Vision

The vision of China Sky Chemical Fibre Co., Ltd. is to be at the forefront of the high quality nylon industry of the People’s Republic of China (“PRC”), by maintaining the superior quality of its products and providing excellent personalised after-sales services.

Mission

China Sky Chemical Fibre Co., Ltd. aims to be the dominant player in the high quality nylon industry of the PRC. The Group strives to be a dynamic, enterprising and socially responsible firm, constantly providing superior high quality nylon products, excellent personalised after-sales services and excellent value to its shareholders and a congenial working environment for its employees.

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China Sky Chemical Fibre Co., Ltd. is the ultimate holding company of Quanzhou Tianyu Chemical Fiber & Weaving Industry Co., Ltd. ("Quanzhou Tianyu"), Tianjian Special Polymede Fibre Technology Fujian, Co., Ltd. ("Tianjian") and Qingdao Zhongda Chemical Fibre Company Limited ("Qingdao Zhongda"). Quanzhou Tianyu, Tianjian and Qingdao Zhongda are incorporated in the People's Republic of China ("PRC") (collectively known as "PRC Operating Subsidiaries"). The PRC Operating Subsidiaries are principally engaged in the manufacture and sale of chemical fibres (mainly high-end nylon fibres).

Our subsidiaries, Quanzhou Tianyu and Tianjian, are one of the largest high quality nylon manufacturers in Fujian and another subsidiary, Qingdao Zhongda, is one of the main nylon manufacturers in Shandong. Our production facilities are generally located in a region populated by many textile manufacturing companies. We currently manufacture three types of high-end chemical fibre (nylon) products, namely: Full Drawn Yarn (FDY), High Oriented Yarn (HOY) and Drawn Textured Yarn (DTY).

The Group places great emphasis on the quality control of its products and has established high standards and test procedures closely adhered to by its production staff. Products of the Group are distributed to most of the provinces and municipalities of the PRC, with our principal markets in Fujian, Guangdong, Jiangsu, Shandong and Zhejiang provinces.
Dear Shareholders,

On behalf of the Board of Directors, I would like to present to you the Annual Report for the financial year ended 31 December 2014 (“FY2014”).

Financial Highlights

Despite having a challenging year, the Group was still able to achieve an improvement in its performance for 2014.

For FY2014, revenue for our Full Drawn Yarn, High Oriented Yarn and Drawn Texture Yarn increased by RMB 94.9 million or 4.8% from RMB 1,987.7 million for the financial year ended 31 December 2013 (“FY2013”) to RMB 2,082.6 million.

We managed to book a revenue increase due to the increased sales volume of both Full Drawn Yarn/ High Oriented Yarn and Drawn Texture Yarn, compared with FY2013.

As a result, the Group generated a gross profit of RMB 116.3 million in FY2014 compared to the gross loss of RMB 16.4 million in FY2013.

Our operational performance also improved with an operating profit before tax of RMB 72.8 million in the year in review, as compared to operating loss before tax of RMB 68.1 million in FY2013, an improvement of RMB 140.9 million. Net profit for FY2014 amounted to RMB 72.8 million, compared with net loss of RMB 68.1 million over the previous year. On a per share basis, earnings per share amounted to 8.94 RMB cents for FY2014 compared with loss per share of 8.35 RMB cents in FY2013. As at end-FY2014, net asset value per share increased to RMB 296.44 cents as compared with RMB 287.51 cents in FY2013.

Updates

The financial audits for the financial years ending 31 December 2011, 2012 and 2013 have been completed and the Company’s Annual General Meetings (“AGM”) for these respective years were held on 22 April 2014.

The Company is experiencing some delay in the Qingdao land compensation issue by its subsidiary, Qingdao Zhongda Chemical Fibre Company Limited (“Qingdao Zhongda”). Due to the change of senior local government officials, the finalisation of the compensation for the site of the plant has been suspended. A new official has been appointed and the management is in the midst of negotiation with him in order to reach an agreeable compensation.

Prospects

The Group is cautiously optimistic for the textile operating industry in the financial year 2015. We expect the raw material and selling prices to increase gradually with the improvement of the Chinese economy. Despite the stabilisation of oil prices recently, the demand and price for our products remains low. In this continued challenging and uncertain environment, we will continue to monitor raw material prices and demand and make the appropriate adjustments to our product mix in order to achieve better returns.

Our focus is to continuously produce high quality nylon yarn products, upgrade research and development facilities for new innovative products, and enhance our long-established brand and strong commitment to satisfy customers’ expectations.

Acknowledgement

On behalf of the Board, I would like to extend our heartfelt gratitude to the management team and employees of the Group for their undivided loyalty and commitment. We would like to express our appreciation to our shareholders for their patience and support during the past year.

Mr Wang Zhi Wei
Chairman
China Sky Chemical Fibre Co., Ltd.
Review of Consolidated Statement of Comprehensive Income

The Group’s revenue increased by RMB 94.9 million or 4.8% from RMB 1,987.7 million for the financial year ended 31 December 2013 (“FY2013”) to RMB 2,082.6 million for the financial year ended 31 December 2014 (“FY2014”).

Full Drawn Yarn (“FDY”) / High Oriented Yarn (“HOY”) segment’s revenue increased RMB 83.6 million or 5.0% from RMB 1,677.9 million in FY2013 to RMB 1,761.5 million in FY2014. Meanwhile, Drawn Texture Yarn (“DTY”) segment’s revenue increased RMB 11.3 million or 3.6% from RMB 309.8 million in FY2013 to RMB 321.1 million in FY2014.

The increase in revenue was mainly due to increase in sales volume of both FDY/HOY and DTY revenue segment during the financial year.

Cost of sales for the Group decreased by RMB 37.8 million or 1.9% from RMB 2,004.1 million in FY2013 to RMB 1,966.3 million in FY2014. The decrease was mainly due to lower raw materials price committed in advance with the supplier as compared to FY2013.

The Group generated a gross profit of RMB 116.3 million in FY2014 compared to the gross loss of RMB 16.4 million in FY2013.

Other operating income increased RMB 7.1 million from RMB 3.9 million in FY2013 to RMB 11.0 million in FY2014. The increase was mainly due to the increase in interest income as a result of higher bank deposits placed in financial institutions and gain on disposal of property, plant and equipment of RMB 2.2 million.

In view of the subsequent economy conditions and in compliance with the International Financial Reporting Standards, the management has carried out review of the fair value of the Group’s fixed assets taking into consideration the Group’s financial performance and assets utilisation. As a result of the review, the Management with consensus with the Auditor, recognised an impairment loss of RMB 58.2 million (31 December 2013 : RMB nil) on the Group’s property, plant and equipment.

Profit/(Loss) and Total Comprehensive Income/(Loss) for the year attributable to owners of the Company

In FY2014, the Group recorded an operating profit after tax of RMB 14.6 million, as compared to an operating loss after tax of RMB 68.1 million in prior year, an improvement of RMB 82.7 million.

Review of Statements of Financial Position

The carrying amount of property, plant and equipment decreased from RMB 1,317.3 million as at 31 December 2013 to RMB 1,160.8 million as at 31 December 2014. The decrease was mainly due to the annual depreciation charged on property, plant and equipment of RMB 98.0 million, an impairment loss of RMB 58.2 million and gain on disposal of property, plant and equipment of RMB 2.2 million, offset by addition of property, plant and equipment of RMB 1.9 million during the current financial year.
Operations and Financial Review

Land use rights decreased from RMB 99.3 million as at 31 December 2013 to RMB 97.1 million as at 31 December 2014. The decrease in land use rights was mainly due to the amortisation expenses of RMB 2.2 million during the financial year.

