



CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) and the Management (the “**Management**”) of CEFC International Limited (the “**Company**”) are committed to maintaining a high standard of corporate governance and endeavour to comply with the principles and guidelines of the Code of Corporate Governance 2012 (the “**Code**”).

The Board and the Management believe that corporate governance is an integral element of a sound corporation as it promotes corporate transparency and protects and enhances shareholders’ interest.

This report outlines the main corporate governance practices and processes with specific reference to the guidelines of the Code that were in place during the financial year commencing 1 January 2016 to 31 December 2016 (“**FY2016**”). The Board notes that the Company has generally complied with the spirit and intent of the Code but in areas where the Company deviates from the Code, the rationale is provided.

(A) BOARD MATTERS

Board’s Conduct of its 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.

The Board’s primary roles include but are not limited to the following:

- (a) providing entrepreneurial leadership;
- (b) setting and approving policies and strategies of the Group;
- (c) establishing goals for the Management, monitoring the achievement of these goals and reviewing the Management’s performance;
- (d) reviewing the remuneration packages of the Directors and key executives;
- (e) reviewing and approving the financial performance of the Group including its quarterly and full year financial results announcements;
- (f) reviewing the adequacy and effectiveness of the Company’s risk management, internal controls and the financial information reporting systems;
- (g) approving the nomination of Directors and appointments to the Board and/or the Board Committees (i.e. the Audit Committee, the Nominating Committee, the Remuneration Committee and the Risk Management Committee (collectively, “**Board Committees**”));
- (h) authorising major transactions such as fund raising exercises and material acquisitions;
- (i) setting the Company’s values and standards, and ensuring that obligations to shareholders and others are understood and met;
- (j) assuming responsibility for corporate governance of the Group; and
- (k) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets.

The Executive Directors supervise the management of the business and affairs of the Company. However, meetings of the Board are still held and/or resolutions in writing of the Board are circulated for matters which require the Board’s approval, including, but are not limited to the following:

- (a) review of the annual budget and the performance of the Group;

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- (b) review of the key activities and business strategies;
- (c) approval of the corporate strategy and direction of the Group;
- (d) approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;
- (e) material acquisitions and disposals;
- (f) corporate or financial restructuring and share issuances;
- (g) declaration of dividends and other returns to Shareholders; and
- (h) appointments of new Directors or key personnel.

A formal document setting out the following guidelines has been adopted by the Board:

- (a) the matters reserved for the Board's decision; and
- (b) clear directions to Management on matters that must be approved by the Board.

The Directors all have the right core competencies and diversity of experience which enable them to effectively contribute to the Company and its subsidiaries (collectively referred herein as the "Group"). The experience and competence of each Director contributes to the overall effective management of the Group.

All the Directors bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resource and standards of conduct and are obliged to act in good faith and to take objective decisions in the interest of the Group.

Board Processes

To assist in the execution of its responsibilities and to facilitate effective management, the Board has established the Board Committees. The effectiveness of each committee is constantly monitored. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lie with the entire Board. The Board has also established a framework for the management of the Group including a system of internal control. The members of the Board Committees as at the date of this Report are as set out below:

Name of Director	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Ooi Hoe Seong	Chairman	Member	Member	Chairman
Toh Hock Ghim	Member	Chairman	Member	Member
Ling Chi	Member	Member	Chairman	Member

The Board is committed to holding regular meetings to review the Company's operations and as and when required, it will not hesitate to hold additional meetings to address any specific significant matters that may arise. Details of the number of meetings held during the FY2016 are also set out below for your reference.

The agenda for all meetings of the Board and Board Committees were prepared in consultation with the Group's Board.



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Standing items include the management report, financial reports, strategic matters, governance, business risk issues and compliance. Executives were from time to time invited to attend the Board meeting to provide updates on operational matters. Further to the above, the Board also discussed matters relating to the Company in informal settings and written resolutions were also circulated amongst the Board members to decide appropriate actions to be taken in relation to the Company's operations.

The Bye-laws of the Company allows the Directors to participate in meetings of the Board and/or Board Committees by telephone conference or by means of similar communication equipment whereby all persons participating in the meetings are able to communicate as a group, without requiring the Directors' physical presence at the meetings.

The Board and Board Committees also circulate written resolutions to its members to regulate the business operations of the Company. The Board also conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

Board and Board Committees Meetings held in FY2016⁽¹⁾

The number of meetings held by the Board and Board Committees and attendance during FY2016 are as follows:

	Board ⁽²⁾		Audit Committee ⁽²⁾		Nominating Committee ⁽³⁾		Remuneration Committee ⁽³⁾		Risk Management Committee ⁽⁴⁾	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Zang Jian Jun	6	3	-	-	-	-	-	-	-	-
Zhao Guang Ming ⁽⁵⁾	6	-	-	-	-	-	-	-	-	-
Liu Zhong Qiu	6	4	-	-	-	-	-	-	-	-
Ooi Hoe Seong	6	4	4	4	1	1	1	1	2	2
Toh Hock Ghim	6	6	4	4	1	1	1	1	2	2
Ling Chi	6	6	4	4	1	1	1	1	2	2
Lu Da Chuan ⁽⁶⁾	6	2	-	-	-	-	-	-	-	-
Wen Jie ⁽⁷⁾	6	1	-	-	-	-	-	-	-	-
Liu Lei ⁽⁸⁾	6	1	-	-	-	-	-	-	-	-

