bank Corporation Heze/Shanxian/Weifang Branch  
Agricultural Bank of China Shanxian/Weifang Branch  
Bank of China Shanxian Branch  
Industrial and Commercial Bank of China Shanxian Branch  
Postal Savings Bank of China Shanxian Branch  
DBS Bank Ltd

### SHARE REGISTRAR

Tricor Barbinder Share Registration Services  
(A division of Tricor Singapore Pte Ltd)  
80 Robinson Road, #02-00  
Singapore 068898

### INDEPENDENT AUDITORS

Nexia TS Public Accounting Corporation  
Public Accountants and Chartered Accountants  
100 Beach Road Shaw Tower, #30-00  
Singapore 189702  
Tel: +65 6534 5700  
Fax: +65 6534 5766

### Director-in-charge:

Low See Lien  
(Appointed since financial year ended 31 December 2018)

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

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 55 to 98 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

The directors of the Company in office at the date of this statement are as follows:

Xu Cheng Qiu  
Liu Jing Fu  
Xu Jun  
Xu Xian Lei (appointed on 18 April 2018)  
Lim Heng Chong Benny  
Xu Chun Hua  
Koh Choon Kong  
Tan Lye Heng Paul

## Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2018	At 1.1.2018 or date of appointment, if later	At 31.12.2018	At 1.1.2018 or date of appointment, if later
<b>China Sunsine Chemical Holdings Ltd.</b>				
<u>(No. of ordinary shares)</u>				
Xu Cheng Qiu <sup>(a),(b)</sup>	–	–	<b>296,511,550</b>	296,511,550
Liu Jing Fu	<b>720,000</b>	720,000	–	–
Xu Xian Lei	<b>2,406,600</b>	2,406,600	–	–
Lim Heng Chong Benny	<b>100,000</b>	100,000	–	–
Koh Choon Kong <sup>(c)</sup>	<b>950,000</b>	950,000	<b>3,276,000</b>	3,226,000
Tan Lye Heng Paul	<b>200,000</b>	150,000	–	–

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

## Directors' interests in shares or debentures (continued)

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2018	At 1.1.2018 or date of appointment, if later	At 31.12.2018	At 1.1.2018 or date of appointment, if later
<b>Immediate and Ultimate Holding Corporation</b>				
<b>- Success More Group Ltd</b>				
(No. of ordinary shares)				
Xu Cheng Qiu <sup>(a)</sup>	7,427	7,427	-	-
Xu Jun	812	812	-	-

<sup>(a)</sup> Xu Cheng Qiu owns 74.27% of the issued share capital of Success More Group Ltd which owns 293,642,550 shares in the Company, and as such, by virtue of Section 7 of the Singapore Companies Act, is deemed to have an interest in the Company and its subsidiary corporations.

<sup>(b)</sup> 2,869,000 shares in the deemed interests of Xu Cheng Qiu arises from shares held by the nominees, UOB Kay Hian Pte. Ltd.

<sup>(c)</sup> The deemed interests of Koh Choon Kong arises from shares held by the nominees, DBS Nominee (Private) Limited.

The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

## Share options

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

## Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Koh Choon Kong (Chairman)  
Lim Heng Chong Benny  
Xu Chun Hua  
Tan Lye Heng Paul

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

## Audit Committee (continued)

All members of the Audit Committee were independent non-executive directors. The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

## Independent Auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

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Xu Cheng Qiu  
Director

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Liu Jing Fu  
Director

29 March 2019



# INDEPENDENT AUDITOR'S REPORT

To the Members of China Sunsine Chemical Holdings Ltd.

## Report on the Audit of the Financial Statements

### *Our opinion*

We have audited the accompanying consolidated financial statements of China Sunsine Chemical Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### *Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment of property, plant and equipment**

Refer to Note 15 to the financial statements

As at 31 December 2018, the carrying amount of property, plant and equipment was RMB690,808,000 which accounted for 25% of the Group's total assets.

Management assessed that there is objective evidence or indication that certain assets may be impaired and carried out an impairment exercise on those assets during the financial year. The impairment made was based on the valuation performed by an independent valuer. The valuation process involved significant judgement in determining the appropriate valuation methodologies to be used, and in estimating the underlying inputs and assumptions to be applied.

# INDEPENDENT AUDITOR'S REPORT

To the Members of China Sunsine Chemical Holdings Ltd.

*Key Audit Matters (Continued)*

## **Credit loss allowance for trade receivables**

Refer to Note 2.10 (e) and (g) (Significant accounting policies) and Note 24(b) to the financial statements.

The allowance for credit losses on trade receivables is considered to be a key audit matter because of the significant judgements applied, subjective assumptions used by management and the related estimation uncertainty involved in determining the adequacy of impairment loss for individual debtors.

The significance of this is further elevated by the current overall economic outlook in China and in the region, which has increased the risk of default of the Group's customers.

The carrying amount of trade receivables at the end of the financial year was RMB452,027,000. This represents 16% of the Group's total assets.

*How our audit addressed the Key Audit Matters:*

In obtaining sufficient audit evidence, the following procedures were carried out:

## **Impairment of property, plant and equipment**

- Evaluated the objectivity, independence and expertise of the independent valuer.
- Critically evaluated whether the valuation methodology used to determine the recoverable amount of non-financial assets complies with the requirements of SFRS(I) 1-36 *Impairment of Assets*.
- Evaluated the appropriateness of the inputs and assumptions used, taking into consideration the auditor's overall knowledge of the business and the results of other audit procedures.
- Reviewed management's disclosures in the consolidated financial statements.

## **Credit loss allowance for trade receivables**

- Reviewed the aging analysis of trade and other receivables and tested the ageing of trade receivable and advances to suppliers, and verified subsequent receipts or utilisation.
- Discussed with management on the recoverability of long outstanding receivables and impairment of these receivables, if any, in accordance with SFRS(I) 9.
- Assessed the appropriateness of the estimates and judgments used by management in the estimation of credit losses and consequently the allowances required.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

To the Members of China Sunsine Chemical Holdings Ltd.

## *Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

*To the Members of China Sunsine Chemical Holdings Ltd.*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that was of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company has been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Low See Lien.

**Nexia TS Public Accounting Corporation  
Public Accountants and Chartered Accountants**

**Singapore  
29 March 2019**



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	4	<b>3,283,260</b>	2,738,403
Cost of sales		<b>(2,157,360)</b>	(1,950,258)
Gross profit		<b>1,125,900</b>	788,145
Other income	7	<b>21,169</b>	16,116
Other gains/(losses)	8	<b>19,602</b>	(23,879)
Expenses			
- Distribution and marketing		<b>(99,517)</b>	(75,720)
- Administrative		<b>(253,249)</b>	(204,161)
- Research and development		<b>(102,321)</b>	(23,615)
Profit before income tax		<b>711,584</b>	476,886
Income tax expense	9(a)	<b>(70,308)</b>	(135,519)
<b>Net profit</b>		<b>641,276</b>	341,367
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation gains arising from consolidation		<b>2,409</b>	115
Other comprehensive income, net of tax		<b>2,409</b>	115
<b>Total comprehensive income</b>		<b>643,685</b>	341,482
<b>Net profit attributable to:</b>			
Equity holders of the Company		<b>641,276</b>	341,367
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>643,685</b>	341,482
<b>Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)</b>			
Basic and diluted earnings per share	10	<b>130.45</b>	70.83

The accompanying notes form an integral part of these financial statements.

# BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31	31	1	31	31	1
		December	December	January	December	December	January
		2018	2017	2017	2018	2017	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	11	<b>1,038,593</b>	499,629	275,897	<b>48,953</b>	3,981	21
Trade and other receivables	12	<b>760,503</b>	712,896	629,241	<b>206,013</b>	149,540	29,684
Inventories	13	<b>217,332</b>	212,150	145,414	<b>–</b>	–	–
		<b>2,016,428</b>	1,424,675	1,050,552	<b>254,966</b>	153,521	29,705
<b>Non-current assets</b>							
Investments in subsidiary corporations	14	<b>–</b>	–	–	<b>350,010</b>	350,010	350,010
Property, plant and equipment	15	<b>690,808</b>	661,833	549,426	<b>–</b>	–	–
Intangible assets	16	<b>40,085</b>	41,277	42,503	<b>–</b>	–	–
		<b>730,893</b>	703,110	591,929	<b>350,010</b>	350,010	350,010
<b>Total assets</b>		<b>2,747,321</b>	2,127,785	1,642,481	<b>604,976</b>	503,531	379,715
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Trade and other payables	17	<b>341,123</b>	290,302	222,660	<b>71,906</b>	37,587	16,631
Deferred grants	18	<b>–</b>	703	–	<b>–</b>	–	–
Current income tax liabilities	9(b)	<b>80,622</b>	94,279	58,211	<b>7,759</b>	1,199	1,151
		<b>421,745</b>	385,284	280,871	<b>79,665</b>	38,786	17,782
<b>Total liabilities</b>		<b>421,745</b>	385,284	280,871	<b>79,665</b>	38,786	17,782
<b>NET ASSETS</b>		<b>2,325,576</b>	1,742,501	1,361,610	<b>525,311</b>	464,745	361,933
<b>EQUITY</b>							
<b>Capital and reserves attributable to equity holders of the Company</b>							
Share capital	19(a)	<b>313,471</b>	313,471	313,471	<b>313,471</b>	313,471	313,471
Treasury shares	19(b)	<b>(2,078)</b>	–	(31,350)	<b>(2,078)</b>	–	(31,350)
Other reserves	20	<b>453,847</b>	389,693	271,442	<b>52,826</b>	50,417	(4,325)
Retained profits	21	<b>1,560,336</b>	1,039,337	808,047	<b>161,092</b>	100,857	84,137
<b>Total equity</b>		<b>2,325,576</b>	1,742,501	1,361,610	<b>525,311</b>	464,745	361,933