The working capital of the Group as at 31 December 2014 and as at 31 December 2013 is set out below:

<table>
<thead>
<tr>
<th>Working Capital</th>
<th>As at 31 December 2014</th>
<th>As at 31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(RMB’ million)</td>
<td>1,169.1</td>
<td>998.9</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>62.7</td>
<td>65.7</td>
</tr>
<tr>
<td>Working capital</td>
<td>1,106.4</td>
<td>933.2</td>
</tr>
</tbody>
</table>

The Group had a positive working capital of RMB 1,106.4 million as at 31 December 2014, as compared to RMB 933.2 million as at 31 December 2013.

The decrease in other receivables was mainly due to the decrease in advance payment to suppliers for the purchase of raw materials of RMB 67.4 million. It was also due to the higher sales compared to the purchases during the current financial year. The VAT receivables as at 31 December 2013 has been fully utilised by the VAT payables from sales generated during the current financial year, and an excess VAT payable of RMB 4.7 million had been reclassified to other payable.

<table>
<thead>
<tr>
<th>Trade and other receivables</th>
<th>As at 31 December 2014 (RMB’000)</th>
<th>As at 31 December 2013 (RMB’000)</th>
<th>Variance (RMB’000)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>253,414</td>
<td>259,347</td>
<td>(5,933)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>254,088</td>
<td>349,658</td>
<td>(95,570)</td>
<td>(27.3)</td>
</tr>
<tr>
<td></td>
<td>507,502</td>
<td>609,005</td>
<td>(101,503)</td>
<td>(16.7)</td>
</tr>
</tbody>
</table>

The decrease in inventories was mainly due to the decrease in advance payment to suppliers for the purchase of raw materials of RMB 67.4 million. It was also due to the higher sales compared to the purchases during the current financial year. The VAT receivables as at 31 December 2013 has been fully utilised by the VAT payables from sales generated during the current financial year, and an excess VAT payable of RMB 4.7 million had been reclassified to other payable.

<table>
<thead>
<tr>
<th>Inventories</th>
<th>As at 31 December 2014 (RMB’000)</th>
<th>As at 31 December 2013 (RMB’000)</th>
<th>Variance (RMB’000)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>11,255</td>
<td>34,386</td>
<td>(23,131)</td>
<td>(67.3)</td>
</tr>
<tr>
<td>Finished goods</td>
<td>56,071</td>
<td>88,114</td>
<td>(32,043)</td>
<td>(36.4)</td>
</tr>
<tr>
<td>Total</td>
<td>67,326</td>
<td>122,500</td>
<td>(55,174)</td>
<td>(45.0)</td>
</tr>
</tbody>
</table>
The decrease in inventories was mainly due to lower purchases of raw materials for production as a result of continual drop in the price of raw materials. However, management will maintain a reasonable level of inventory to reduce the impact arising from the fluctuation of raw materials price and ensure the production needs are met.

### Current Liabilities

<table>
<thead>
<tr>
<th>Trade and other payables</th>
<th>As at 31 December 2014 (RMB’000)</th>
<th>As at 31 December 2013 (RMB’000)</th>
<th>Variance (RMB’000)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>5,613</td>
<td>20,597</td>
<td>(14,984)</td>
<td>(72.7)</td>
</tr>
<tr>
<td>Other payables</td>
<td>53,288</td>
<td>41,310</td>
<td>11,978</td>
<td>29.0</td>
</tr>
<tr>
<td></td>
<td>58,901</td>
<td>61,907</td>
<td>(3,006)</td>
<td>(4.9)</td>
</tr>
</tbody>
</table>

The decrease in trade payables was mainly due to lower purchases of raw materials for production as the result of the continual drop in the price of raw materials.

The increase in other payables was mainly due to the increase in the provision of social contributions and the pension funds of RMB 7.2 million. The increase was also due to the Value Added Tax (“VAT”) payables of RMB 4.7 million which will be offset against subsequent purchases.

### Review of Consolidated Statement of Cash Flows

In FY2014, the Group’s net cash generated operating activities amounted to RMB 316.2 million. This was mainly due to cash inflows arising from decreases in trade and other receivables of RMB 101.5 million, decrease in inventories of RMB 55.2 million which was partially offset by decrease in trade and other payables of RMB 3.0 million.

Net cash generated from investing activities amounted to RMB 10.7 million in FY2014. This was mainly due to interest income of RMB 8.3 million received during the current financial year and proceeds from disposal of property, plant and equipment of RMB 4.4 million, partially offset by the purchase of property, plant and equipment of RMB 1.9 million.

Accordingly, there was a net increase of RMB 326.9 million in cash and cash equivalents, from RMB 267.4 million as at 31 December 2013 to RMB 594.3 million as at 31 December 2014.

### Outlook

The Group expects the raw material price and selling price to increase gradually when the China economy improves. Despite the oil price stabilising recently, the demand and price for our products remain low. The Group will continue to monitor closely the raw material prices and demand to adjust its production mix for better return.
Wang Zhi Wei  
Chairman (Non-Executive Non-Independent Chairman)  
Wang Zhi Wei is our non-executive Director and was appointed as the Chairman of the Group in August 2013. As a Chairman, he is responsible for developing the overall strategies direction of our Group, including our business strategies and policies. Mr Wang joined as a director of our subsidiary, Tianyu, in 2002. At Tianyu, Mr Wang provides our Group with access to and strategic analysis of market trends and industry information. Prior to his appointment as a director of our Group, Mr Wang was the manager of Xiamen Shengjiang Trading Company, an import and export company, handling the sales and marketing of chemical raw materials for use in different industries. From 1993 to 1995, Mr Wang was the Deputy Plant Director of Xiamen Huilhuang Machinery Company.

Ling Yew Kong  
Chief Executive Officer and Executive Director  
Mr Ling was appointed as Executive Director and Chief Executive Officer of the Company on 13 September 2012. Mr Ling is a private equity investor with a focus in mergers and acquisitions. He has more than 20 years of extensive experience in accounting and finance, securities brokerage operations, treasury management, infrastructure projects management, corporate restructuring and corporate management. Mr Ling is currently the Executive Chairman of Firstlink Investments Corporation Limited, a public unlisted company in Singapore. As Chairman, he is primarily responsible for providing strategic guidance and charting new directions for the company. Mr Ling has a Degree in Commerce and majored in Accounting from Murdoch University, Western Australia. He is also a member of the Australian Society of Certified Practising Accountants.

Song Jian Sheng  
Executive Director (Production, Research and Development)  
Song Jian Sheng joined our Group as the Executive Director (Production, Research and Development) in 2002. Mr Song heads our Research and Development Department; and is also in charge of the technical and engineering aspects of our production facilities, quality control and assurance. As a class of 1984 graduate in high molecular science of the Taiyuan Polytechnic University, Mr Song has published various articles on chemical fibres and their production techniques in many leading Chinese journals. He has also obtained Science and Technology Award and more than 10 patents right. In January 2005, Mr Song was included in the “Who’s Who of Chinese Experts”. From 1998 to 2002, Mr Song was the plant director of Long Da Chemical Fibre Company, and was the chief engineer and manager of chemical fibre production at Xin Lun Chemical Fibre Engineering Company from 1993 to 1997.

Ye Chang Liu  
Executive Director  
Ye Chang Liu was appointed as Executive Director of our Company on 20 May 2015. He joined our Group’s subsidiary, Tianyu, as Assistant Production Manager in 2002. He was promoted as Deputy General Manager (Process Technology Division) in 2008. Mr Ye is responsible for the technical and engineering aspects of our production facilities, quality control and assurance. Mr Ye has a Bachelor’s degree in Business Administration from The Open University of China.

Er Kwong Wah  
Independent Non-Executive Director  
Er Kwong Wah was appointed as an Independent Director of our Company in 2005. Mr Er resigned on 5 January 2012 and subsequent re-appointed on 13 September 2012 as Independent Director of our Company. Mr Er is currently an Executive Director of the East Asia Institute of Management and had served in the Singapore civil service for 27 years. Mr Er was the Permanent Secretary of the Ministry of Education from 1987 to 1994 and later, Permanent Secretary of the Ministry of Community Development until he retired in 1998. Mr Er had also previously held many distinguished public sector appointments with various Singapore tertiary institutions, the sports council and government linked companies. Mr Er graduated from the University of Toronto in 1970 with a first class honours degree in Electrical Engineering, and has an MBA from the Manchester Business School, University of Manchester.