Notes:

- ⁽¹⁾ The attendance of the Directors, including those acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Company Secretary prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company.
- ⁽²⁾ In addition to holding physical meetings, the Board and the Audit Committee were kept informed of the operations of the Company via email and telephone. Documents relating to the Company were circulated via email for the Board and Audit Committee's consideration and the Board, the Audit Committee and the Management also contacted each other on an informal basis to discuss these matters. Pursuant to their review, the Board and the Audit Committee passed resolutions in writing to approve matters relating to the Company's businesses.
- ⁽³⁾ In addition to holding physical meetings, documents relating to the Company, the re-election of certain members of the Board, the re-constitution of the Board Committees and remuneration packages ("**NC/RC Matters**") were circulated via email to the Nominating Committee and the Remuneration Committee. The members of each of the Nominating Committee and the Remuneration Committee contacted each other as well as the other members of the Board and the Management on an informal basis to discuss these matters. Pursuant to their review, the Nominating Committee and the Remuneration Committee passed resolutions in writing to approve NC/RC Matters.

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- ⁽⁴⁾ In addition to holding physical meetings, documents relating to the risk management structure of the Company, risk reporting model, controls and policies for risk management (“**RMC Matters**”) were circulated via email to the Risk Management Committee. The members of the Risk Management Committee contacted each other as well as the other members of the Board and the Management on an informal basis to discuss these matters. Pursuant to their review, the Risk Management Committee passed resolutions in writing to approve RMC Matters.
- ⁽⁵⁾ Mr Zhao Guang Ming was appointed to the Board with effect from 28 February 2017. Details of his appointment were contained in an announcement released via SGXNET on 30 December 2016.
- ⁽⁶⁾ Mr Lu Da Chuan was resigned from the Board with effect from 28 February 2017. Details of his resignation were contained in an announcement released via SGXNET on 30 December 2016.
- ⁽⁷⁾ Mr Wen Jie was resigned from the Board with effect from 19 May 2016. Details of his resignation were contained in an announcement released via SGXNET on 19 May 2016.
- ⁽⁸⁾ Mr Liu Lei was resigned from the Board with effect from 7 September 2016. Details of his resignation were contained in an announcement released via SGXNET on 12 July 2016.

Matters Requiring Board Approval

The Board’s approval is required for matters such as:

- (a) all announcements of the Group released via the SGXNET, in particular the Group’s quarterly and annual financial results;
- (b) the corporate strategy and direction of the Group, including major corporate policies on key areas of operations;
- (c) interested person transactions;
- (d) material acquisitions and disposals;
- (e) corporate and financial restructuring, including mergers and joint ventures;
- (f) major investments;
- (g) declaration of interim dividends and proposal of final dividends; and
- (h) appointments of new Directors and senior management.

All other matters are delegated to the Board Committees whose actions are reported to and monitored by the Board.

Training of Directors

All the newly appointed Directors were given an orientation to familiarise them with the Group’s business and governance practices. In addition, they were each provided with a memorandum setting out the duties and obligations of a director of a listed company.

All Directors appointed to the Audit Committee were also provided with the Guidebook for Audit Committee in Singapore issued by the Audit Committee Guidance Committee.

Directors are also encouraged to attend seminars and training courses to assist them in executing their obligations and responsibilities to the Company. Details of seminars and courses held by the Singapore Accounting & Corporate Regulatory Authority (“**ACRA**”), Singapore Institute of Directors and Singapore Exchange Securities Trading Limited (“**SGX-ST**”) are sent to the Directors via email for their consideration.



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Further to the above, the Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings or via email. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of business operations.

News releases issued by the SGX-ST and ACRA which are relevant to the Directors are circulated to the Board. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the Audit Committee and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

A formal letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

Board Composition and Balance

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% shareholder. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of the report, the members of the Board are set out below:

Name of Director	Position	Date of Initial Appointment
Zang Jian Jun	Executive Director/Executive Chairman	4 January 2012
Zhao Guang Ming	Executive Director/Chief Executive Officer	28 February 2017
Liu Zhong Qiu	Executive Director/Chief Operating Officer	2 December 2013
Ooi Hoe Seong	Lead Independent Director	30 December 2011
Toh Hock Ghim	Independent Director	30 December 2011
Ling Chi	Independent Director	7 February 2013


The Board comprised three Independent Directors, namely Mr Ooi Hoe Seong, Mr Toh Hock Ghim and Ms Ling Chi, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Group. The experience and competence of each Director contributes to the overall effective management of the Group.

For key information on these Directors, please refer to their profiles set out in this Report. Information relating to their respective shareholdings in the Company is also disclosed in the Report of the Directors contained in this Report.

Mr Zhao Guang Ming was appointed to the Board on 28 February 2017 and when appointing new Director, the Board and the then Nominating Committee took into consideration each Director's experience, qualifications and ability to contribute to the Company. After reviewing his curriculum vitae and declaration forms, the Board and the Nominating Committee were satisfied that the newly-appointed was of sufficient calibre and was able to contribute to the Board as well as the Company effectively.