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Note	Share capital	Treasury shares	Currency translation reserve	Merger reserve	Capital reserve	Statutory common reserve	Voluntary common reserve	Retained profits	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2018</b>										
<b>Beginning of financial year</b>		<b>313,471</b>	<b>-</b>	<b>(4,524)</b>	<b>305</b>	<b>54,627</b>	<b>183,152</b>	<b>156,133</b>	<b>1,039,337</b>	<b>1,742,501</b>
Total comprehensive income for the financial year		-	-	2,409	-	-	-	-	641,276	643,685
Transfer to statutory and voluntary reserves		-	-	-	-	-	17,363	44,382	(61,745)	-
Purchase of treasury shares	19	-	(2,078)	-	-	-	-	-	-	(2,078)
Dividend relating to 2017 paid	22	-	-	-	-	-	-	-	(58,532)	(58,532)
<b>End of financial year</b>		<b>313,471</b>	<b>(2,078)</b>	<b>(2,115)</b>	<b>305</b>	<b>54,627</b>	<b>200,515</b>	<b>200,515</b>	<b>1,560,336</b>	<b>2,325,576</b>
<b>2017</b>										
<b>Beginning of financial year</b>		<b>313,471</b>	<b>(31,350)</b>	<b>(4,639)</b>	<b>305</b>	<b>-</b>	<b>151,397</b>	<b>124,379</b>	<b>808,047</b>	<b>1,361,610</b>
Total comprehensive income for the financial year		-	-	115	-	-	-	-	341,367	341,482
Transfer to statutory and voluntary reserves		-	-	-	-	-	31,755	31,754	(63,509)	-
Sale of treasury shares	19	-	31,350	-	-	54,627	-	-	-	85,977
Dividend relating to 2016 paid	22	-	-	-	-	-	-	-	(46,568)	(46,568)
<b>End of financial year</b>		<b>313,471</b>	<b>-</b>	<b>(4,524)</b>	<b>305</b>	<b>54,627</b>	<b>183,152</b>	<b>156,133</b>	<b>1,039,337</b>	<b>1,742,501</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
<b>Cash flows from operating activities</b>			
Net profit		641,276	341,367
Adjustments for:			
- Income tax expense	9(a)	70,308	135,519
- Amortisation, depreciation and impairment	5	97,605	91,899
- Loss on disposal of property, plant and equipment	8	154	571
- Write-off of property, plant and equipment	5	2,075	2,443
- Interest income	7	(5,304)	(3,653)
- Grants recognised directly into profit or loss	18	(8,078)	-
- Unrealised currency exchange (gains)/losses		(12,972)	9,604
		<b>785,064</b>	<b>577,750</b>
<b>Change in working capital</b>			
- Inventories		(5,182)	(66,736)
- Trade and other receivables		(47,607)	(83,655)
- Trade and other payables		50,821	67,642
Cash generated from operations		<b>783,096</b>	495,001
Income tax paid	9(b)	(84,131)	(99,470)
<b>Net cash generated from operating activities</b>		<b>698,965</b>	<b>395,531</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	15	(129,742)	(208,953)
Disposal of property, plant and equipment		222	212
Interest received		5,304	3,653
<b>Net cash used in investing activities</b>		<b>(124,216)</b>	<b>(205,088)</b>
<b>Cash flows from financing activities</b>			
Cash deposits restricted in use pledged in banks		(158)	(1,905)
Proceeds from sale of treasury shares	19	-	85,977
Purchase of treasury shares	19	(2,078)	-
Proceeds from notes payables/bank borrowings		9,000	53,500
Repayment of notes payables/bank borrowings		(9,000)	(53,500)
Government grants received	18	9,278	3,350
Dividends paid to equity holders of the Company	22	(58,532)	(46,568)
<b>Net cash (used in)/generated from financing activities</b>		<b>(51,490)</b>	<b>40,854</b>
<b>Net increase in cash and cash equivalents</b>		<b>523,259</b>	<b>231,297</b>
<b>Cash and cash equivalents</b>			
Beginning of financial year		496,044	274,217
Effects of currency translation on cash and cash equivalents		15,547	(9,470)
<b>End of financial year</b>	11	<b>1,034,850</b>	<b>496,044</b>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 General information

China SunSine Chemical Holdings Ltd. (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The registered office and the principal place of business is located at 112 Robinson Road, #11-01, Singapore 068902.

The immediate and ultimate holding corporation of the Company is Success More Group Ltd (“Success More”), a company incorporated in the British Virgin Islands.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiary corporations are set out in Note 14 to the financial statements.

## 2 Significant accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Chinese Renminbi (“RMB”) and have been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

### 2.2 Adoption of SFRS(I)

As required by the listing requirements of SGX-ST, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”).

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group’s opening balance sheet has been prepared as at 1 January 2017, which is the Group’s date of transition to SFRS(I) (“date of transition”).

There are no material adjustments to the Group’s financial statements arising from the transition from SFRS to SFRS(I). Accordingly, the comparative financial statements for 31 December 2017 and 1 January 2017 were not restated.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2 Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

### 2.3 Revenue

Revenue comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

#### (a) Sale of rubber chemicals

Local sales revenue are recognised when the products are delivered to the customer and are accepted by the customer.

Export sales revenue are recognised when the products are loaded on board, based on the incoterms, namely free on board ("FOB") and cost, insurance and freight ("CIF").

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2 Significant accounting policies (continued)

### 2.3 Revenue (continued)

#### (b) Provision of heating power

Revenue is recognised when the steam has been supplied to the customer and the customer has used it. The consumption of steam is measured by meters installed.

#### (c) Hospitality income

Revenue is recognised when goods and services has been delivered and consumed by the customer.

#### (d) Interest income

Interest income, including income arising from financial instruments, is recognised using the effective interest method.

#### (e) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

### 2.4 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

### 2.5 Group accounting

#### Subsidiary corporations

##### (a) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2 Significant accounting policies (continued)

### 2.5 Group accounting (continued)

#### **Subsidiary corporations (continued)**

##### (b) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. If the amount in (b) exceeds the aggregate amounts specified in (a), the acquirer shall recognise the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

Acquisitions of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The consolidated financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts from the perspective of the controlling party;
- The consolidated statement of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary is taken to merger reserve.

## 2 Significant accounting policies (continued)

### 2.5 Group accounting (continued)

#### Subsidiary corporations (continued)

##### (c) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

### 2.6 Property, plant and equipment

#### (a) Measurement

##### (i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

##### (ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Grants received or receivable for the acquisition of property, plant and equipment are deducted from the cost of the asset acquired to which the grant relates in arriving at the carrying amount of the asset.

#### (b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Plant and machinery	4 to 10 years
Buildings	12 to 20 years
Motor vehicles	5 to 8 years
Office equipment	5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2 Significant accounting policies (continued)

### 2.6 Property, plant and equipment (continued)

#### (b) Depreciation (continued)

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

#### (c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

#### (d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other gains and losses”.

### 2.7 Intangible assets

#### Land use rights

Land use rights are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 35 years and 50 years respectively, which is the shorter of their estimated useful lives and periods of contractual rights.

### 2.8 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### 2.9 Impairment of non-financial assets

#### *Property, plant and equipment*

#### *Intangible assets*

#### *Investments in subsidiary corporations*

Property, plant and equipment, intangible assets and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units (“CGU”) to which the asset belongs.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.9 Impairment of non-financial assets (continued)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

### 2.10 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

#### (a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 12) and "cash and cash equivalents" (Note 11) on the balance sheets.

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

#### (c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

#### (d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.10 Financial assets (continued)

The accounting for financial assets before 1 January 2018 are as follows:

#### (e) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

#### Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

The accounting for financial assets from 1 January 2018 under SFRS(I) 9 are as follows:

#### (f) Classification and measurement

The Group classifies and measures its financial assets at amortised cost. The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

#### At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

#### At subsequent measurement

#### Debt instruments

Debt instruments of the Group mainly comprise of cash and cash equivalents and trade and other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.10 Financial assets (continued)

The accounting for financial assets from 1 January 2018 under SFRS(I) 9 are as follows: (continued)

(f) *Classification and measurement (continued)*

The subsequent measurement categories depend on the Group's business model for managing the assets and the cash flow characteristic of the assets.

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised using the effective interest rate method.

(g) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applied the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(h) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

### 2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.14 Leases

The Group leases land use rights, properties and offices under operating leases from non-related parties.

#### *Lessee – Operating leases*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

### 2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

### 2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.16 Income taxes (continued)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

### 2.17 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

#### (a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

#### (b) Defined contribution plans – retirement benefits

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiary corporations of the Group ("PRC Subsidiary Corporations") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC Subsidiary Corporations are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund its retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the PRC Subsidiary Corporations. The only obligation of the PRC Subsidiary Corporations with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss when incurred.

### 2.18 Currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is Singapore Dollars. The financial statements are presented in Chinese Renminbi as the functional currency of the Group's operating subsidiary corporations is Chinese Renminbi.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.18 Currency translation (continued)

#### (b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other gains and losses”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

#### (c) Translation of Group entities’ financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

### 2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Directors whom are responsible for allocating resources and assessing performance of the operating segments.