Tan Yew Chee, William  
Independent Non-Executive Director  
Mr William Tan was appointed as an Independent Director of our company on 13 September 2012. Mr. William Tan embarked on his career as an audit assistant in a local audit firm in 1990. From 1992 to 2001, he was Managing Director for a local SME before he joined Nixvue Systems Pte Ltd as Financial Controller from 2002 to 2005, a subsidiary of Wearnes Technology Pte Ltd. From 2005 to 2007, Mr. William Tan joined Unidux Electronics Ltd as Group Financial Controller and was responsible for the overall finance & accounting, human resource, business development & planning functions of the group. He joined SNF Corporation Ltd in July 2007 as Group Financial Controller and left the company due to change in shareholders’ control in November 2007. From 2007 to 2008, Mr. William Tan was engaged by a SGX IPO-aspirant solar energy solution maker in Beijing as Financial consultant. Mr William Tan is currently working as CFO of China oil and petrochemical listed company. Mr. William Tan is a non-practicing member Institute of Singapore Chartered Accountants and a Fellow member of Association of Certified Chartered Accountants (UK).
Wu Yi
General Manager
Wu Yi is our Group’s General Manager who joined in 2002. Mr Wu is primarily responsible for the day-to-day operations, administration and human resource management of our Group. Prior to his appointment with our Group, Mr Wu was the general manager of several foreign joint venture companies where he gained valuable market knowledge and experience in manufacturing, engineering and plant management of chemical fibre production. Mr Wu’s started his career as a researcher in the Electronic Industry Department of the PRC government. Mr Wu has a Bachelor’s degree in textile engineering from Fuzhou University, PRC.

Chen Xiang Dong
Deputy General Manager (Sales and Marketing)
Chen Xiang Dong joined our Group in 2002 and is currently our Deputy General Manager (Sales and Marketing). Aside from being responsible for the sales and marketing activities of our Group, Mr Chen also handles after-sales customer support and maintains customer relationships for our Group. A graduate of Beijing Chemical Fibre Polytechnic, Mr Chen joined Baling Chemical Petroleum Co. Ltd. in 1994 as its office manager, and was the deputy sales manager with Shijiazhuang Chemical Fibre Company Limited from 1997 to 2002.

Huang Qing Fa
Deputy General Manager (Administration)
Huang Qing Fa is our Deputy General Manager (Administration) who joined our Group in 2002. He oversees all administration and personnel matters of our Group, including overall staff performance, recruitment and training, as well as administrative policy formulation and implementation. Mr Huang obtained his Bachelor’s degree in Business Administration from Shenzhen University, PRC, in 1991. Mr Huang was the human resource manager with the Qipilang Group Company from 2000 to 2002, and he also headed the respective human resource departments at Fu Jian Yuan Group and Yayu Enterprise (Shenzhen) Co., Ltd from 1996 to 2000.

Zhang Shun Da
Financial Controller
Zhang Shun Da joined our group in 2002 and he has been promoted as our Financial Controller in October 2011. He is responsible for the finance, accounting and management reporting of our PRC subsidiaries. Mr. Zhang obtained the Bachelor’s degree in Accounting from Xiamen University, PRC and studied EMBA course in Quanzhou University. He is also a qualified accountant in the PRC. Prior to joining our Group in 2002, he was the Finance Manager with Quanzhou Gangsheng Garment Co., Ltd and has years of experience in financial and capital market.
Corporate Information

BOARD OF DIRECTORS
Wang Zhi Wei (Non-Executive Chairman)
Ling Yew Kong (Chief Executive Officer and Executive Director)
Song Jian Sheng (Executive Director)
Ye Chang Liu (Executive Director)
Er Kwong Wah (Independent Director)
Tan Yew Chee William (Independent Director)

AUDIT COMMITTEE
Er Kwong Wah (Chairman)
Tan Yew Chee William
Wang Zhi Wei

NOMINATING COMMITTEE
Tan Yew Chee William (Chairman)
Er Kwong Wah
Wang Zhi Wei

REMUNERATION COMMITTEE
Er Kwong Wah (Chairman)
Tan Yew Chee William
Wang Zhi Wei

COMPANY SECRETARY
Tan Chee How, ACIS

REGISTERED OFFICE
The offices of Codan Trust Company (Cayman) Limited
Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 Gt
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS
Jiangnan Industrial Garden, Licheng District,
Quanzhou City, Fujian Province,
The People’s Republic of China

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

CAYMAN ISLANDS SHARE REGISTRAR
The offices of Codan Trust Company (Cayman) Limited
Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 Gt
George Town
Grand Cayman
British West Indies

AUDITORS
RT LLP
1 Raffles Place #17-02
One Raffles Place
Singapore 048616

Partner in charge: Ong Kian Meng
(appointed on 11 August 2015)

PRINCIPAL BANKER
China Construction Bank (Bincheng Branch)
Donghai Street
Quanzhou, Fujian
The People’s Republic of China
The Board of Directors (the “Board”) of China Sky Chemical Co., Ltd. (the “Company”) recognises the importance of practicing good corporate governance as a fundamental part of its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group.

This report describes the Company’s ongoing efforts in FY2014 in keeping pace with the evolving corporate governance practices and complying with the revised Code of Corporate Governance 2012 (the “2012 Code”) issued on 2 May 2012. Outlined below are the policies, processes and practices adopted by the Group in compliance with the principles and spirit of the 2012 Code. This report should be read as a whole, instead of being read separately under the different principles of the Code.

In 2011, SGX had issued a directive to the Company to appoint a special auditor to perform a review on the following:

(i) the nature and circumstances of the transactions surrounding the repairs and maintenance costs which were incurred in the 1st Quarter of Financial Year 2009;

(ii) the circumstances surrounding the major acquisitions which are related to and in connection with the purchase (and subsequent return) of the Fujian Land. Such ‘major acquisitions’ refer specifically to major acquisitions which are related and in connection with all the circumstances surrounding the abortive purchase of the Fujian Land; and

(iii) the nature, circumstances and manner in which interested person transactions were conducted with the Company’s former independent director. The Company had on 25 October 2012 engaged Stone Forest Corporate Advisory Pte Ltd (the “Special Auditors”) to carry out the special audit.

The Special Auditors had completed their review and a copy of executive summary (the “SA Report”) was announced on the SGXNET on 20 June 2013 with the following conclusions:

(i) there were no irregularities noted for the repairs and maintenance costs incurred for the Upgrading Project at the factories of Quanzhou Tianyu and Qingdao Zhongda;

(ii) there were no persuasive evidence which proves that the transactions concerning the acquisition and subsequent return of the Fujian Land were fictitious and the Special Auditor is unable to conclusively verify whether such transactions were in fact implemented in accordance with the Share Transfer Agreement and Termination Agreement (as therein defined in the SA Report); and

(iii) there were no proper disclosures by a former independent director of his interested person transactions during the Company’s Board meetings.

In response to the findings of the Special Auditors, the Board has taken appropriate measures as previously announced in June and July 2013 to enhance the corporate governance and internal control procedures of the Group.

On 12 February 2015, SGX and the Company issued an announcement separately to inform shareholders regarding the conditions of trading resumption of the Company shares. This was following to a civil settlement entered into between the Monetary Authority of Singapore (“MAS”) and former Chief Executive Officer (“CEO”) of the Company, Mr Huang Zhong Xuan (“Mr Huang”), for his contraventions under the Securities and Futures Act (SFA). As part of a civil settlement, Mr Huang will pay a civil penalty and will make an offer to the Company Sky to surrender 10% of his shareholding in the Company (“Share Surrender”). The surrender would increase the net asset value per share for existing shareholders.