In general, the Board and the Nominating Committee review the composition of the Board and the Board Committees regularly to ensure that they are well-constituted and comprise members of sufficient calibre and who contribute effectively to the Company. Pursuant to their review, the Board and the Nominating Committee are of the view that the current size and composition of the Board are appropriate for effective decision-making, having taken into account the nature of the businesses and current scope of operations of the Group as the Directors are business leaders and professionals with industry background and/or financial backgrounds. The Board's composition also enables the Management to benefit from a diverse and objective external perspective when issues are brought before the Board for discussion.

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As half of the Board comprises Independent Directors, the Company believes the Board is able to exercise independent judgment on corporate affairs and ensures that no one individual or groups of individuals dominate any decision making process.

Further to the above, the Nominating Committee reviews the independence of each of the Independent Directors annually. As part of their review process, the Nominating Committee requires the Independent Directors to complete and execute declaration forms in relation to their independence. These declaration forms are drawn up based on the guidelines on the Code. The Nominating Committee reviewed declaration forms executed by the Independent Directors as well as any declaration which they may make to determine their respective independence. Pursuant to its review, the Nominating Committee is of the view that Mr Ooi Hoe Seong, Mr Toh Hock Ghim and Ms Ling Chi are independent to the Group and the Management.

For avoidance of doubt, the criterion of independence is based on the definition given in the Code. The Board considers an “independent” director as one who has no relationship with the Company, its related companies, its shareholders who have an interests or interest in not less than 10% of the total votes attached to all the voting shares in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent judgment of the conduct of the Group’s affairs.

In addition, the Independent Directors exercise no management functions in the Company or any of its subsidiaries. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in reviewing and monitoring the performance of executive management in meeting the Group’s agreed goals and objectives and ensuring that the strategies proposed by the Management are fully discussed and rigorously examined taking into account the long-term interests, not only of the Shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also have no financial or contractual interests in the Group other than by way of their fees as set out in the Report of the Directors.

There is no Independent Director who has served on the Board beyond nine years from the date of his/her first appointment.

The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group’s financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

The Nominating Committee has reviewed the size and composition of the Board. The Nominating Committee is satisfied that after taking into account the scope and nature of operations of the Group in the year under review, the current Board size is appropriate and effective.

The Board and the Nominating Committee will continue to review the composition of the Board on an annual basis to ensure that the Board continues to have members who would be able to provide the Board with an appropriate mix of expertise and experience, and that the Board collectively possesses the necessary core competencies for effective functioning and informed decision-making.

In the event that a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, shall determine the selection criteria and select candidates with the appropriate expertise and experience for the position. In particular, the Board and the Nominating Committee took into consideration the following factors:

- (a) the Board should comprise a sufficient number of directors to fulfil its responsibilities and who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer- based experience or knowledge. (This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified);
- (b) the Board should comprise a majority of non-executive directors, with at least half of the Board made up of independent non-executive directors;



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- (c) the Board should have enough directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities; and
- (d) the number of listed company board representations and other principal commitments of each Director when assessing whether each Director is able to adequately carry out his/her duties to the Company.

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.

As at the date of this report, Mr Zang Jian Jun holds the position as the Company's Executive Chairman while Mr Zhao Guang Ming holds the position as the Company's Chief Executive Officer.

The Executive Chairman, Mr Zang Jian Jun, and the Chief Executive Officer, Mr Zhao Guang Ming are not related to each other. They each assume different roles and responsibilities.

The Executive Chairman leads the Board and is responsible for the management of the Board. He develops and instills core corporate values into the Group. He also provides guidance and mentorship to the Management.

The Chief Executive Officer carries out the strategic plan agreed by the Board. He is also responsible for the day-to-day running of the Group's business. In addition to this, his role is also to develop an achievable and a sustainable business model for the Group.

All major decisions made by the Executive Chairman and Chief Executive Officer are under the purview of review by the Audit Committee.

Each of the Executive Chairman's and Chief Executive Officer's performance and appointment to the Board are also reviewed periodically by the Nominating Committee while their remuneration packages are reviewed periodically by the Remuneration Committee. In addition, at least half of the Board is made up of the Independent Directors to ensure independent review of the Management's performance. As such, the Board believes that the power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective Board Committees, which are chaired by Independent Directors.

Although the Executive Chairman is part of the management team, the Company is in compliance with the principles set out in the Code as the Company had previously appointed Mr. Ooi Hoe Seong as the Lead Independent Director of the Company.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

Board Membership

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

The Nominating Committee is chaired by Mr Toh Hock Ghim and its members include Mr Ooi Hoe Seong and Ms Ling Chi.

The primary functions of the Nominating Committee are as follows:

- (a) to identify candidates and review all nominations for the appointment or reappointment of members of the Board and Chief Executive Officer of the Group, and to determine the selection criteria therefore;

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- (b) to ensure that all Board appointees undergo an appropriate induction programme;
- (c) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- (d) to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- (e) to decide whether a Director is able to and has been adequately carrying out his duties as director of the Company, particularly where the Director has multiple board representations;
- (f) to review the independence of each Director annually;
- (g) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- (h) to assess the effectiveness of the Board as a whole.