### 2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2 Significant accounting policies (continued)

### 2.21 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sales or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

### 2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

## 3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Credit loss allowance for trade receivables

Expected credit losses (ECL) on trade receivables are probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

In determining the ECL of trade receivables, the Group has used four years of historical losses data to determine the loss rate and applied an adjustment against the historical loss rate based on the default rate to reflect the current and forward looking information.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

As at 31 December 2018, the Group's trade receivables amounted to RMB468,006,000 (2017: RMB474,019,000) which arose from the Group's different revenue segments - sale of rubber chemicals and provision of heating power. The loss allowance of trade receivables amounts to RMB15,979,000 (2017: RMB12,433,000).

The carrying amounts of trade receivables at the end of each financial year are disclosed in Note 12.

The Group's and the Company's credit risk exposure for trade receivables are set out in Note 24(b).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 3 Critical accounting estimates, assumptions and judgements (continued)

### Impairment of property, plant and equipment

Based on SFRS(I) 1-36 Impairment of Assets, property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

During the financial year, the Group carried out a valuation exercise on certain property, plant and equipment due to presence of impairment indicators. As a result of that exercise, the Group recognised an impairment charge of RMB nil (2017: RMB1,910,000) on those property, plant and equipment.

The recoverable amount of the property, plant and equipment was determined by an independent external valuer. In performing the impairment assessment of the carrying amount of the property, plant and equipment, significant judgements were used to estimate the depreciated replacement costs of those assets, based on their physical inspection of the condition of the property, plant and equipment.

The carrying amounts of the Group's property, plant and equipment at the balance sheet date amounted to RMB690,808,000 (2017: RMB661,833,000).

## 4 Revenue

The Group derives revenue from the transfer of goods and services at a point in time for the following operating segments and geographical regions. Revenue is attributed to countries by location of customers.

	Group	
	2018	2017
	RMB'000	RMB'000
Sale of rubber chemicals		
- People's Republic of China	<b>2,009,449</b>	1,753,289
- Rest of Asia	<b>814,497</b>	652,833
- America	<b>73,296</b>	126,776
- Europe	<b>284,420</b>	147,854
- Others	<b>80,559</b>	44,289
	<b>3,262,221</b>	2,725,041
Provision of heating power		
- People's Republic of China	<b>20,119</b>	12,151
Hospitality income		
- People's Republic of China	<b>920</b>	1,211
	<b>3,283,260</b>	2,738,403

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 5 Expenses by nature

	Group	
	2018 RMB'000	2017 RMB'000
Purchases of inventories	<b>1,761,199</b>	1,648,972
Amortisation of intangible assets (Note 16)	<b>1,192</b>	1,226
Depreciation of property, plant and equipment (Note 15)	<b>96,413</b>	88,763
Impairment of property, plant and equipment (Note 15)	<b>-</b>	1,910
Total amortisation, depreciation and impairment	<b>97,605</b>	91,899
Impairment/(reversal of impairment) of trade and other receivables, net (Note 24(b))	<b>3,546</b>	(412)
Directors' fees	<b>882</b>	832
Employee compensation (Note 6)	<b>303,118</b>	227,183
Fees on audit services paid/payable to		
- Auditor of the Company	<b>949</b>	898
- Other auditor	<b>82</b>	73
Total audit fees	<b>1,031</b>	971
Freight charges	<b>54,855</b>	43,998
Port charges	<b>15,729</b>	13,710
Research expense (excluding salaries and depreciation)	<b>94,621</b>	18,679
Utilities	<b>199,057</b>	187,188
Write off of property, plant and equipment	<b>2,075</b>	2,443
Rental expense on operating leases	<b>1,575</b>	844
Other expenses	<b>82,336</b>	84,183
Changes in inventories	<b>(5,182)</b>	(66,736)
Total cost of sales, distribution and marketing costs, administrative expenses and research and development expenses	<b>2,612,447</b>	2,253,754

## 6 Employee compensation

	Group	
	2018 RMB'000	2017 RMB'000
Salaries	<b>268,943</b>	205,692
Employer's contribution to defined contribution plans including Central Provident Fund	<b>34,175</b>	21,491
	<b>303,118</b>	227,183

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 7 Other income

	Group	
	2018 RMB'000	2017 RMB'000
Interest income on financial assets measured at amortised cost - bank deposits	5,304	3,653
Gain on sale of scrap materials	5,604	863
Government grants	8,078	10,171
Others	2,183	1,429
	<b>21,169</b>	<b>16,116</b>

## 8 Other gains/(losses)

	Group	
	2018 RMB'000	2017 RMB'000
Currency exchange gains/(losses) - net	19,755	(23,297)
Loss on disposal of property, plant and equipment	(154)	(571)
Others	1	(11)
	<b>19,602</b>	<b>(23,879)</b>

## 9 Income taxes

(a) Income tax expense

	Group	
	2018 RMB'000	2017 RMB'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
- Current income tax - People's Republic of China	118,245	134,534
(Over)/under provision in prior financial years:		
- Current income tax - People's Republic of China	(47,937)	985
	<b>70,308</b>	<b>135,519</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 9 Income taxes (continued)

### (a) Income tax expense (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the principal place of operation of the Group as follows:

	<b>Group</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Profit before income tax	<b>711,584</b>	476,886
Tax calculated at tax rate of 25% (2017: 25%)	<b>177,896</b>	119,222
Effects of:		
- different tax rates in other countries	<b>(10,535)</b>	(5,246)
- different tax rates for HNTE concessionary rate <sup>(1)</sup>	<b>(68,667)</b>	-
- income not subject to tax	<b>(6,254)</b>	-
- expenses not deductible for tax purposes	<b>1,950</b>	11,508
- foreign withholding tax	<b>12,923</b>	2,290
- deferred income tax assets not recognised	<b>10,932</b>	6,760
- (over)/under provision of tax in prior financial years	<b>(47,937)</b>	985
Tax charge	<b>70,308</b>	135,519

- (1) One of the subsidiary corporation of the Group has obtained the High and New-Technology Enterprise ("HNTE") status certificate, effective for a 3 years period from 28 December 2017. Under the HNTE programme, the subsidiary corporation is qualified for a preferential corporate income tax rate of 15% instead of the headline corporate income tax rate of 25%.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profit is probable. The Group has unrecognised tax losses of RMB182,182,000 (2017: RMB117,823,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in Singapore. The tax losses have no expiry date.

Deferred income tax liabilities of approximately RMB69,962,000 (2017: RMB46,924,000) have not been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries (established in PRC) as the Group is in a position to control the timing of the remittance of earning and it is not probable that these subsidiary corporations will distribute such earnings in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 9 Income taxes (continued)

(b) Movements in current income tax liabilities

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Beginning of financial year	94,279	58,211	1,199	1,151
Currency translation differences	166	19	166	19
Income tax paid	(84,131)	(99,470)	(6,530)	(2,261)
Tax expense	118,245	134,534	12,924	2,290
(Over)/under provision in prior financial year	(47,937)	985	-	-
End of financial year	80,622	94,279	7,759	1,199

## 10 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2018	2017
Net profit attributable to equity holders of the Company (RMB'000)	641,276	341,367
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	491,576	481,921
Basic and diluted earnings per share (RMB cents)	130.45	70.83

There are no dilutive potential ordinary shares during the financial year.

## 11 Cash and cash equivalents

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Cash at bank and on hand	781,329	371,236	48,953	3,981
Short-term bank deposits	257,264	128,393	-	-
	1,038,593	499,629	48,953	3,981

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 11 Cash and cash equivalents (continued)

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2018 RMB'000	2017 RMB'000
Cash and cash equivalents (as above)	1,038,593	499,629
Less: Bank deposits pledged	(3,743)	(3,585)
Cash and cash equivalents per consolidated statement of cash flows	<u>1,034,850</u>	<u>496,044</u>

Bank deposits are pledged in relation to the security granted for the issuance of letters of credit.

## 12 Trade and other receivables

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Notes receivables	238,539	176,213	-	-
Trade receivables				
- Non-related parties	468,006	474,019	-	-
Less: Loss allowance (Note 24(b))	(15,979)	(12,433)	-	-
Trade receivables - net	<u>452,027</u>	461,586	-	-
Non-trade receivables				
- Subsidiary corporations	-	-	205,993	149,335
- Non-related parties	18,283	18,085	20	205
	<u>18,283</u>	18,085	<u>206,013</u>	149,540
Advances to suppliers	49,758	55,725	-	-
Prepayments	1,896	1,287	-	-
	<u>760,503</u>	712,896	<u>206,013</u>	149,540

The non-trade receivables due from subsidiary corporations are unsecured, interest-free and are repayable on demand.