Resumption of trading in the Company’s shares will be conditional upon the Company satisfying a number of conditions imposed by SGX including:

(a) the passing of a Board of Directors’ (Board) resolution to take all necessary actions to accept the Share Surrender by Mr Huang;

(b) an undertaking from the Board to appoint a suitable Chief Financial Officer, acceptable to SGX, within six months of trading resumption and a disclosure via SGXNET of the Board’s view of the adequacy of the company’s current resource in its finance function;
Corporate Governance Report

(c) appointment of a compliance advisor, who will ensure the Company’s compliance with Listing Rules and corporate governance matters;

(d) a confirmation from BDO LLP – Internal Auditors of the Company - that they are satisfied that the Company has adequately addressed the internal control weakness raised in the Internal Audit Report and those highlighted in Stone Forest Corporate Advisory Pte Ltd’s (Special Auditor) Special Audit Report announced on 20 June 2013;

(e) an undertaking from the Board to commission annual internal controls audits by a suitable and qualified professional accounting firm for at least 3 years from date of trading resumption and until such time the Audit Committee is satisfied that the Group’s internal controls are robust and effective enough to mitigate the group’s internal control weaknesses; and

(f) a written undertaking from each of the Company’s directors in the form as required by the Exchange and an undertaking from the Company to procure the same written undertaking from any new director appointed to the Company’s board after the Company’s resumption of trading.

On 25 February 2015, an Audit Committee (“AC”) meeting was convened by the Company to review the full year unaudited financial results for the period ended 31 December 2014 (“FY2014 Unaudited Results”). During the meeting, the AC had raised a number of queries contained in the FY2014 Unaudited Results which was prepared by Management. The queries were relating to additional audit procedure to be performed and/or explanation from Management in the following matters:-

(a) cash and bank balances;

(b) sales and purchases invoices;

(c) account receivables and payable;

(d) advances to suppliers; and

(e) the status of qingdao land.

The AC had suggested to Management to carry out follow-up procedure in view of the abovementioned matters. As Management had limited time and resources to attend to the queries, the Company then applied to SGX for an extension of time to announce FY2014 unaudited Results on or before 31 March 2015. On 30 March 2015, a further extension of time to announce FY2014 unaudited Results on or before 30 June 2015 was applied by the Company pursuant to the substantial amount of works involved and the Company was not receiving full support of other parties (i.e. suppliers, bank, purchasers, etc). As a result of the foregoing applications, the Company’s annual general meeting for financial year ended 31 December 2014 has been postponed to 31 August 2015.

BOARD MATTERS

Principle 1: THE BOARD’S CONDUCT OF AFFAIRS

As at the date of this Annual Report, the Board comprises six directors, which includes three Executive Directors, one Non-Executive Director who is also the Non-Executive Chairman and two Independent Non-Executive Directors, all of whom are from different disciplines and bring with them a diverse range of experience which will enable them to contribute effectively to the Company.

The principal functions of the Board, apart from its statutory responsibilities, include:

- reviewing and overseeing the management of the Group’s business affairs and financial controls, performance and resource allocation;

- approving matters such as corporate strategy and business plans, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets and major corporate policies on key areas of operations; and
Corporate Governance Report

- approving the release of the Group’s quarterly and full-year financial results and related party transactions of a material nature.

Delegation of the Board

The Board has delegated specific responsibilities to three committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") to assist in the execution of its responsibilities. These committees operate within clearly defined terms of reference. All Board committees are actively engaged and play an integral role in ensuring good corporate governance in the Company and within the Group.

Attendance at Board and Board Committee Meetings

The schedule of all Board and Board committees meetings and annual general meeting for the next calendar year is planned ahead at the beginning of each financial year, in consultation with the directors. It is the practice of the Board to meeting up at least once every quarter. It also holds ad-hoc meetings as and when circumstances require. The Board and Board committees may also make decisions by way of circulating resolutions. The Company’s Articles of Association provide for meetings of Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or other means.

The attendance of the Directors at Board and committee meetings during the financial year under review is tabulated below:

<table>
<thead>
<tr>
<th>Name of Directors</th>
<th>Number of Meetings Held</th>
<th>Number of Meetings Attended</th>
<th>Number of Meetings Held</th>
<th>Number of Meetings Attended</th>
<th>Number of Meetings Held</th>
<th>Number of Meetings Attended</th>
<th>Number of Meetings Held</th>
<th>Number of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wang Zhi Wei</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Song Jian Sheng</td>
<td>4</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ling Yew Kong</td>
<td>4</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ye Changlu(1)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Er Kwong Wah</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tan Yew Chee, William</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Note:

(1) Mr Ye Changlu was appointed as Executive Director of the Company on 20 May 2015.

Matters Requiring Board Approval

Matters which are specifically reserved for the decision of the full Board include:

- group strategy, business plan and annual budget;
- material acquisition and disposal of assets;
- capital-related matters including financial re-structure, market fund-raising;
- share issuances, interim dividends and other returns to shareholders; and
- any investment or expenditures exceeding set material limit.

While matters relating to the Group’s objectives, strategies and policies require the Board’s decision and approval, Management is responsible for the day-to-day operation and administration of the Group.
Board Orientation and Training

When a new director is to be appointed, proper briefing or explanation will be given to the new director in respect of the regulatory requirements that a director has to comply with on appointment, and the on-going obligations of a director under the Companies Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX") and other regulatory requirements. In addition, the director is also given access to the Board resources, including the Company’s constitutional and governing documents, Board and each committee’s terms of reference, the Group’s policies, Annual Reports, Board meeting papers and other pertinent information for his reference.

In addition, the Company shall conduct an orientation programme for newly appointed directors to familiarize them with the businesses, operations, financial performance and key management staff of the Group. They also have the opportunity to visit the Group’s operational facilities and meet with management to obtain a better understanding of the business operations.

All directors who have no prior experience acting as directors of a listed company will undergo the necessary training and briefing on the roles and responsibilities as directors of a listed company. The Directors may also attend other appropriate courses, conferences and seminars at the Company’s expenses.

Principle 2: BOARD COMPOSITION AND GUIDANCE

Currently, the Board comprises three Executive Directors, two Independent Non-Executive Directors and one Non-Executive Chairman. The current number of Independent Non-Executive Directors of the Company has fulfilled the Code’s requirement that at least one-third of the Board members should comprise of Independent Non-Executive Directors. As at the date of this report, the Board comprises the following directors:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Board Membership</th>
<th>Audit Committee</th>
<th>Nominating Committee</th>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wang Zhi Wei</td>
<td>Non-Executive (Chairman)</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
</tr>
<tr>
<td>Song Jian Sheng</td>
<td>Executive</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Ling Yew Kong</td>
<td>Executive (CEO)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Ye Chang Liu(1)</td>
<td>Executive</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Er Kwong Wah</td>
<td>Independent Non-Executive</td>
<td>Chairman</td>
<td>Member</td>
<td>Chairman</td>
</tr>
<tr>
<td>Tan Yew Chee, William</td>
<td>Independent Non-Executive</td>
<td>Member</td>
<td>Chairman</td>
<td>Member</td>
</tr>
</tbody>
</table>

Note:
(1) Mr Ye Changliu was appointed as Executive Director of the Company on 20 May 2015.

Board Independence

The criterion of independence is based on the guidelines provided in the 2012 Code. The Board considers an “independent” director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement with a view to the best interests of the Group.

Each Independent Non-Executive Director is required to complete a Director’s Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. For FY2014, the NC is of the view that all its Independent Non-Executive Directors have satisfied such criteria of independence as a result of its review. The independence of each Independent Non-Executive Director will be reviewed annually by the NC, particularly the Independent Non-Executive Director whom have served the Company beyond nine (9) years from the date of his first appointment. Mr Er Kwong Wah, who has been served with the Company more than 9 years has been reviewed by NC for his independent. NC is satisfied on his independence as a result of the review.
Corporate Governance Report

Board Composition and Size

The Board’s composition, size, and balance are reviewed annually by the NC to ensure that the Board has the core competencies for effective functioning and informed decision-making. Board renewal and tenure are considered together and weighed for relevant benefit in the foreseeable circumstances which are appropriate for the size and nature of activities of the Group’s businesses.