The Nominating Committee is also responsible for ensuring that the existing Directors contribute a blend of relevant experiences to the Board and have core competencies to effectively manage the Company. In view that some of the Directors may serve on multiple boards, the Nominating Committee also performs annual evaluation to determine if such Director is able to commit to the Company effectively despite his other commitments.

As part of their review, the Nominating Committee noted the following engagements of the existing Directors:

Name of Director	Current Directorship in other Listed Companies	Past Directorship in other listed companies (for the last three years)
Zang Jian Jun	-	-
Zhao Guang Ming	-	-
Liu Zhong Qiu	-	-
Ooi Hoe Seong	-	-
Toh Hock Ghim	Equation Summit Limited FDG Kinetic Ltd (formerly known as CIAM Group Ltd)	Kinergy Limited WE Holdings Ltd
Ling Chi	-	-

For the financial year under review, the Nominating Committee is of the view that the Independent Directors of the Company are independent (as defined in the Code) and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

The Code recommends that listed companies fix the maximum number of board representations on other listed companies that their directors may hold and to disclose this in their annual report. Details of other directorships and other principal commitments of the Directors may be found on pages 6 to 7. In determining whether each Director is able to devote sufficient time to discharge his or her duties, the Nominating Committee has taken cognizance of the recommendations under the Code, but is of the view that its assessment should not be restricted to the number of board representations of each Director and their other principal commitments per se. The contributions by the Directors to and during meetings of the Board and relevant Board Committees as well as their attendance at such meeting are also holistically assessed and taken into account by the Nominating Committee.

In addition, the Board did not fix the maximum number of listed company board representations and other principal commitments which any Director may hold as currently. The Nominating Committee and the Board will review the requirement to determine maximum number of listed Board representations as and when it deemed fits.



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After reviewing the disclosures made by the Directors as well as their performances for FY2016, the Board is of the view that the Directors have been able to devote adequate time and attention to the affairs of the Company and they have been able to fulfil their duties as directors to the Company.

For FY2016, the Nominating Committee has also noted that the Group has not employed any person who is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

In the event that the Board needs to be reconstituted, the Nominating Committee is responsible for nominating suitable candidates to the Board for appointment as Director, if the nominee is able to fill up the core competencies and expertise which the existing Board lacks. The Nominating Committee will seek candidates widely and beyond persons directly known to the Directors and is empowered to engage professional search firms and also give due consideration to candidates identified by any persons. In its search and nomination process for new directors, the Nominating Committee will also have, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

For any appointment of a new Director to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The Nominating Committee does so by first evaluating the existing strengths and capabilities of the Board, assess the likely future needs of the Board, assess whether this need can be fulfilled by the appointment of one person and if not, then to consult the Board with respect to the appointment of two persons, seek likely candidates widely and source resumes for review, undertake background checks on the resumes received, narrow this list of resumes to a short list and then to invite the shortlisted candidates to an interview which may include a briefing of the duties required to ensure that there are no expectation gaps. The Nominating Committee will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

The Nominating Committee may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities.

The Board will consider the potential candidates and Directors newly appointed by the Board are appointed by way of resolutions passed by the Board, following which they are subject to election by Shareholders at the next Annual General Meeting immediately following their appointment and thereafter, they are required to retire once every three years under Bye-law 86 of the Company's Bye-laws.

In FY2016, the Nominating Committee reviewed the resignations and the appointments of Directors to the Company.


Re-election of Directors

Pursuant to its review, the Nominating Committee has noted the dates of appointment of the existing Directors are as follows:

Name of Director	Age	Date of Initial Appointment
Zang Jian Jun	42	4 January 2012
Zhao Guang Ming	42	28 February 2017
Liu Zhong Qiu	65	2 December 2013
Ooi Hoe Seong	66	30 December 2011
Toh Hock Ghim	75	30 December 2011
Ling Chi	76	7 February 2013

There are no Directors who have served the Board beyond nine years from the date of his/her first appointment.

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The re-election of Directors is held annually and in accordance with the Bye-laws of the Company. As set out in Bye-law 86(1) of the Company's Bye-laws, each Director shall retire at least once every three years and shall be eligible for re-election at each Annual General Meeting. Accordingly, pursuant to Bye-law 86(1) of the Company's Bye-laws, Mr. Zang Jian Jun, Mr. Liu Zhong Qiu and Mr. Toh Hock Ghim will be due for retirement and re-election at the forthcoming Annual General Meeting.

As set out in Bye-law 85(6) of the Company's Bye-laws, any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, pursuant to Bye-law 85(6) of the Company's Bye-laws, Mr Zhao Guang Ming will be due for retirement and re-election at the forthcoming Annual General Meeting.

The Nominating Committee has recommended to the Board that Mr. Zang Jian Jun, Mr. Liu Zhong Qiu, Mr. Toh Hock Ghim and Mr. Zhao Guang Ming, be nominated for re-election at the forthcoming Annual General Meeting. The Board has accepted the Nominating Committee's recommendations.