## 13 Inventories

	Group	
	2018 RMB'000	2017 RMB'000
Raw materials	145,730	142,085
Finished/trading goods	71,602	70,065
	<u>217,332</u>	<u>212,150</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB1,756,017,000 (2017: RMB1,582,236,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 14 Investments in subsidiary corporations

	Company	
	2018 RMB'000	2017 RMB'000
<i>Equity investments at cost</i>		
Beginning and end of financial year	<b>350,010</b>	350,010

The Group had the following subsidiary corporations as at 31 December 2018 and 2017:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent and the Group	
			2018 %	2017 %
<i>Held by Company</i>				
Shandong Sunsine Chemical Co., Ltd <sup>(a),(b)</sup>	Manufacturing and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, anti-scorching agents and insoluble sulphur	People's Republic of China	<b>100</b>	100
<i>Held by Shandong Sunsine Chemical Co., Ltd</i>				
Weifang Sunsine Chemical Co., Ltd <sup>(b),(c)</sup>	Manufacturing and sale of rubber chemicals, including rubber accelerators	People's Republic of China	<b>100</b>	100
Shandong Sheng Tao Chemical Co., Ltd <sup>(b),(c)</sup>	Manufacturing and sale of rubber chemicals, including insoluble sulphur	People's Republic of China	<b>100</b>	100
Shanxian Sunsine Hotel Management Co., Ltd <sup>(c), (d)</sup>	Hotel investment and management (dormant)	People's Republic of China	<b>100</b>	100
Shanxian Guangshun Heating Co., Ltd <sup>(b),(c)</sup>	Production and supply of heating power, including preparation and implementation of the project	People's Republic of China	<b>100</b>	100
<i>Held by Shanxian Sunsine Hotel Management Co., Ltd</i>				
Shandong Fulong Villa Co., Ltd <sup>(b),(c)</sup>	Hotel and restaurant	People's Republic of China	<b>100</b>	100

(a) Audited by Shan Dong He Hua United Certified Public Accountants for local statutory purposes.

(b) For the purposes of preparing the consolidated financial statements of the Group, these financial statements have been audited by Shanghai Nexia TS Certified Public Accountants.

(c) Not required to be audited under the laws of the country of incorporation.

(d) The company was dormant during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 14 Investments in subsidiary corporations (continued)

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Group.

### Significant restrictions

Cash and short-term deposits of RMB989,640,000 (2017: RMB495,648,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

## 15 Property, plant and equipment

	Plant and machinery RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
<i>Group</i>						
<b>2018</b>						
<i>Cost</i>						
Beginning of financial year	639,681	433,958	10,217	20,859	148,599	1,253,314
Additions	14,484	8,792	1,630	2,071	102,765	129,742
Grants received (Note 18)	–	–	–	–	(1,903)	(1,903)
Disposals	(1,300)	–	(708)	–	–	(2,008)
Written off	(12,549)	(1,060)	(68)	(1,684)	–	(15,361)
Reclassification	78,787	7,079	–	3,788	(89,654)	–
End of financial year	719,103	448,769	11,071	25,034	159,807	1,363,784
<i>Accumulated depreciation and impairment losses</i>						
Beginning of financial year	434,255	135,608	5,728	13,980	1,910	591,481
Depreciation charge (Note 5)	68,380	24,214	935	2,884	–	96,413
Disposals	(1,107)	–	(525)	–	–	(1,632)
Written off	(11,281)	(352)	(44)	(1,609)	–	(13,286)
End of financial year	490,247	159,470	6,094	15,255	1,910	672,976
<b>Net book value</b>						
<b>End of financial year</b>	<b>228,856</b>	<b>289,299</b>	<b>4,977</b>	<b>9,779</b>	<b>157,897</b>	<b>690,808</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 15 Property, plant and equipment (continued)

	Plant and machinery RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
<u>Group</u>						
<b>2017</b>						
<i>Cost</i>						
Beginning of financial year	594,172	382,333	9,758	18,853	49,919	1,055,035
Additions	28,835	6,636	406	2,733	170,343	208,953
Grants received (Note 18)	–	–	–	–	(2,647)	(2,647)
Disposals	(4,784)	(31)	–	(553)	–	(5,368)
Written off	–	(49)	(6)	(174)	(2,430)	(2,659)
Reclassification	21,458	45,069	59	–	(66,586)	–
End of financial year	639,681	433,958	10,217	20,859	148,599	1,253,314
<i>Accumulated depreciation and impairment losses</i>						
Beginning of financial year	376,536	112,149	4,723	12,201	–	505,609
Depreciation charge (Note 5)	61,771	23,507	1,008	2,477	–	88,763
Impairment (Note 5)	–	–	–	–	1,910	1,910
Disposals	(4,052)	(9)	–	(524)	–	(4,585)
Written off	–	(39)	(3)	(174)	–	(216)
End of financial year	434,255	135,608	5,728	13,980	1,910	591,481
<b>Net book value</b>						
<b>End of financial year</b>	<b>205,426</b>	<b>298,350</b>	<b>4,489</b>	<b>6,879</b>	<b>146,689</b>	<b>661,833</b>

## 16 Intangible assets

	Group	
	2018 RMB'000	2017 RMB'000
<u>Land use rights</u>		
<i>Cost</i>		
Beginning and end of financial year	<b>53,287</b>	53,287
<i>Accumulated amortisation and impairment losses</i>		
Beginning of financial year	<b>12,010</b>	10,784
Amortisation charge (Note 5)	<b>1,192</b>	1,226
End of financial year	<b>13,202</b>	12,010
<b>Net book value</b>	<b>40,085</b>	41,277

The amortisation charged is included in the statement of comprehensive income as part of the administrative expenses.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 16 Intangible assets (continued)

Land use rights are related to the following parcels of land:

Location	Period	Land area (sq m)
<b>Facility 1</b>		
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 5 Sep 2056)	162,087
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 31 Oct 2059)	89,109
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	NA <sup>(1)</sup>	110,514
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	NA <sup>(1)</sup>	45,187
		<u>406,897</u>
<b>Facility 2</b>		
Bin Hai Economic Development Area, Weifang	50 years (expiring on 13 Mar 2061)	<u>187,852</u>
<b>Facility 3</b>		
Zhuji County, Changjiang Road North, Chenji, Dingtao	50 years (expiring on 2 Sep 2064)	59,942
Zhuji County, Changjiang Road North, Chenji, Dingtao	NA <sup>(2)</sup>	126,725
		<u>186,667</u>
<b>Facility 4</b>		
Economic and Technological Development Zone, Shanxian	50 years (expiring on 26 Dec 2063)	46,175
Economic and Technological Development Zone, Shanxian	NA <sup>(3)</sup>	80,492
		<u>126,667</u>
<b>Facility 5</b>		
Fulong Lake, Fugang Village, Shanxian	35 years (expiring on 7 Sep 2050)	<u>33,618</u>

(1) The land for Facility 1 is where Shandong Sunsine Chemical Co., Ltd's ("Shandong Sunsine") chemical factories are built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Shandong Sunsine has obtained construction permission from the local authority of Shanxian County in prior financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

(2) The land for Facility 3 is where Shandong Sheng Tao Chemical Co., Ltd's ("Shandong Sheng Tao") factory is built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Shandong Shengtao has obtained construction permission from the local authority of Dingtao County in prior financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

(3) The land for Facility 4 is where Shanxian Guangshun Heating Co., Ltd's ("Guangshun") factory is built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Guangshun has obtained construction permission from the local authority of Shanxian County in prior financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

Notwithstanding the fact that the Group has not obtained the relevant legal title of the land use rights, management considers that the Group has obtained the right to use through contractual arrangement with the local government agency.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 17 Trade and other payables

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Trade payables - Non-related parties	63,214	71,118	-	-
Non-trade payables - Non-related parties	103,878	79,238	7,990	38
Accruals for operating expenses	174,031	139,946	63,916	37,549
	<b>341,123</b>	<b>290,302</b>	<b>71,906</b>	<b>37,587</b>

## 18 Deferred grants

	Group	
	2018 RMB'000	2017 RMB'000
Beginning of financial year	703	-
Amount received from government agencies	9,278	3,350
Recognised directly into profit or loss	(8,078)	-
Deducted against the carrying amount of the assets (Note 15)	(1,903)	(2,647)
End of financial year	-	703

Deferred grants relate to government grants received from government agencies for the recognition of the contribution toward national building as well as the research activities undertaken by the Group's subsidiary in the People's Republic of China.

## 19 Share capital and treasury shares

### (a) Share capital

<u>Group and Company</u>	No. of ordinary shares	Amount	
		SGD'000	RMB'000
<b>2018</b>			
Beginning and end of financial year	491,694,000	62,649	313,471
<b>2017</b>			
Beginning and end of financial year	491,694,000	62,649	313,471

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Group's residual assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 19 Share capital and treasury shares (continued)

### (b) Treasury shares

	No. of ordinary shares	Amount	
		← SGD'000	→ RMB'000
<u>Group and Company</u>			
<b>2018</b>			
Beginning of financial year	–	–	–
Treasury shares purchased	382,300	(418)	(2,078)
End of financial year	<b>382,300</b>	<b>(418)</b>	<b>(2,078)</b>
<b>2017</b>			
Beginning of financial year	27,653,000	(6,447)	(31,350)
Treasury shares sold	(27,653,000)	6,447	31,350
End of financial year	–	–	–

Treasury shares held by the Company relates to ordinary shares of the Company.

In 2018, the Company purchased 382,300 treasury shares in the open market. The cost of the treasury shares purchased amounted to SGD418,000 (equivalent to RMB2,078,000).

In 2017, the Company sold 27,653,000 treasury shares to various investors. The cost of the treasury shares sold amounted to RMB31,350,000. The total consideration (net of expense) for the treasury shares sold amounted to SGD17,500,000 (equivalent to RMB85,977,000). Accordingly, a gain on sale of treasury shares of RMB54,627,000 was recognised in the capital reserve (Note 20(b)(ii)).