The Directors consider the Board’s present size of 6 members and composition appropriate to facilitate effective decision making, taking into account the nature and scope of the Group’s operations, the wide spectrum of skills and knowledge of the Directors. The biographies of the Directors are set out in this Annual Report.

The Independent Non-Executive Directors also communicate regularly to discuss matters such as the Group’s financial performance, corporate governance initiatives and the remuneration of the Executive Directors and executive officers. Where necessary, the Independent Non-Executive Directors meet and discuss on the Group’s affairs without the presence of Management.

Principle 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Non-Executive Chairman and Chief Executive Officer are separate individuals and not related to each other. The duties of the Non-Executive Chairman and the Chief Executive Officer are distinct to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The requirement of the Code that the roles of Chairman and Chief Executive Officer be separate is therefore met in the case of the Company.

The Non-Executive Chairman, Mr Wang Zhi Wei is responsible for developing the overall strategic directions of our Group. He also plays an important role in facilitating board proceedings (such as preparing meeting agenda in consultation with the Chief Executive Officer and Executive Director) as well as assisting in compliance with the Company’s guidelines on corporate governance.

The Chief Executive Officer, Mr Ling Yew Kong, is responsible for overall Group’s corporate strategies. He also takes an active role in the major investment and funding strategies.

Principle 4: BOARD MEMBERSHIP

The NC comprises the following members:

Tan Yew Chee, William (Chairman)
Er Kwong Wah
Wang Zhi Wei

Mr Tan Yew Chee, William, as NC Chairman, and Mr Er Kwong Wah are Independent Non-Executive Directors, whilst Mr Wang Zhi Wei is the Non-Executive Chairman.

The terms of reference of the NC have been approved and adopted. The duties and powers of the NC include:

- making recommendations to the Board on all Board appointments and re-nominations having regard to the director’s contribution and performance (such as attendance, preparedness, participation and candour);
- ensuring that all directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- determining annually whether a director is independent in accordance with paragraph 2.3 of the Code;
- formulating and deciding whether a director is able to and has adequately carried out his duties as a director of the Company, in particular, where the director concerned has multiple board representations; and
- assessing the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.
Corporate Governance Report

Directors’ Time Commitment

As a director’s ability to commit time to the Group’s affairs is essential for his contribution and performance, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is ten and all Directors have complied.

Selection Criteria and Nomination Process for New Directors

In the selection process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board’s overall effectiveness. Potential candidates are identified from various sources. Thereafter, the NC conducts an initial assessment to review a candidate’s qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates’ independence, expertise, background and right skills will be considered before the NC makes its recommendations to the Board.

Rotation and Re-election of Directors

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 86 of the Company’s Articles of Association, one-third of the Directors shall retire from office at least once every three years at the Company’s Annual General Meeting (“AGM”). In addition, Article 86 of the Company’s Articles of Association provides that the retiring directors are eligible to offer themselves for re-election.

At the forthcoming AGM, Mr Er Kwong Wah and Mr Tan Yew Chee, William will be retiring by rotation pursuant to Article 86(1) of the Company’s Articles and Association. While Mr Er Kwong Wah who is eligible for re-election has offered himself for re-election. Mr Tan Yew Chee, William has notified the Company that he will not be seeking re-election at the forthcoming AGM. The key information on Mr Er Kwong Wah and Mr Tan Yew Chee, William can be found in the ‘Board of Directors’ section of the Annual Report.

Key Information on Directors

Key information on each Director is set out on page 6 of the Annual Report.

The dates of initial appointment of each Director, together with their directorships in other listed companies are set out below:

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Appointment</th>
<th>Date of initial appointment</th>
<th>Date of last re-election</th>
<th>Current Directorships in listed companies</th>
<th>Past Directorships in listed companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wang Zhi Wei</td>
<td>Non-Executive Chairman</td>
<td>25 May 2005</td>
<td>22 April 2014</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Age: 45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ling Yew Kong</td>
<td>Chief Executive Officer</td>
<td>13 September 2012</td>
<td>22 April 2014</td>
<td>None</td>
<td>Moya Holdings Asia Limited</td>
</tr>
<tr>
<td>Age: 49</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Communication Design International Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Metronic Global Berhad</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Firstlink Investments Corporation Limited</td>
</tr>
<tr>
<td>Song Jian Sheng</td>
<td>Executive Director</td>
<td>25 May 2005</td>
<td>22 April 2014</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Age: 51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ye Chang Liu</td>
<td>Executive Director</td>
<td>20 May 2015</td>
<td>–</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Age: 37</td>
<td></td>
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</tr>
</tbody>
</table>
### Name of director       Appointment       Date of initial appointment       Date of last re-election       Current Directorships in listed companies       Past Directorships in listed companies

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Appointment</th>
<th>Date of initial appointment</th>
<th>Date of last re-election</th>
<th>Current Directorships in listed companies</th>
<th>Past Directorships in listed companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Er Kwong Wah Age: 70</td>
<td>Non-Executive Director</td>
<td>2 August 2005, resigned on 5 January 2012, and re-appointed on 13 September 2012</td>
<td>22 April 2014</td>
<td>China Essence Group Ltd.</td>
<td>ASA Group Holdings Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cosco Corporation (Singapore) Limited</td>
<td>International Capital Investment Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Eucon Holding Limited</td>
<td>Sun East Group Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>GKE Corporation Limited</td>
<td>The Thai Prime Fund Limited</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>China Oilfield Technology Limited</td>
<td>Hartawan Holdings Limited</td>
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<tr>
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<td></td>
<td>CFM Holdings Limited</td>
<td>Firstlink Investments Corporation Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CY Foundation Group Limited</td>
<td></td>
</tr>
</tbody>
</table>

| Tan Yew Chee, William  | Non-Executive Director       | 13 September 2012                  | 22 April 2014       | None       | None       |
| Age: 48                |                                |                                  |                                | |

### Principle 5: BOARD PERFORMANCE

The Board’s performance is linked to the overall performance of the Group. The Board should ensure compliance with the applicable laws and the Board members should act in good faith, with due diligence and care in the best interest of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. The Board performance assessment is undertaken collectively and informally on a continual basis by the NC with input from the other Board members. A formal review of the Board’s performance is conducted annually by way of a Board Assessment Checklist, which is circulated to the Board members for completion and thereafter, for the NC to review to determine the actions required to improve the corporate governance of the company and effectiveness of the Board and committees of the Board.

Individual assessment of directors for financial year ended 31 December 2014 had been conducted The criteria for assessment include performance of principal functions and fiduciary duties, level of participation at meetings and individual attendance record.

The NC has assessed the current Board’s performance to-date and is of the view that the performance of the Board as a whole is adequate to measure the effectiveness of the Board’s performance. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

### Principle 6: ACCESS TO INFORMATION

Management acknowledges the importance of the complete, adequate and timely supply of information. Agenda, board papers and related materials, background or explanatory information relating to matters to be discussed at the Board meeting and Board committee meetings are distributed to all Directors in advance to allow sufficient time for Directors to prepare for meetings and facilitate the effective discussion during meetings. Any additional materials or information requested by the Directors is promptly furnished.

Any material variance between the actual results and the budgets will be explained to the Board at the relevant time at the Board or Board committee meetings. Should Directors, whether as a group or individually, require professional advice, the Group, upon direction by the Board, shall appoint a professional advisor selected by the Group or the individual, approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.
Corporate Governance Report

The Company Secretary attends all Board meetings and is responsible to the Board for advising on the implementation of the Group’s compliance requirements pursuant to the relevant statutes and regulations. All Directors have separate and independent access to the advice and services of the Company Secretary.