Mr. Toh Hock Ghim, being the Chairman of the Nominating Committee, had abstained from voting on the resolution in respect of his re-appointment as a Director.

The Board has delegated to the Nominating Committee the functions of developing and maintaining a transparent and formal process for the appointment of new directors, making recommendations for directors who are due for retirement by rotation to seek re-election at the subsequent general meeting and determining the independent status of each director.

There is no alternate director being appointed to the Board.

Board Performance

Principle 5: There should be a formal annual 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.

To ensure that the Board contributes effectively to the Group, the Nominating Committee evaluates the Board's performances using assessment parameters, including (i) the Director's attendance at the meetings of the Board and the relevant Board Committees; (ii) the Director's level of participation at the meetings of the Board and the relevant Board Committees; (iii) quality of the interventions made by the Director; and (iv) the special contributions of the Director. Other assessment criteria include evaluation of the Board's success in achieving its strategic and long-term objectives, the Group's profitability, the Group's return on assets and the Group's return on equity.

The Nominating Committee also takes into consideration the skills and experience of each Director to ensure that the Directors appointed are able to assist the Company and the Group adequately. The assessment on the Board is both quantitative and qualitative in nature. To assess the contribution of each individual Director, the factors evaluated by the Nominating Committee include but are not limited to:

- (a) his/her participation at the meetings of the Board;
- (b) his/her ability to contribute to the discussion conducted by the Board;
- (c) his/her ability to evaluate the Company's strength and weaknesses and make informed business decisions;
- (d) his/her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;
- (e) his/her compliance with the policies and procedures of the Group;
- (f) his/her performance of specific tasks delegated to him/her;



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- (g) his/her disclosure of any related person transactions or conflicts of interest; and
- (h) for Independent Directors, his/her independence from the Group and the Management.

In addition to its constant evaluation of the Board's performance, the Nominating Committee also assesses annually the performances and contributions of the Director that is to be re-appointed at the Annual General Meeting.

Based on the Nominating Committee's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. No external facilitator was used in the evaluation process.

The Nominating Committee has recommended the adoption of the formal annual evaluation form for the Board Committees to further enhance the effectiveness of the Board Committees. The Board has accepted the Nominating Committee's recommendation and the formal annual evaluation form for the Board Committees would be adopted with effect from financial year 2017.

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 enable the Board to fulfil its responsibilities, the Management provides the Board with adequate information on a regular basis, to update the Board on the affairs of the Company and the Group.

On-going reports relating to the developments, the operational performances and the financial performances of the Group are provided to the Board on a regular basis such that the Board is kept informed of the Group's performances.

Board papers are also circulated to the Directors prior to each meeting to allow the Directors to prepare for that meeting such that they may participate actively at the meeting and have a more effective discussion of the issues faced by the Group. In particular, financial statements of the Group which are prepared on a quarterly basis are circulated to all the Directors for their review, allowing the Directors to have an awareness of the Group's financial position. The Management will also attend the Board meetings to provide the Directors with information as well as to answer any queries that the Directors may have, allowing the Directors to be kept updated on the health of the Group's businesses and operations.

In general, the Board has unrestricted access to the Company's records and information. Each member of the Board also has separate and independent access to the Company Secretary and Ernst & Young LLP (the external auditor) when they each require assistance or advice from the Company Secretary or Ernst & Young LLP, as the case may be. The Board, whether individually or collectively, in furtherance of their duties, has access to independent professional advice, if necessary, at the Company's expense. In addition, the Independent Directors have access to all levels of key personnel in the Group.

In particular, the Company Secretary or her representative administers, attends and prepares minutes of Board and Board Committees meetings, and assists the Executive Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Bye-laws and relevant rules and regulations, including requirements of the SGX-ST, are complied with. The appointment and removal of the Company Secretary is subject to the approval of the Board.

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(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 Remuneration Committee comprises Ms Ling Chi as its Chairman and Mr Ooi Hoe Seong and Mr Toh Hock Ghim as its members.

Notwithstanding the above, the Group may appoint individuals as new Directors and as members of the Remuneration Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

The responsibilities of the Remuneration Committee include the following:

- (a) to attract, retain and reward well-qualified people to serve the Group by pegging remuneration and benefits at competitive rates;
- (b) to review Directors' fees to ensure that they are at sufficiently competitive levels;
- (c) to reward staff based on their merit and performance through annual merit service increments;
- (d) to review and advise the Board on the terms of appointment and remuneration of its members and senior management of the Group;
- (e) to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences; and
- (f) to recommend to the Board in consultation with the Management and the Chairman of the Board, any long term incentive scheme.

The Remuneration Committee reviews and recommends to the Board for approval the fees and remuneration of all Directors (including the Executive Chairman and Chief Executive Officer). No Director is involved in deciding his own remuneration.

The Remuneration Committee will be provided with access to professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company. No remuneration consultants were appointed for the remuneration matters.

The Remuneration Committee reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management executives to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance. As part of its review, the Remuneration Committee shall ensure that:

- (a) all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;
- (b) the remuneration packages should be comparable with comparable companies within the industry, shall include a performance-related element; and
- (c) the remuneration package of employees related to Directors or Controlling Shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.