## 20 Other reserves

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
(a) Composition:				
Merger reserve	305	305	–	–
Capital reserve	54,627	54,627	54,627	54,627
Statutory common reserve	200,515	183,152	–	–
Voluntary common reserve	200,515	156,133	–	–
Currency translation reserve	(2,115)	(4,524)	(1,801)	(4,210)
	<b>453,847</b>	<b>389,693</b>	<b>52,826</b>	<b>50,417</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 20 Other reserves (continued)

(b) Movements:

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
(i) <i>Merger reserve</i>				
Beginning and end of financial year	<b>305</b>	305	-	-
(ii) <i>Capital reserve</i>				
Beginning of financial year	<b>54,627</b>	-	<b>54,627</b>	-
Gain on sale of treasury shares	-	54,627	-	54,627
End of financial year	<b>54,627</b>	54,627	<b>54,627</b>	54,627
(iii) <i>Statutory common reserve</i>				
Beginning of financial year	<b>183,152</b>	151,397	-	-
Transfer from retained profits	<b>17,363</b>	31,755	-	-
End of financial year	<b>200,515</b>	183,152	-	-
(iv) <i>Voluntary common reserve</i>				
Beginning of financial year	<b>156,133</b>	124,379	-	-
Transfer from retained profits	<b>44,382</b>	31,754	-	-
End of financial year	<b>200,515</b>	156,133	-	-
(v) <i>Currency translation reserve</i>				
Beginning of financial year	<b>(4,524)</b>	(4,639)	<b>(4,210)</b>	(4,325)
Net currency translation differences of financial statements of holding company	<b>2,409</b>	115	<b>2,409</b>	115
End of financial year	<b>(2,115)</b>	(4,524)	<b>(1,801)</b>	(4,210)

Other reserves are non-distributable.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 20 Other reserves (continued)

### Merger reserve

The merger reserve arose from the difference between the purchase consideration and the carrying value of the entire interest acquired under the pooling-of-interests method of consolidation in the restructuring process carried out in 2007.

### Currency translation reserve

The currency translation reserve represents exchange differences arising from the translation of the financial statements of the Company whose functional currency is different from that of the Group's presentation currency.

### Statutory and Voluntary reserves

According to the Company Law of People's Republic of China ("PRC") and Articles of Association of PRC Subsidiary Corporations, the subsidiary corporations are required to provide the following statutory reserves which are appropriated from the net profit as reported in the PRC statutory financial statements:

(i) Statutory common reserve

A company is required to transfer 10% of the net profit as reported in its PRC statutory financial statements to statutory common reserve annually, except where the fund has reached 50% of the company's registered capital. This fund can be used to make up for any losses incurred or be converted into paid-up capital, provided that the fund does not fall below 25% of the registered capital.

(ii) Voluntary common reserve

In accordance with the relevant laws and regulations in the People's Republic of China, the subsidiary corporation is allowed to appropriate a minimum of 10% of the net profit reported in the statutory accounts to the voluntary common reserve which serves as staff welfare fund until the balance of such reserve reached 50% of its registered share capital.

The amount to be set aside is determined by the Board of Directors annually in accordance with the relevant regulations. This reserve cannot be used for purposes other than those for which is created and is not distributable as cash dividends.

## 21 Retained profits

- (a) Retained profits of the Group and the Company are distributable.
- (b) Movement in retained profits for the Company is as follows:

	Company	
	2018	2017
	RMB'000	RMB'000
Beginning of financial year	100,857	84,137
Net profit	118,767	63,288
Dividends paid (Note 22)	(58,532)	(46,568)
End of financial year	161,092	100,857

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 22 Dividends

	Group	
	2018 RMB'000	2017 RMB'000
<i>Ordinary dividends (Note 21)</i>		
Final dividends paid in respect of the previous financial year of SGD 0.025 (2017: SGD 0.015) per share	58,532	34,546
Interim dividends paid in respect of the current financial year of SGD nil (2017: SGD 0.005) per share	-	12,022
	<b>58,532</b>	<b>46,568</b>

At the forthcoming Annual General Meeting on 30 April 2019, a final dividend of SGD0.055 per share amounting to SGD27,022,000 (equivalent to approximately RMB135,278,000) will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2019.

## 23 Commitments

### (a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Property, plant and equipment	<b>6,959</b>	29,024

### (b) Operating lease commitments – where the Group is a lessee

The Group leases land use rights, properties and office from outside parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Not later than one year	-	1,282	-	-
Between one and five years	-	-	-	-
	<b>-</b>	<b>1,282</b>	<b>-</b>	<b>-</b>

## 24 Financial risk management

### *Financial risk factors*

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board of Directors establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement.

The overall business strategies of the Group, its tolerance for risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. In determining its risk management policies, the management ensures that an acceptable balance is made between the cost of risks occurring and the cost of managing the risks.

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Market risk

(i) *Currency risk*

The Group operates in People's Republic of China ("PRC"). Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United States Dollar ("USD") and Euro ("EUR").

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

Currently, the PRC government imposes control over foreign currencies. Chinese Renminbi ("RMB"), the official currency of PRC is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 24 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's operation does not expose itself to significant currency risk.

The Group's currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
<u>At 31 December 2018</u>					
<b>Financial assets</b>					
Cash and cash equivalents	506,577	482,539	3,902	45,575	1,038,593
Trade and other receivables	533,126	175,703	–	20	708,849
Receivables from inter-company	193,758	–	–	205,993	399,751
	<u>1,233,461</u>	<u>658,242</u>	<u>3,902</u>	<u>251,588</u>	<u>2,147,193</u>
<b>Financial liabilities</b>					
Trade and other payables	(269,217)	–	–	(71,906)	(341,123)
Payables to inter-company	(193,758)	–	–	(205,993)	(399,751)
	<u>(462,975)</u>	<u>–</u>	<u>–</u>	<u>(277,899)</u>	<u>(740,874)</u>
<b>Net financial assets/ (liabilities)</b>	<u>770,486</u>	<u>658,242</u>	<u>3,902</u>	<u>(26,311)</u>	<u>1,406,319</u>
<b>Less: Net financial assets/ (liabilities) denominated in the respective entities' functional currencies</b>	<u>(770,486)</u>	<u>–</u>	<u>–</u>	<u>26,311</u>	<u>(744,175)</u>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<u>–</u>	<u>658,242</u>	<u>3,902</u>	<u>–</u>	<u>662,144</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 24 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
<u>At 31 December 2017</u>					
<b>Financial assets</b>					
Cash and cash equivalents	187,300	306,570	1,740	4,019	499,629
Trade and other receivables	531,048	122,240	2,392	204	655,884
Receivables from inter-company	100,961	–	–	149,335	250,296
	<u>819,309</u>	<u>428,810</u>	<u>4,132</u>	<u>153,558</u>	<u>1,405,809</u>
<b>Financial liabilities</b>					
Trade and other payables	(247,912)	(4,803)	–	(37,587)	(290,302)
Payables to inter-company	(100,961)	–	–	(149,335)	(250,296)
	<u>(348,873)</u>	<u>(4,803)</u>	<u>–</u>	<u>(186,922)</u>	<u>(540,598)</u>
<b>Net financial assets/ (liabilities)</b>	<u>470,436</u>	<u>424,007</u>	<u>4,132</u>	<u>(33,364)</u>	<u>865,211</u>
<b>Less: Net financial assets/ (liabilities) denominated in the respective entities' functional currencies</b>	<u>(470,436)</u>	<u>–</u>	<u>–</u>	<u>33,401</u>	<u>(418,338)</u>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<u>–</u>	<u>424,007</u>	<u>4,132</u>	<u>37</u>	<u>428,176</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 24 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

If the USD, EUR and SGD change against the RMB by 5% (2017: 6%), 1% (2017: 7%) and 3% (2017: 2%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liabilities/assets position will be as follow:

	← Increase/(decrease) →	
	2018	2017
	Net profit	Net profit
	RMB'000	RMB'000
USD against RMB		
- Strengthened	24,684	19,080
- Weakened	(24,684)	(19,080)
EUR against RMB		
- Strengthened	29	217
- Weakened	(29)	(217)
SGD against RMB		
- Strengthened	-	1
- Weakened	-	(1)

#### (ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

For the financial year ended 31 December 2018, the Group is not exposed to significant cash flow and fair value interest rate risk as the Group's exposure on interest rate risk is primarily from short-term bank deposits placed.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major class of financial assets of the Group is trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group's Executive Chairman based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored by the directors.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 24 Financial risk management (continued)

### (b) Credit risk (continued)

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The credit risk for trade receivables based on the information provided to key management is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
<u>By geographical areas</u>		
People's Republic of China	<b>276,522</b>	317,128
Overseas market	<b>175,505</b>	144,458
	<b>452,027</b>	461,586

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor significantly delay in payments, or a debtor will probably enter bankruptcy. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 6 months after the invoices are issued, and writes off or impairs the financial asset. Where receivables are written off or impaired, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

	<b>Aging</b>				<b>Total</b>
	<b>1 - 3 months</b>	<b>3 - 6 months</b>	<b>6 months - 1 year</b>	<b>More than 1 year</b>	
<b>Group</b>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Domestic customers</b>					
Expected loss rate	0%	0%	100%	100%	
Trade receivables	270,037	6,484	5,597	10,185	292,303
Loss allowance	-	-	<b>(5,597)</b>	<b>(10,185)</b>	<b>(15,782)</b>
<b>Overseas customers</b>					
Expected loss rate	0%	0%	100%	100%	
Trade receivables	160,527	14,979	197	-	175,703
Loss allowance	-	-	<b>(197)</b>	-	<b>(197)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 24 Financial risk management (continued)

(b) Credit risk (continued)

(i) *Impairment of financial assets*

The Group has the following financial assets that are subject to material credit losses where the expected credit loss model has been applied:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>15,979</b>	12,433
Less: Allowance for impairment of receivables	<b>(15,979)</b>	(12,433)
	<b>-</b>	-

The movement in the related credit loss allowance is as follows:

Beginning of financial year	<b>(12,433)</b>	(12,845)
Allowance made	<b>(7,609)</b>	(1,774)
Reversal of allowance made	<b>4,063</b>	2,186
End of financial year (Note 12)	<b>(15,979)</b>	(12,433)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Cash and cash equivalents and other receivables are subject to immaterial credit loss.