REMUNERATION MATTERS

Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

As at the date of this Annual Report, the RC comprises the following members:

Er Kwong Wah (Chairman)
Tan Yew Chee, William
Wang Zhi Wei

Mr Er Kwong Wah and Mr Tan Yew Chee, William are Independent Non-Executive Directors, whilst Mr Wang Zhi Wei is a Non-Executive Chairman.

The terms of reference of the RC have been approved and adopted. The duties and powers of the RC include:

– recommending to the Board a framework of remuneration for the directors and senior management;

– determining specific remuneration packages for each Executive Director. The RC should cover all aspects of remuneration including but not limited to directors’ fees, salaries, allowances, bonuses, options and benefits in kind. In setting remuneration packages, the RC should be aware of pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company’s relative performance and the performance of individual Directors;

– the remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised;

– in the case of service contracts of Directors, reviewing and recommending to the Board the terms of renewal of the service contracts. There should be a fixed appointment period for all directors after which they are subject to re-election. The service contracts should not be excessively long or with onerous removal clauses. The RC should consider what compensation commitments the directors’ contracts of service, if any, would entail in the event of early termination. The RC should aim to be fair and avoid rewarding poor performers; and

– considering the various disclosure requirements for directors’ and key executives’ remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

Procedure for setting Remuneration

The Executive Directors’ remuneration packages are based on service contracts. Independent Non-Executive Directors are paid yearly directors’ fees of an agreed amount and these fees are subject to shareholders’ approval at AGM.

The RC’s recommendations are submitted for endorsement by the entire Board. The overriding principle is that no director should be involved in deciding his own remuneration.

Principle 8: LEVEL AND MIX OF REMUNERATION

Remuneration of Executive Directors and Key Management Personnel

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors are commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry and in comparable companies. The remuneration package also takes into account the Company’s relative performance and the performance of individual Directors.
The Non-Executive and Independent Non-Executive Directors are paid Directors’ fees, taking into account factors such as effort and time spent, and responsibilities of the Directors. Directors’ fees are recommended by the Board for approval at the Company’s AGM.

The Executive Directors do not receive Directors’ fees. The remuneration packages of the Executive Directors include a basic salary. A service agreement is entered into between the Company and the Executive Director. Under the service agreements, the remuneration of each of the Executive Directors is subject to review by the RC before end of year of service. The RC shall review the terms of the service agreements when they are renewed upon expiry. There are no excessively long or onerous removal clauses in these service agreements. Non-executive Directors and Independent Directors do not have service agreements with the Company.

Remuneration of Non-Executive Directors

The Independent Non-Executive Directors receive directors’ fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving the Board and Board Committees. For the financial year ended 31 December 2014, directors’ fees of S$137,000 are recommended by the Board and are subject to the approval of shareholders at the Company’s AGM to be held on 31 August 2015.

Principle 9: DISCLOSURE ON REMUNERATION

Taking note of the competitive pressures in the talent market, the Company decided not to disclose the remuneration of the Company’s directors and key management personnel. However, details of the remuneration of Executive Directors of the Company and top five key management personnel of the Group for the financial year ended 31 December 2014 (in percentage terms) are set out below:

<table>
<thead>
<tr>
<th>Remuneration bands</th>
<th>Salary(1) %</th>
<th>Variable or performance related income/ bonuses(2) %</th>
<th>Directors’ fees %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below S$250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wang Zhi Wei(3)</td>
<td>100</td>
<td>–</td>
<td>–</td>
<td>100</td>
</tr>
<tr>
<td>Song Jian Sheng</td>
<td>37</td>
<td>63</td>
<td>–</td>
<td>100</td>
</tr>
<tr>
<td>Er Kwong Wah</td>
<td>–</td>
<td>–</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Ling Yew Kong</td>
<td>100</td>
<td>–</td>
<td>–</td>
<td>100</td>
</tr>
<tr>
<td>Tan Chee, William</td>
<td>–</td>
<td>–</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Executive Officers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below S$250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chen Xiang Dong</td>
<td>61</td>
<td>39</td>
<td>–</td>
<td>100</td>
</tr>
<tr>
<td>Wu Yi</td>
<td>46</td>
<td>54</td>
<td>–</td>
<td>100</td>
</tr>
<tr>
<td>Huang Qing Fa</td>
<td>51</td>
<td>49</td>
<td>–</td>
<td>100</td>
</tr>
<tr>
<td>Zhang Shun Da</td>
<td>53</td>
<td>47</td>
<td>–</td>
<td>100</td>
</tr>
<tr>
<td>Lee Chong Ping(4)</td>
<td>100</td>
<td>–</td>
<td>–</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes:

(1) Salary is inclusive of salary, allowances, social contributions and pension funds.

(2) The grant of variable or performance bonus to the Executive Directors and key management personnel is based on the performance of the Group as whole and their individual performance.

(3) Save and except pension fund and social contribution, no salary was drawn by Mr Wang Zhi Wei.

(4) Lee Chong Ping resigned as Financial Controller on 31 May 2015. The disclosure of his remuneration is made up to 31 December 2014.
In aggregate, the total remuneration paid to the top five key management personnel in financial year ended 2014 is approximately RMB 2,235,000.

The China Sky Employees Share Option Scheme (the “Scheme”) administered by the RC was approved by shareholders of the Company on 30 July 2005. The Scheme complies with the relevant rules as set out in Chapter 8 of the Listing Manual of the SGX (“Listing Manual”). The Scheme will provide eligible participants with an opportunity to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of the Company and/or Group.

There were no share options granted in FY2014. The details of the Scheme are disclosed in the “Directors’ Report” and the “Notes to the Financial Statements” of the Annual Report.

There is no employee in the Group who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the financial year ended 31 December 2014.

ACCOUNTABILITY AND AUDIT

Principle 10: ACCOUNTABILITY

The Board has provided shareholders with financial statements for the first to three quarters and full financial year within the timeframe in line with Rule 705 of the Listing Manual. In presenting the annual and quarterly financial statement to shareholders, the Board will provide the shareholders with a balanced and understandable analysis and explanation of the Group’s financial performance, position and prospects.

Management will provide the Board with management accounts, operation review and related explanation and any other information as the Board may require together with the financial statements on a quarterly basis. The Audit Committee reviews the financial statements and reports to the Board for approval. The Board authorises the release of the results to the SGX and the public via SGXNET.

The Board will also provide negative assurance confirmation to shareholders for the quarterly financial statements in accordance with Rule 705(5) of the Listing Manual.

Principle 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

As the Group does not have a risk management committee, the Board, AC and Management assume the responsibility of the risk management function. Management reviews regularly the Group’s business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

During the financial year, the Group’s internal and external auditors had also reviewed the internal accounting controls that are relevant to their audit. Any non-compliance and recommendation for improvement were reported to the AC.

The Company has also appointed a compliance advisor to advise the board of director and relevant committee for the matters relating to the continuing obligations as stated under the Listing Manual.
The AC makes enquiries with, and relies on reports from the external and internal auditors on any material non-compliance and internal control weaknesses. The external auditors, in the course of conducting their annual audit procedures on the statutory financial statements, also reviewed the Group’s significant internal financial controls to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal financial control weaknesses noted by the external and internal auditors are reported to the AC together with their recommendations. The AC has reviewed with external and internal auditors their findings during their audit for the financial year under review.

On 25 February 2015, the AC had raised a number of queries contained in the FY2014 Unaudited Results which was prepared by the Management. The queries were relating to additional audit procedure to be performed and/or explanation from the Management in the following matters:—

(a) cash and bank balances;
(b) sales and purchases invoices;
(c) account receivables and payable;
(d) advances to suppliers; and
(e) the status of qingdao land.

The Management then implemented appropriate actions to rectify the weaknesses highlighted.