CORPORATE GOVERNANCE REPORT

The members of the Remuneration Committee have not and will not participate in any decision concerning their own remuneration.

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 needed 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 Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the Directors and key personnel required to run the Group successfully.

In setting remuneration packages, the Remuneration Committee will take into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the Remuneration Committee will ensure that the performance related elements of remuneration form a significant part of the total remuneration package of the Executive Directors and is designed to align the Executive Directors' interests with those of Shareholders and link rewards to corporate and individual performance.

In determining the remuneration of the Independent Directors, the Remuneration Committee will ensure that the level of remuneration is appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Independent Directors. The Remuneration Committee will ensure that Independent Directors are not over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of Independent Directors. The Board will recommend the remuneration of the Independent Directors for approval at the Annual General Meeting.

Currently, the Company does not have any long-term incentive scheme for its Directors and key managements.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9: Each 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.

Details of remuneration in bands of S\$250,000 paid to the Directors for the FY2016 are set out below:

Remuneration Band and Name of Directors	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Above S\$500,000 but below S\$700,000					
Lu Da Chuan ⁽¹⁾	-	78	11	11	100
Above S\$250,000 but below S\$500,000					
Liu Zhong Qiu	-	89	11	-	100
Below S\$250,000					
Zang Jian Jun	-	100	-	-	100
Wen Jie ⁽²⁾	-	100	-	-	100
Liu Lei ⁽³⁾	-	77	8	15	100
Ooi Hoe Seong	100	-	-	-	100
Toh Hock Ghim	100	-	-	-	100
Ling Chi	100	-	-	-	100

Notes:

⁽¹⁾ Mr Lu Da Chuan was resigned from the Board with effect from 28 February 2017.

⁽²⁾ Mr Wen Jie was resigned from the Board with effect from 19 May 2016.

⁽³⁾ Mr Liu Lei was resigned from the Board with effect from 7 September 2016.

Details of remuneration paid to the key management personnel for the FY2016 are set out below:

Remuneration Band and Name of Key Management Personnel	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Above S\$250,000 but below S\$500,000					
Ju Jia ⁽¹⁾	-	86	14	-	100

Note:

⁽¹⁾ Ms Ju Jia was re-designated from Chief Financial Officer to Vice President of Internal Audit and Risk Management of the Company with effect from 1 January 2017.

Due to the size of the Company, the Company did not have any other key management personnel in FY2016 save for Mr Zang Jian Jun, Mr Liu Zhong Qiu, Mr Wen Jie, Mr Lu Da Chuan, Mr Liu Lei and Ms Ju Jia. The details of remuneration paid to these key management personnel for their services are set out above in bands of S\$250,000.

For FY2016 the aggregate total remuneration paid/payable to the relevant key management personnel (who are not Directors or the CEO) amounted to S\$252,000.



CORPORATE GOVERNANCE REPORT

For FY2016, there were no terminations, retirement or post-employment benefits granted to Directors and relevant key management personnel other than the standard contractual notice period and termination payment in lieu of service.

The Board is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure on the Key Executives is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group.

The Company also did not employ any employees who are immediate family members of a Director, the Chief Executive Officer or Substantial Shareholders in FY2016.

(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 Management provides the Board with balanced and understandable management accounts of the Group's performance periodically as and when necessary. This includes, *inter alia*, circulating the financial statements, which are prepared on a quarterly basis, to the Directors for their review such that the Directors may monitor the Group's performance as well as the Management's achievements of goals and objectives set by the Board.

The Board provides the Shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis through its quarterly announcements on SGXNET in relation to its financial statements for the relevant financial period. The announcements containing the quarterly financial statements are signed by two Directors, for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, that nothing has come to the attention of the Board which may render the unaudited interim financial statements contained in the announcements to be false or misleading in any material aspect.

The Company adopts the practice of communicating major developments in its business and operations to the SGX-ST, its shareholders and its employees. Announcements are released via SGXNET and if necessary, circulars and/or letters are also sent to Shareholders of the Company to provide them with further information on the Company's businesses and operations.


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.

The Board acknowledges that it is responsible for the overall systems of risk management and internal controls but recognises that no cost effective internal 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.

The Board notes that no systems of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities. The Company's systems of risk management and internal controls provide reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

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The Risk Management Committee shall, on behalf of the Board, determine the Company's level of risk tolerance and oversee the Management in the design, implementation and monitoring of risk management and internal control systems in the Company.

The Audit Committee shall, on behalf of the Board, conduct regular review of the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls, put in place by Management.

The Group has in place a management structure with clear reporting lines and delegation of authority to carry out its operations. Management monitors the performance, operating effectiveness and efficiency of the Company's internal control practices through their day-to-day involvement in the Group's operations.

To ensure that internal controls are adequate and effective, the Audit Committee is assisted by various independent professional service providers. The assistance of the internal auditors enabled the AC to carry out assessments of the effectiveness of key internal controls during the year. The Board, at least annually, review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

The Board has also received assurance from the Chief Executive Officer and the Chief Financial Officer:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) regarding the effectiveness of the Company's risk management and internal control systems.