### *Previous accounting policy for impairment of trade receivables*

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue)

The age analysis of trade receivables past due but not impaired is as follows:

	2017
	RMB'000
Past due < 3 months	8,249
Past due 3 to 6 months	69
	<b>8,318</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 24 Financial risk management (continued)

### (b) Credit risk (continued)

#### (ii) *Financial assets that are neither past due nor impaired*

Cash and cash equivalents that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017.

### (c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 11.

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

At the balance sheet date, all the liabilities of the Group are due within one year. The Group monitors working capital projections regularly, taking into account the available banking facilities to ensure that the Group has adequate working capital to meet current requirement.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 24 Financial risk management (continued)

### (c) Liquidity risk (continued)

	Less than 1 year RMB'000
<u>Group</u>	
<b>At 31 December 2018</b>	
Trade and other payables	<b>341,123</b>
<b>At 31 December 2017</b>	
Trade and other payables	290,302
<u>Company</u>	
<b>At 31 December 2018</b>	
Trade and other payables	<b>71,906</b>
<b>At 31 December 2017</b>	
Trade and other payables	37,587

### (d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debts divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Net debt	-	-	<b>22,953</b>	33,606
Total equity	<b>2,325,576</b>	1,742,501	<b>525,311</b>	464,745
Total capital	<b>2,325,576</b>	1,742,501	<b>548,264</b>	498,351
Gearing ratio	-	-	<b>4%</b>	7%

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 24 Financial risk management (continued)

### (e) Fair value measurements

The carrying amounts of current financial assets and financial liabilities carried at amortised cost are assumed to approximate their fair values due to their short term to maturity.

### (f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial assets, at amortised cost	<b>1,747,442</b>	–	<b>254,966</b>	–
Loans and receivables	–	1,155,513	–	153,521
Financial liabilities measured at amortised cost	<b>341,123</b>	290,302	<b>71,906</b>	37,587

## 25 Related party transactions

Key management personnel compensation (representing compensation to executive directors and executive officers of the Group) is as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Salaries and wages	<b>65,483</b>	39,728
Employer's contribution to defined contribution plans including Central Provident Fund	<b>123</b>	124
	<b>65,606</b>	39,852

Included in the above is total compensation to directors of the Company amounting to RMB63,096,000 (2017: RMB37,356,000).

## 26 Segment information

The Board of Directors (“BOD”) is the Group’s chief operating decision-makers. Management determined the operating segments based on the reports reviewed by the BOD that are used to make strategic decision, allocate resources, and assess performance. The BOD assesses the Group’s performance mainly from business segment perspective.

The Group has two reportable business segments, namely (1) the manufacturing and sale of rubber chemicals, and (2) the production and supply of heating power.

Other segments included investment holding in Singapore and hotel and restaurant in People’s Republic of China. These are not included within the reportable operating segments as the segments do not meet the quantitative thresholds required by SFRS(I) 8 for reportable segments. The results of these operations are included in the “Others” column.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 26 Segment information (continued)

The segment information for the reportable business segments is as follows:

	<b>Rubber Chemicals</b>	<b>Heating Power</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>2018</b>				
<b>Sales</b>				
Total segment sales	4,062,135	121,670	1,508	4,185,313
Inter-segment sales	(799,914)	(101,551)	(588)	(902,053)
Sales to external parties	3,262,221	20,119	920	3,283,260
<b>Adjusted EBITDA</b>	856,686	15,443	(68,244)	803,885
Depreciation	(83,296)	(11,886)	(1,231)	(96,413)
Amortisation	(615)	(158)	(419)	(1,192)
<b>Segment assets</b>	2,435,979	221,778	89,564	2,747,321
Segment assets include:				
Additions to property, plant and equipment	101,890	27,852	–	129,742
<b>Segment liabilities</b>	247,218	70,681	103,846	421,745
<b>2017</b>				
<b>Sales</b>				
Total segment sales	3,340,253	110,916	1,799	3,452,968
Inter-segment sales	(615,212)	(98,765)	(588)	(714,565)
Sales to external parties	2,725,041	12,151	1,211	2,738,403
<b>Adjusted EBITDA</b>	592,932	13,740	(41,540)	565,132
Depreciation	(75,319)	(12,018)	(1,426)	(88,763)
Amortisation	(680)	(127)	(419)	(1,226)
<b>Segment assets</b>	1,881,925	199,477	46,383	2,127,785
Segment assets include:				
Additions to property, plant and equipment	142,375	46,578	20,000	208,953
<b>Segment liabilities</b>	272,594	50,273	62,417	385,284

Sales between segments are carried out at agreed terms. The revenue from external parties reported to the BOD is measured in a manner consistent with that in the statement of comprehensive income.

The BOD assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (“Adjusted EBITDA”) for continuing operations. This measurement basis excludes the effects of expenditure from the operating segments such as restructuring costs and impairment loss that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Board of Directors, which manages the cash position of the Group.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 26 Segment information (continued)

### (a) Reconciliations

#### Segment profits

A reconciliation of adjusted EBITDA to profit before income tax is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Adjusted EBITDA for reportable segments	<b>803,885</b>	565,132
Depreciation	<b>(96,413)</b>	(88,763)
Amortisation	<b>(1,192)</b>	(1,226)
Impairment loss	-	(1,910)
Interest income	<b>5,304</b>	3,653
Profit before income tax	<b>711,584</b>	476,886

### (b) Geographical Segment

Currently, the Group's business operates only in PRC. For geographical segment information, the revenue is based on where the customers are located.

	<b>Revenue</b>		<b>Non-current assets</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
People's Republic of China	<b>2,030,488</b>	1,766,651	<b>730,893</b>	703,110
Rest of Asia	<b>814,497</b>	652,833	-	-
America	<b>73,296</b>	126,776	-	-
Europe	<b>284,420</b>	147,854	-	-
Other countries	<b>80,559</b>	44,289	-	-
	<b>3,283,260</b>	2,738,403	<b>730,893</b>	703,110

There are no customers individually contributing more than 10% to the revenue of the Group.

## 27 Events occurring after balance sheet date

On 8 March 2019, a wholly-owned subsidiary corporation of the Company, Shandong Sunsine Chemical Co., Ltd ("Shandong Sunsine"), has entered into an Investment Agreement ("Agreement") with the People's Government of Shanxian County ("Local Government"), pursuant to which the Local Government has agreed to grant Shandong Sunsine a piece of land located in Shandong Shanxian Chemical Zone (the "Land"), for Shandong Sunsine to carry out an investment project in phases to further expand its capacities in rubber chemical products.

The Land has a total area of approximately 800 mu (equivalent to approximately 534,000 m<sup>2</sup>). The unit price of the Land will be determined by an open tender, and the lease period will be as set out in the Land Use Rights Certificate to be issued in respect of the Land in due course.

Under the Agreement, Shandong Sunsine has agreed to pay RMB20,000 per mu as a deposit for the acquisition of the Land within 10 working days upon the execution of the Agreement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 28 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

- *SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)*

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The standard will affect primarily the accounting for the Group's operating leases. However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

The directors do not anticipate that the adoption of the above SFRS(I) in future financial periods will have a material impact on the financial statements of the Group.

## 29 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of China Sunshine Chemical Holdings Ltd. on 29 March 2019.

# STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

## SHARE CAPITAL

Number of Issued Shares	: 491,694,000
Number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings <sup>(1)</sup> )	: 491,311,700
Number and percentage of Treasury Shares	: 382,300 (0.08% <sup>(2)</sup> )
Number and percentage of Subsidiary Holdings	: 0
Class of Shares	: Ordinary Shares
Voting Rights (excluding Treasury Shares and Subsidiary Holdings)	: One vote per share

### Notes:

<sup>(1)</sup> “Subsidiary Holdings” is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in Section 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

<sup>(2)</sup> Percentage calculated against the number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings).