Based on the work performed by the external and internal auditors and the reviews performed by Management, AC and the Board, the AC and the Board are of the opinion that the Group’s risk management and internal controls, addressing financial, operational, compliance and information technology risks, were adequate as at 31 December 2014. This is in turn supported by assurance from the CEO and Financial Controller that:

(a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances and are in accordance with the relevant accounting standards; and
(b) they have evaluated the effectiveness of the Company’s risk management and internal controls systems and have discussed with the Company’s external and internal auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Company’s ability to record, process, summarise or report financial data.

**Whistle-blowing Policy**

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

There were no whistle-blowing letters received during the year and until the date of this report.

**Principle 12: AUDIT COMMITTEE**

The AC comprises the following members:

Er Kwong Wah (Chairman)
Tan Yew Chee, William
Wang Zhi Wei

Mr Er Kwong Wah and Mr Tan Yew Chee, William are Independent Non-Executive Directors, whilst Mr Wang Zhi Wei is the Non-Executive Chairman.
The terms of reference of the AC have been approved and adopted. The roles and functions of the AC include:

- reviewing with the external auditors their audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the Management’s response;

- reviewing the internal control and procedures and ensuring co-ordination between the external auditors and the Management, reviewing the co-operation and assistance given by the Management to the external auditors, and discussing problems and concerns, if any, arising from the interim and final audits and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);

- ensuring that a review of the effectiveness of the Company’s material internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually by the external auditors;

- reviewing and ensuring the integrity of the financial statements of the Group before submission to the Board focusing in particular, on significant financial reporting issues, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/ regulatory requirements;

- commissioning, reviewing and discussing with the external auditors, if necessary, any suspected fraud or irregularity, or suspected failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group’s operating results and/or financial position, and the Management’s response;

- reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors, and where the external auditors also supply a substantial volume of non-audit services to the Company, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;

- reviewing the independence of the external auditors annually, and recommending to the Board the appointment, re-appointment or removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;

- approving internal control procedures and arrangements for all interested person transactions;

- ensuring that arrangements are in place for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence and that there is independent investigation of such matters and for appropriate follow up action;

- reviewing transactions falling within the scope of the SGX-ST Listing Manual, in particular, matters pertaining to Interested Person Transactions and Acquisitions and Realisations as laid down in Chapters 9 and 10 respectively;

- reviewing any potential conflicts of interests;

- undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

- generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

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

The AC meets with the external auditors, without the presence of the Management, at least annually.

The Company has complied with Rules 712 and 715 of the Listing Manual in the appointment of its external auditors.
For the year ended 31 December 2014, the amount of audit fees paid or payable to external auditors (i.e. RT LLP) of the Group amounted to RMB 920,000 (SGD 200,000). No non-audit services was carried out by the external auditor during the financial year.

**Principle 13: INTERNAL AUDIT**

The Company has engaged Messrs BDO LLP as an internal auditor to conduct review of the systems of internal controls in selected areas and to report independently the findings and recommendations of any internal control weaknesses to the AC and to the Management for remedial action.

The internal auditors have a direct and primary reporting line to the Chairman of the AC and the internal auditors would report administratively to the Chief Executive Officer and assist the Board in monitoring and managing business risks and internal controls of the Group. The AC reviews and approves the internal audit plan prior to the commencement of the audit. Reports from the internal auditors containing the summary of findings and recommendations for improvements (if any), are tabled and discussed at meetings by the AC members.

The internal auditors have unfettered access to all the Company’s documents, records, properties and personnel, including access to the AC. The internal auditors carry out its function according to the standards set by nationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

**Principle 14: SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

The Company’s corporate governance culture and awareness promotes fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Articles of Association of the Company and other relevant laws. All shareholders are treated fairly and equitably.

The Company respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

**Principle 15: COMMUNICATION WITH SHAREHOLDERS**

The Company’s quarterly, half year and full year announcements are issued via SGXNET. The Company discloses all material information on a timely basis and to all shareholders.

The Company supports the Code’s principle to encourage communication with and participation by shareholders. Shareholders are encouraged to attend the Annual General Meeting (AGM) to ensure a greater level of shareholder participation. The Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in place of the shareholder. Shareholders are given the opportunity to pose questions to the Board or the Management at the AGM. The members of the AC, NC and RC will be present at the AGM to answer questions relating to matters overseen by the committees. The external auditors will also be present to assist the directors in addressing any queries posed by the shareholders.

The Company does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group’s profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend declared for the current financial year pursuant to the operating loss suffered by the Company.

**Principle 16: CONDUCT OF SHAREHOLDER MEETINGS**

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the mandatory period. Notice of general meeting is announced through SGXNET.
Corporate Governance Report

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholders’ approval is proposed as a separate resolution. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of general meeting to all shareholders. A shareholder may appoint up to two proxies to attend and vote on his behalf at the meeting through proxy forms deposited 48 hours before the meeting. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, Management, Company Secretary, external auditors and legal advisors (if necessary), attend the general meetings. The procedures of general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Director on their views on matters relating to the Company. To enhance shareholder participation, the Company’s Articles of Association allow all resolutions at general meetings to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the general meetings.

The polling results are also announced to the SGX and posted on the Company’s website after the meetings.

INTERESTED PERSON TRANSACTIONS

The Company is required to comply with the requisite rules under Chapter 9 of the Listing Manual for interested person transactions. An interested person transaction of a value equal to or more than 3% of the Group’s latest audited net tangible assets will be approved by the AC prior to entry into such transactions.

All interested person transactions will be properly documented and submitted to the AC for quarterly review 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 interested person transaction, he will abstain from reviewing that particular transaction.

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

During FY2014, there were no interested person transactions under review.

INTERNAL CODE ON DEALINGS IN SECURITIES

The Group has adopted and implemented policies in line with the 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 the Management who may possess unpublished material price-sensitive information of the Group.

The Group has procedures in place prohibiting the Company and its Directors and officers from dealing in the Company’s shares during the two weeks before the announcement of the Company’s financial statements for each of the first to three quarters of its financial year and the one month before the announcement of the Company’s full year financial statements (“Prohibited Periods”), or if they are in possession of 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.

The Board confirms that for the financial year ended 31 December 2014, the Company has complied with the Rule 1207(19) of the Listing Manual.
Statistics of Shareholdings
As at 3 August 2015

Number of shares : 799,160,349 (excluded 15,416,121 treasury shares)
Class of shares : Ordinary shares fully paid
Voting rights : One vote of each ordinary share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 3 AUGUST 2015

<table>
<thead>
<tr>
<th>SIZE OF SHAREHOLDINGS</th>
<th>NO. OF SHAREHOLDERS</th>
<th>%</th>
<th>NO. OF SHARES</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 99</td>
<td>3</td>
<td>0.11</td>
<td>104</td>
<td>0.00</td>
</tr>
<tr>
<td>100 - 1,000</td>
<td>126</td>
<td>4.41</td>
<td>125,225</td>
<td>0.01</td>
</tr>
<tr>
<td>1,001 - 10,000</td>
<td>966</td>
<td>33.82</td>
<td>6,479,834</td>
<td>0.81</td>
</tr>
<tr>
<td>10,001 - 1,000,000</td>
<td>1,729</td>
<td>60.54</td>
<td>138,469,000</td>
<td>17.33</td>
</tr>
<tr>
<td>1,000,001 AND ABOVE</td>
<td>32</td>
<td>1.12</td>
<td>654,086,186</td>
<td>81.85</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,856</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>799,160,349</td>
<td>100.00</td>
</tr>
</tbody>
</table>

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 3 August 2015, approximately 52.96% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by SGX-ST is complied with.