Based on the work done by the external auditors and the Company's internal auditor for FY2016, Deloitte & Touche Enterprise Risk Services Pte Ltd and the various management controls put in place, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, maintained by Management that were in place in FY2016 and up to the date of this report, are adequate and effective.

Audit Committee

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

The Audit Committee is chaired by Mr Ooi Hoe Seong and its members include Mr Toh Hock Ghim and Ms Ling Chi. All members of the Audit Committee bring with them invaluable managerial and professional expertise in the financial and/or business management spheres. In particular, Mr. Ooi Hoe Seong, the Chairman of the Audit Committee, has over 25 years of management, corporate finance and wealth management experience with many multi-national companies.

In general, the Group may appoint individuals as new Directors and as members of the Audit Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

All Audit Committee members, including the Audit Committee Chairman, are independent and non-executive directors. In addition, no former partner or director of the Company's existing auditing firm has acted as a member of the Audit Committee.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors. Specifically, for any changes to the accounting and financial reporting standards, the Audit Committee is kept updated annually or from time to time by the external auditors.



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The Audit Committee assists the Board in discharging their responsibility to safeguard the assets, maintain adequate accounting records, and review the adequacy and effectiveness of systems of risk management and internal controls, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Company. The Audit Committee meets as and when required to discuss and review the following matters:

- (a) the audit plans of the external and internal auditors of the Company, and their reports arising from the audit;
- (b) the adequacy of the assistance and cooperation given by the Company's management to the external and internal auditors;
- (c) the financial statements of the Company and the consolidated financial statements of the Group;
- (d) the quarterly and annual announcement of the results of the Group before submission to the Board for approval;
- (e) the adequacy and effectiveness of the Group's systems of risk management and internal controls including financial, operational, compliance and information technology controls;
- (f) legal and regulatory matters that may have material impact on the financial statements, compliance policies and programmes and any reports received from regulators;
- (g) the cost effectiveness, independence and objectivity of the external auditor;
- (h) the approval of compensation to the external auditor;
- (i) the nature and extent of non-audit services provided by the external auditor;
- (j) the recommendation to the Board for the appointment or re-appointment of the external auditor of the Company;
- (k) any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact to the Group's operating results or financial position and the Management's response;
- (l) to report actions and minutes of the Audit Committee to the Board with such recommendations as the Audit Committee considers appropriate;
- (m) interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with; and
- (n) reviewing the adequacy and effectiveness of the internal audit function.

The Audit Committee is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive management to attend its meetings.

The Audit Committee will provide a channel of communication between the Board, the Management and the external auditors of the Company, Ernst & Young LLP, on matters relating to audit. Ernst & Young LLP is an auditing firm registered with the Singapore Accounting & Corporate Regulatory Authority and it was in charge of auditing the Company and all its subsidiaries in FY2016.

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The Audit Committee has reviewed the work performed by Ernst & Young LLP after taking into consideration the guidelines set out in the “Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors” issued in July 2010 by SGX-ST and ACRA and the “Guidance to Audit Committees on ACRA’s Audit Quality Indicators Disclosure Framework” introduced by ACRA. After taking into consideration the adequacy of the resources and experience of Ernst & Young LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Ernst & Young LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the size and complexity of our Group, the Audit Committee and the Board were satisfied that Rules 712 and Rule 715 read with Rule 716 of the SGX Listing Manual have been complied with and were of the view that Ernst & Young LLP have been able to assist the Company in meeting its audit obligations.

Annually, the Audit Committee meets with the external auditors and the internal auditors without the presence of the Management. In addition, the Audit Committee conducts a review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

On this basis, the Audit Committee has recommended to the Board the nomination of Ernst & Young LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting. Fees paid or payable by the Group to the external auditors (and member firms) of the Company for audit services and non-audit services for FY2016 amounted to S\$541,000 and S\$508,000 respectively.

Notwithstanding the above, the Audit Committee Members also had informal discussions with the Management of the Company or such discussions were tabled at the Board Meetings instead.

For FY2016, the Audit Committee has reviewed the Company’s financial reporting function, internal controls and processes and is satisfied with the adequacy and effectiveness of the same. The Audit Committee is satisfied with the adequacy of the Company’s accounts and financial reporting resources and the performance of the Chief Financial Officer and other senior management in the Finance Department.

The Audit Committee has also reviewed the policy and arrangements by which the employees of the Company may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are in place for concerns to be raised, independent investigation of such matters and for appropriate follow-up action as and when the need arise. As at the date of this Report, the Company has in place a set of whistle-blowing policy and arrangements for this purpose.

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 Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits.

After evaluation and approval by the Audit Committee, the Company had appointed the external audit firm Deloitte & Touche Enterprise Risk Services Pte Ltd to perform internal audit functions for FY2016 (“**Internal Auditors**”). The Internal Auditors have unfettered access to all the Company’s documents, records, properties and personnel, including access to the Audit Committee. Procedures are in place for the Internal Auditors to report independently their findings and recommendations to the Audit Committee for review. The Company has set up its own internal audit department with effect from 1 January 2017.