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shares	% of Shares	No. of Shareholders	% of Shareholders
No. of ordinary shares held				
1 - 99	36	0.00	1	0.05
100 - 1,000	122,636	0.03	175	9.73
1,001 - 10,000	5,522,968	1.12	991	55.12
10,001 - 1,000,000	45,485,195	9.25	603	33.54
1,000,001 and above	440,563,165	89.60	28	1.56
<b>Grand Total</b>	<b>491,694,000</b>	<b>100.00</b>	<b>1,798</b>	<b>100.00</b>

## TWENTY LARGEST ORDINARY SHAREHOLDERS

(As shown in the Register of Members and Depository Register)

No.	Name of Shareholders	No. of Shares	%
1	SUCCESS MORE GROUP LIMITED	293,642,550	59.72
2	DBS NOMINEES PTE LTD	26,060,966	5.30
3	CITIBANK NOMINEES SINGAPORE PTE LTD	23,229,217	4.72
4	CHIA KEE KOON	21,927,200	4.46
5	UOB KAY HIAN PTE LTD	16,435,862	3.34
6	OCBC SECURITIES PRIVATE LTD	6,276,700	1.28
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,690,500	1.16
8	DBSN SERVICES PTE LTD	5,241,087	1.07
9	RAFFLES NOMINEES (PTE) LIMITED	4,980,961	1.01
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,399,700	0.69
11	PHILLIP SECURITIES PTE LTD	3,125,000	0.64
12	LEOW EK HUA	2,868,100	0.58
13	YEO KHEE CHYE	2,692,000	0.55
14	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,617,510	0.53
15	LEE YOW FEE	2,600,000	0.53
16	XU XIANLEI	2,406,600	0.49
17	HSBC (SINGAPORE) NOMINEES PTE LTD	2,169,800	0.44
18	MERRILL LYNCH (SINGAPORE) PTE LTD	1,991,091	0.40
19	LIM SOON HWEE (LIN SHUNHUI)	1,722,000	0.35
20	TEO KHENG LIN (ZHANG QINGNING)	1,557,000	0.32
	<b>TOTAL</b>	<b>430,633,844</b>	<b>87.58</b>

# STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

## SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at **18 March 2019**, approximately 38.09% of the issued ordinary shares of the Company excluding treasury shares are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

## SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Success More Group Limited <sup>(1)</sup>	293,642,550	59.72	–	–
Xu Cheng Qiu <sup>(1) (2)</sup>	–	–	296,511,550	60.30

### Notes:

<sup>(1)</sup> By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, Mr Xu Cheng Qiu is deemed to be interested in the 293,642,550 Shares held by Success More Group Limited.

<sup>(2)</sup> Mr Xu Cheng Qiu is deemed to be interested in the 2,869,000 Shares held by the nominees, UOB Kay Hian Pte Ltd.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of China SunSine Chemical Holdings Ltd. (the “**Company**”) will be held at Mercury / Enterprise Room, Level 4, Raffles City Convention Centre, Fairmont Singapore and Swissotel The Stamford, 80 Bras Basah Road, Singapore 189560 on Tuesday, 30 April 2019 at 10.00 a.m. (“**AGM**”) for the purpose of transacting the following businesses:-

## **As Ordinary Business:-**

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2018, together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To declare a final one-tier tax exempt dividend of 5.5 Singapore cents per ordinary share for the financial year ended 31 December 2018. **(Resolution 2)**
3. To re-elect the Director, Mr Xu Cheng Qiu, who is retiring by rotation under Article 104 of the Company’s Constitution, and who, being eligible, offers himself for re-election.  
**[See Explanatory Note 1]** **(Resolution 3)**
4. To re-elect the Director, Mr Lim Heng Chong Benny, who is retiring by rotation under Article 104 of the Company’s Constitution, and who, being eligible, offers himself for re-election.  
**[See Explanatory Note 2]** **(Resolution 4)**
5. To re-elect the Director, Ms Xu Chun Hua, who is retiring by rotation under Article 104 of the Company’s Constitution, and who, being eligible, offers herself for re-election.  
**[See Explanatory Note 3]** **(Resolution 5)**
6. To re-elect the Director, Mr Xu Xian Lei, who is retiring under Article 114 of the Company’s Constitution, and who, being eligible, offers himself for re-election.  
**[See Explanatory Note 4]** **(Resolution 6)**
7. To approve the amount of S\$180,000 proposed as Directors’ fees for the financial year ended 31 December 2018 (2017: S\$170,000). **(Resolution 7)**
8. To re-appoint Messrs Nexia TS Public Accounting Corporation as the Company’s Auditor and to authorise the Directors to fix their remuneration. **(Resolution 8)**
9. To transact any other ordinary business that may be properly transacted at an annual general meeting.

## **As Special Business:-**

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without modifications:

10. **SHARE ISSUE MANDATE** **(Resolution 9)**  
That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Act**”) and the listing rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors to:

# NOTICE OF ANNUAL GENERAL MEETING

- (a) (i) issue shares of the Company whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and shares of the Company held by its subsidiaries (“**Subsidiary Holdings**”)) of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and Subsidiary Holdings) of the Company at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company for the time being in force; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

**[See Explanatory Note 5]**



## 11. RENEWAL OF SHARE PURCHASE MANDATE

(Resolution 10)

That:

- (a) for the purposes of the Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
- (i) market purchase(s), (each a "**Market Purchase**") on the SGX-ST; and/or
  - (ii) off-market purchase(s) (each an "**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations, including but not limited to rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing on and from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
  - (ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
  - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;
- (c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as defined below) pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

## NOTICE OF ANNUAL GENERAL MEETING

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“**Maximum Limit**” means the number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and Subsidiary Holdings as at that date);

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the maximum price (excluding brokerage, commission, applicable goods and service tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
  - (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares; and
- (d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, executing such documents as may be required) as they and/or he may consider expedient, necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

**[See Explanatory Note 6]**

BY ORDER OF THE BOARD

TONG YIPING  
DAI LINGNA  
Joint Company Secretaries

Singapore, 15 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY NOTES:

- Resolution 3** – Mr Xu Cheng Qiu will, upon re-election, remain as Executive Chairman of the Company. 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. Details of the shareholding interests of Mr Xu Cheng Qiu in the Company can be found on pages 48 to 49 and page 100 of this Annual Report. Save as disclosed, there are no relationships (including immediate family relationships) between Mr Xu Cheng Qiu and the other Directors, the Company or its 10% shareholders. Detailed information on Mr Xu Cheng Qiu can be found under “Board of Directors” and “Corporate Governance Report” in the Company’s Annual Report 2018.
- Resolution 4** – Mr Lim Heng Chong Benny will, upon re-election, remain as the Lead Independent Director of the Company, Chairman of the Nominating Committee and a member of each of the Audit Committee and Remuneration Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. There are no relationships (including immediate family relationships) between Mr Lim Heng Chong Benny and the other Directors, the Company or its 10% shareholders. Detailed information on Mr Lim Heng Chong Benny can be found under “Board of Directors” and “Corporate Governance Report” in the Company’s Annual Report 2018.
- Resolution 5** – Ms Xu Chun Hua will, upon re-election, remain as Independent Director of the Company, Chairman of the Remuneration Committee and a member of each of the Audit Committee and Nominating Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. There are no relationships (including immediate family relationships) between Ms Xu Chun Hua and the other Directors, the Company or its 10% shareholders. Detailed information on Ms Xu Chun Hua can be found under “Board of Directors” and “Corporate Governance Report” in the Company’s Annual Report 2018.
- Resolution 6** – Mr Xu Xian Lei will, upon re-election, remain as Executive Director of the Company. 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, there are no relationships (including immediate family relationships) between Mr Xu Xian Lei and the other Directors, the Company or its 10% shareholders. Detailed information on Mr Xu Xian Lei can be found under “Board of Directors” and “Corporate Governance Report” in the Company’s Annual Report 2018.
- Resolution 9** – Resolution 9, if passed, will empower the Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments. The number of shares which the Directors may issue under this Resolution will not exceed 50% of the issued shares (excluding treasury shares and Subsidiary Holdings) of the Company, with a sub-limit of 20% for issues other than on a *pro rata* basis. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and Subsidiary Holdings) of the Company at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. For the avoidance of doubt, shareholders’ approval will be required for any consolidation or subdivision of shares.
- Resolution 10** – Resolution 10, if passed, will renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in the Resolution.

The Company may use internal or external sources of funds to finance the purchase or acquisition of its ordinary shares. The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company’s financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

The financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018, based on certain assumptions, are set out in paragraph 2.8 of the Letter to Shareholders dated 15 April 2019.

Please refer to the Letter to Shareholders dated 15 April 2019 for more details.

# NOTICE OF ANNUAL GENERAL MEETING

## NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 112 Robinson Road, #11-01, Singapore 068902 not less than 48 hours before the time fixed for the AGM or any adjournment thereof.

## Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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## NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2019, for the purpose of determining shareholders' entitlements to the final (one-tier tax exempt) dividend of 5.5 Singapore cents per ordinary share for the financial year ended 31 December 2018 (the "**Proposed Dividend**").

Duly completed registrable transfers in respect of the ordinary shares of the Company ("**Shares**") received by the Company's Share Registrar, Trico Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) of 80 Robinson Road, #02-00, Singapore 068898, up to 5.00 p.m. on 9 May 2019 will be registered to determine shareholders' entitlements to the Proposed Dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on 9 May 2019 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by shareholders at the Annual General Meeting to be held on 30 April 2019, will be paid on 24 May 2019.

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## Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”)

Mr Xu Cheng Qiu, Mr Lim Heng Chong Benny, Ms Xu Chun Hua and Mr Xu Xian Lei are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 April 2019 (“AGM”) under Ordinary Resolutions 3 to 6 as set out in the Notice of AGM dated 15 April 2019 (collectively, the “Retiring Directors”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the additional information relating to the Retiring Directors as set out in Appendix 7.4.1 is set out below, to be read in conjunction with the information set out under “Board of Directors” and the “Corporate Governance Report” on pages 15 to 17, and pages 31 and 44, respectively of this Annual Report:

DETAILS	XU CHENG QIU
<b>Country of principal residence</b>	People’s Republic of China
<b>The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)</b>	Mr Xu Cheng Qiu plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. The Board has considered the recommendation of the Nominating Committee, and is confident that Mr Xu will continue to contribute to the growth of the Company.
<b>Whether appointment is executive, and if so, the area of responsibility</b>	Executive  The area of responsibility of Mr Xu Cheng Qiu can be found on page 15 of this Annual Report
<b>Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)</b>	Executive Chairman
<b>Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries</b>	Father of Mr Xu Jun and uncle of Mr Xu Xian Lei, who are both the Executive Directors of the Company
<b>Conflict of interests (including any competing business)</b>	No
<b>Working experience and occupation(s) during the past 10 years</b>	2006 – Present, Executive Chairman China Sunshin Chemical Holdings Ltd.