TWENTY LARGEST SHAREHOLDERS AS AT 3 AUGUST 2015

<table>
<thead>
<tr>
<th>NAME OF SHAREHOLDERS</th>
<th>NO. OF SHAREHOLDINGS</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 HL BANK NOMINEES (S) PTE LTD</td>
<td>319,007,479</td>
<td>39.92</td>
</tr>
<tr>
<td>2 RAFFLES NOMINEES (PTE) LTD</td>
<td>99,967,000</td>
<td>12.51</td>
</tr>
<tr>
<td>3 CITIBANK NOMINEES SINGAPORE PTE LTD</td>
<td>35,090,300</td>
<td>4.39</td>
</tr>
<tr>
<td>4 PHILLIP SECURITIES PTE LTD</td>
<td>29,749,000</td>
<td>3.72</td>
</tr>
<tr>
<td>5 ANG KONG MENG</td>
<td>27,323,000</td>
<td>3.42</td>
</tr>
<tr>
<td>6 MORGAN STANLEY ASIA (S) SECURITIES PTE LTD</td>
<td>25,170,000</td>
<td>3.15</td>
</tr>
<tr>
<td>7 UOB KAY HIAN PTE LTD</td>
<td>21,646,407</td>
<td>2.71</td>
</tr>
<tr>
<td>8 DBS VICKERS SECURITIES (S) PTE LTD</td>
<td>14,423,000</td>
<td>1.80</td>
</tr>
<tr>
<td>9 HONG LEONG FINANCE NOMINEES PTE LTD</td>
<td>9,566,000</td>
<td>1.20</td>
</tr>
<tr>
<td>10 DBS NOMINEES PTE LTD</td>
<td>8,726,000</td>
<td>1.09</td>
</tr>
<tr>
<td>11 HSBC (SINGAPORE) NOMINEES PTE LTD</td>
<td>7,770,000</td>
<td>0.97</td>
</tr>
<tr>
<td>12 NOMURA SINGAPORE LIMITED</td>
<td>7,402,000</td>
<td>0.93</td>
</tr>
<tr>
<td>13 OCBC SECURITIES PRIVATE LTD</td>
<td>7,081,000</td>
<td>0.89</td>
</tr>
<tr>
<td>14 MAYBANK KIM ENG SECURITIES PTE LTD</td>
<td>6,065,000</td>
<td>0.76</td>
</tr>
<tr>
<td>15 DBSN SERVICES PTE LTD</td>
<td>3,520,000</td>
<td>0.44</td>
</tr>
<tr>
<td>16 KOH PANG KIN</td>
<td>3,000,000</td>
<td>0.38</td>
</tr>
<tr>
<td>17 BNP PARIBAS NOMINEES SINGAPORE PTE LTD</td>
<td>2,747,000</td>
<td>0.34</td>
</tr>
<tr>
<td>18 LO KAI LEONG @ LOH KAI LEONG</td>
<td>2,654,000</td>
<td>0.33</td>
</tr>
<tr>
<td>19 CH'NG ENG SIN</td>
<td>2,509,000</td>
<td>0.31</td>
</tr>
<tr>
<td>20 HO KUM LOON</td>
<td>2,400,000</td>
<td>0.30</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>635,815,186</strong></td>
<td><strong>79.56</strong></td>
</tr>
</tbody>
</table>
Statistics of Shareholdings
As at 3 August 2015

Treasury shares

As at 3 August 2015, the Company held 15,416,121 treasury shares representing 1.93% of the total issue shares excluding treasury shares.

SUBSTANTIAL SHAREHOLDERS

<table>
<thead>
<tr>
<th>Direct Interest</th>
<th>Deemed Interest</th>
<th>Total Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Shares</td>
<td>%</td>
<td>No. of Shares</td>
</tr>
<tr>
<td>Rock Mart Equities Ltd (1)</td>
<td>292,179,879</td>
<td>36.56</td>
</tr>
<tr>
<td>Asia Fountain Investment Company Limited(2)</td>
<td>83,791,000</td>
<td>10.48</td>
</tr>
<tr>
<td>Hong Leong Investment Holdings Pte. Ltd.(2)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Quek Leng Chan(2)</td>
<td>83,791,000</td>
<td>10.48</td>
</tr>
<tr>
<td>Guoline Capital Assets Limited(2)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Guoline Overseas Limited(2)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Hong Leong Company (Malaysia) Berhad(2)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>HL Holdings Sdn Bhd(2)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dao Heng Enterprises Limited (2)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Guoco Group Limited (2)</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes:-

(1) The shareholders of Rock Mart Equities Ltd ("Rock Mart") are Mr Huang Zhong Xuan and Mr Cheung Wing Lin. In the Company’s announcement dated 12 February 2015, it was disclosed that Mr Huang Zhong Xuan has entered into a sale and purchase agreement to dispose all his interest in Rock Mart to a strategic investor, Mr Zheng Kai Su ("Mr Zheng"). Such disposal is conditional upon (i) the confirmation by the Securities Industry Council ("SIC") that the acquisition of shares by Mr Zheng will not trigger the mandatory offer pursuant to the Singapore Code on Take-overs and Mergers; and (ii) resumption of trading. Upon completion of the disposal and after trading resumption, Mr Zheng would be deemed to hold 292,179,879 shares in the Company.

(2) Hong Leong Investment Holdings Pte. Ltd, Quek Leng Chan, Guoline Capital Assets Limited, Guoline Overseas Limited, Hong Leong Company (Malaysia) Berhad, HL Holdings Sdn Bhd, Dao Heng Enterprise Limited, and Guoco Group Limited are deemed to be interested in 83,791,000 Shares held by Asia Fountain Investment Company Limited by virtue of Section 7 of the Companies Act.
NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA SKY CHEMICAL FIBRE CO., LTD. will be held at Vine I Ballroom, Metropolitan YMCA Singapore, 60 Stevens Road, Singapore 257854, on Monday, 31 August 2015 at 9.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Directors’ Report and the Audited Accounts for the financial year ended 31 December 2014 together with the Auditors’ Report thereon. (Resolution 1)

2. To approve payment to the Directors of Directors’ fees of S$ 137,000 accrued for the financial year ending 31 December 2015 (Resolution 2)

3. To re-elect the following Directors retiring pursuant to Article 86(1) of the Company’s Articles of Association:-

(a) Mr Er Kwong Wah [see Explanatory Note (i)] (Resolution 3)

(b) Mr Tan Yew Chee, William

Mr Tan Yew Chee, William is retiring at the meeting pursuant to Article 86(1) of the Company’s Articles of Association, and has notified the Company that he will not be seeking re-election as a Director at the meeting. (Resolution 4)

4. To re-elect the following Directors retiring pursuant to Article 85(6) of the Company’s Articles of Association:-

(a) Mr Ye Changliu (Resolution 5)

5. To re-appoint RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

6. 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 any modifications:-

7. Authority to issue shares

“That pursuant to the Articles of Association and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

(a) (i) allot and issue shares in the capital of the Company ("Shares") (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 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):

(i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the Directors while this Resolution was in force; and

(ii) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force or such additional Instruments in (b)(i) above,
Notice of Annual General Meeting

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, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 15% of the Company's total number of issued Shares (excluding treasury shares, if any) (as calculated in accordance with sub-paragraph (2) below); and

(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 total number of issued Shares (excluding treasury shares, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution, after adjusting for:-

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and

(c) 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 rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; 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 (iii)]

Resolution 7)

BY ORDER OF THE BOARD

TAN CHEE HOW
Company Secretary
Singapore
15 August 2015
EXPLANATORY NOTES:

(i) Mr Er Kwong Wah, if re-elected, will remain as Chairman of the Company’s Audit Committee, Remuneration Committee and Member of Nominating Committee. Mr Er Kwong Wah will be considered as an independent director of the Company.

(ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier, to allot and issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares of the Company. The percentage of the total number of issued shares excluding treasury shares is based on the Company’s total number of issued shares excluding treasury shares at the time the proposed Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time the proposed Ordinary Resolution is passed and (b) any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a General Meeting, expire at the next Annual General Meeting of the Company.

NOTES:

1. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be deposited at the office of the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00 Singapore 068938, at least forty-eight (48) hours before the time of the Meeting.