<b>LIM HENG CHONG BENNY</b>	<b>XU CHUN HUA</b>	<b>XU XIAN LEI</b>
Singapore	People's Republic of China	People's Republic of China
The Board has considered the recommendation of the Nominating Committee (with Mr Lim Heng Chong Benny abstaining from the decision-making process), and is satisfied that Mr Lim is able to exercise independent judgement and provide valuable contributions to the Board, notwithstanding that he has served on the Board for more than nine years.	The Board considered the recommendation of the Nominating Committee (with Ms Xu Chun Hua abstaining from the decision-making process), and is satisfied that Ms Xu is able to exercise independent judgement and provide valuable contributions to the Board, notwithstanding that she has served on the Board for more than nine years.	The Board has considered the recommendation of the Nominating Committee and after having reviewed Mr Xu Xian Lei's qualification and experience, is confident that Mr Xu will continue to contribute to the Board.
Non-Executive	Non-Executive	Executive  The area of responsibility of Mr Xu Xian Lei can be found on page 16 of this Annual Report
<ul style="list-style-type: none"> <li>• Lead Independent Director</li> <li>• Nominating Committee (Chairman)</li> <li>• Audit Committee (Member)</li> <li>• Remuneration Committee (Member)</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director</li> <li>• Remuneration Committee (Chairman)</li> <li>• Audit Committee (Member)</li> <li>• Nominating Committee (Member)</li> </ul>	Executive Director
No	No	Nephew of Mr Xu Cheng Qiu, Executive Chairman and Substantial Shareholder of the Company, and cousin of Mr Xu Jun, Executive Director of the Company
No	No	No
2005 – Present, Partner Chris Chong & CT Ho LLP	2009 - Present, Chairman China Rubber Industry Association Rubber Chemical Commission 2015 - Present, Vice Chairman Rubber and Plastic Products Green Manufacturing Committee of the Chemical Industry and Engineering Society of China	2017 - 2018 First Deputy GM China Sunsine Chemical Holdings Ltd. 2014 - 2017 Deputy GM Shandong Sunsine Chemical Co., Ltd. 2012 - 2014 Assistant to GM Shandong Sunsine Chemical Co., Ltd. 2011 - 2012 Head of Investment Department, Shandong Sunsine Chemical Co., Ltd 2007 - 2011 Head of Investment Department, Shandong Shanxian Chemical Co., Ltd

**Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”)**

<b>DETAILS</b>	<b>XU CHENG QIU</b>
<b>Shareholding interest in the listed issuer and its subsidiaries</b>	Please refer to the Directors’ Statement on pages 48-49 of this Annual Report
<b>Undertaking (in the format set out in Appendix 7H) under Rule 702(1) has been submitted to the listed issuer</b>	Yes
<b>Other Principal Commitments Including Directorships</b>	None
<b>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</b>	No
<b>(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</b>	No
<b>(c) Whether there is any unsatisfied judgment against him?</b>	No
<b>(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?</b>	No
<b>(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?</b>	No

LIM HENG CHONG BENNY	XU CHUN HUA	XU XIAN LEI
Please refer to the Directors' Statement on page 48 of this Annual Report	Nil	Please refer to the Directors' Statement on page 48 of this Annual Report
Yes	Yes	Yes
<b>Present</b> <ul style="list-style-type: none"> <li>Chris Chong &amp; CT Ho LLP, Partner</li> <li>Alliance Healthcare Group Pte. Ltd., Director</li> </ul> <b>Past (for the last 5 years)</b> <ul style="list-style-type: none"> <li>Sysma Holdings Limited, Independent Director</li> <li>BM Mobility Ltd. (f.k.a. Ziwo Holdings Ltd.), Independent Director</li> </ul>	<b>Present</b> <ul style="list-style-type: none"> <li>China Rubber Industry Association Rubber Chemical Commission, Vice Chairman</li> <li>Beijing New Universal Science and Technology Co., Ltd., Independent Director</li> </ul> <b>Past (for the last 5 years)</b> <p>None</p>	None
No	No	No
No	No	No
No	No	No
No	No	No
No	No	No
No	No	No

**Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”)**

DETAILS	XU CHENG QIU
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-  (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No

<b>LIM HENG CHONG BENNY</b>	<b>XU CHUN HUA</b>	<b>XU XIAN LEI</b>
No	No	No
No	No	No
No	No	No
No	No	No
No	No	No

**Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”)**

<b>DETAILS</b>	<b>XU CHENG QIU</b>
<b>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</b>	No
<b>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</b>	No
<b>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</b>	No
<b>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</b>	No
<b>Any prior experience as a director of an issuer listed on the Exchange?</b>	Yes
<b>If yes, please provide details of prior experience.</b>	<ul style="list-style-type: none"> <li>• China SunSine Chemical Holdings Ltd.</li> <li>•</li> </ul>
<b>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</b>	N.A.



LIM HENG CHONG BENNY	XU CHUN HUA	XU XIAN LEI
No	No	No
No	No	No
No	No	No
No	No	No
Yes	Yes	Yes
<ul style="list-style-type: none"> <li>China Sunsine Chemical Holdings Ltd.</li> <li>Sysma Holdings Limited</li> <li>BM Mobility Ltd. (f.k.a. Ziwo Holdings Ltd.)</li> </ul>	<ul style="list-style-type: none"> <li>China Sunsine Chemical Holdings Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>China Sunsine Chemical Holdings Ltd.</li> </ul>
N.A.	N.A.	Mr Xu Xian Lei will undergo the Listed Entity Director Program to familiarize himself with the roles and responsibilities of a director of a Singapore listed company.

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# CHINA SUNSINE CHEMICAL HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

## Proxy Form Annual General Meeting

### IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the AGM and vote (please see Notes 3 and 4).
2. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors are requested to contact their respective Agent Banks/SRS operators for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the AGM.

I/We, \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC No. /Passport No. /Company Registration No.)

of \_\_\_\_\_ (Address)

being a member/members of CHINA SUNSINE CHEMICAL HOLDINGS LTD. (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

or failing the person/persons, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("**AGM**") of the Company, to be held at Mercury / Enterprise Room, Level 4, Raffles City Convention Centre, Fairmont Singapore and Swissotel The Stamford, 80 Bras Basah Road, Singapore 189560 on Tuesday, 30 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will determine on any other matter arising at the AGM and at any adjournment thereof.

No.	Resolutions relating to:	* No. of Votes "For"	* No. of Votes "Against"
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018, together with the Independent Auditor's Report thereon		
2	Declaration of a final one-tier tax exempt dividend of 5.5 Singapore cents per ordinary share for the financial year ended 31 December 2018		
3	Re-election of Mr Xu Cheng Qiu as a Director		
4	Re-election of Mr Lim Heng Chong Benny as a Director		
5	Re-election of Ms Xu Chun Hua as a Director		
6	Re-election of Mr Xu Xian Lei as a Director		
7	Approval of the payment of Directors' fees of S\$180,000 for the financial year ended 31 December 2018		
8	Re-appointment of Messrs Nexia TS Public Accounting Corporation as the Company's Auditor, and to authorise the Directors to fix their remuneration		
9	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the SGX-ST		
10	Renewal of Share Purchase Mandate		

\* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

TOTAL NUMBER OF SHARES HELD IN:	
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s) or Common Seal



**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289)), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company who is not a relevant intermediary (as defined in Note (4) below) shall be entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his stead.
3. A member of the Company who is a relevant intermediary (as defined in Note (4) below) is entitled to appoint more than two proxies to attend, speak and vote at the AGM in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him.
4. Pursuant to Section 181 of the Companies Act (Cap. 50), a "relevant intermediary" means:-
  - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. A proxy need not be a member of the Company. Where a member (other than a relevant intermediary) appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as alternate to the first named or at the Company's option to treat this proxy form as invalid.
6. This Proxy Form must be under the hand of the appointer or by his attorney duly authorised in writing. Where the member is a corporation, the instrument appointing the proxy or proxies must be executed under its seal or the hand of its attorney or duly authorised officer.
7. This Proxy Form must be deposited at the registered office of the Company at 112 Robinson Road, #11-01, Singapore 068902 not less than 48 hours before the time appointed for holding the above AGM.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 April 2019.





## **CHINA SUNSINE CHEMICAL HOLDINGS LTD.**

(Incorporated in the Republic of Singapore on 28 June 2006)

(Company Registration Number: 200609470N)

112 Robinson Road #11-01

Singapore 068902

Tel: +65 6220 9070

Fax: +65 6223 9177

Email: [info@ChinaSunsine.com](mailto:info@ChinaSunsine.com)

[www.ChinaSunsine.com](http://www.ChinaSunsine.com)

### **OUR DISTINGUISHED CLIENTS**

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- Bridgestone
- Michelin
- Good Year
- Cooper
- Sumitomo
- Hankook
- Yokohama
- CST Tire
- Toyo Tire
- Pirelli
- GITI Tire
- Hangzhou Zhongce
- Double Coin
- Guizhou Tire