Messrs Deloitte & Touche Enterprise Risk Services Pte Ltd was not the external auditor of the Company and the Audit Committee noted that the internal audits conducted by the Internal Auditors had met or are expected to meet or exceed the standards set out by the Institute of Internal Auditors.

The role of the Internal Auditors is to support the Audit Committee in ensuring that the Company maintains sound systems of risk management and internal control by monitoring and assessing the effectiveness of the key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigation, if necessary, as directed by the Audit Committee.



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The Internal Auditors shall remain independent of management and shall report directly to the Chairman of the Audit Committee. The Internal Auditors shall be responsible for the preparation of internal audit plans to be reviewed and approved by the Audit Committee. The Audit Committee reviewed and approved the internal audit plans proposed by the Internal Auditors.

The Audit Committee is satisfied that the Internal Auditors has adequate resources to perform its function effectively and staffed by suitably qualified and experienced professionals with the relevant experience.

The Audit Committee meets at least once annually to assess the adequacy of the audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the Internal Auditors.

The findings from the reviews and checks on the adequacy of the internal control and risk management are rated and reported to the Audit Committee. In particular, high risk matters are highlighted to the Audit Committee and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management.

The annual conduct of audits by the Internal Auditors assesses the effectiveness of the Group's internal control procedures and provides reasonable assurance to the Audit Committee and the Management that the Group's risk management, controls and governance processes are adequate and effective.

(D) SHAREHOLDERS 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 Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

Any notice of a general meeting of Shareholders is issued at least 14 days before the scheduled date of such meeting. These notices are also advertised in a national newspaper.

Shareholders are informed of general meetings through the announcement released to the SGXNET and notices contained in the Annual Report or circulars sent to all shareholders. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/ she is allowed to appoint up to two proxies to vote on his/ her behalf at the general meeting through proxy forms sent in advance. The Company's Bye-laws does not include the nominee or custodial services to appoint more than two proxies.

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.

In line with continuous disclosure obligations of the Company, pursuant to the listing rules of the SGX-ST's Listing Manual, the Board's policy is that Shareholders are informed of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- (a) annual reports that are prepared and issued to all Shareholders. The Board makes every effort to ensure that the annual reports include all relevant information about the Group, including future developments and other disclosures required under the listing rules of the SGX-ST's Listing Manual and the relevant accounting standards;

CORPORATE GOVERNANCE REPORT

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- (b) quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;
 - (c) notices of and explanatory memoranda for annual general meetings and special general meetings;
 - (d) disclosures to the SGX-ST and the Shareholders by releasing announcements via SGXNET and its corporate website; and
 - (e) analyst briefings and investor roadshows.

The Company's website at <http://www.cefc.com.sg/> at which our shareholders can access financial information, corporate announcements, press releases, annual reports and profile of the Group.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company has dedicated investor relations ("IR") personnel who focus on facilitating the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. No dividend was paid or proposed for FY2016 as the Board feels it is prudent to retain cash resources so that the Company has the flexibility to execute its business plans effectively.

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.

The Board is mindful of its obligations to provide timely disclosure of material information to Shareholders and does so through (i) the Company's Annual Reports; (ii) the Group's results announcements; and (iii) other SGXNET announcements on developments within the Group or in relation to disclosures required by the SGX-ST. If necessary, the Group will also despatch circulars or letters to its Shareholders to provide the Shareholders with more information on its major transactions.

The Board regards the general meetings as opportunities to communicate directly with the Shareholders and encourages greater shareholder participation. As such, the Shareholders are encouraged to attend general meetings of the Company to grasp a better understanding of the Group's businesses and be informed of the Group's strategic goals and objectives. Notices of general meetings are dispatched to the Shareholders at least 14 days before the meeting if ordinary businesses are to be transacted at the meeting or at least 21 days before the meeting if special businesses are to be transacted at the meeting. The notices of general meetings are also released as announcements via SGXNET and advertised in the newspapers.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings. The Company will make available minutes of general meetings to shareholders upon their requests.

General meetings of the Company will be chaired by the Executive Chairman or his representatives and are also attended by other Directors, the Management, the Company Secretary and if necessary, the external auditor, Ernst & Young LLP. In the event that a Shareholder has any queries and/or concerns with regards to the Group, its businesses and operations, the Shareholder may raise his/ her queries and/or concerns at such general meetings so that the Company can better understand the views of the Shareholders. The Board (assisted by the Management, the Company Secretary or her representative, external auditors as well as the Chairman of the Board Committees) will address any relevant queries and/or concerns raised by the Shareholders.



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The Company's Bye-laws allow any Shareholder to appoint one or two proxies to attend the general meetings held and vote in his/her place. However, the Board is of the view that voting in absentia can only be possible if there is absolute certainty that the integrity of the information and authentication of the identity of such Shareholder is not compromised.

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code, all resolutions at the Company's general meetings held on or after 1 August 2015, if any, are put to vote by poll. For cost effectiveness, the voting of the resolutions at the general meetings are conducted by manual polling. In addition to the above, the detailed results of all general meetings are also released as announcements via SGXNET after the general meetings.

(E) DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Company had adopted a Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in before the announcement of the Company's full year financial results, and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price sensitive information and they are not to deal in the Company's securities on short-term considerations.

(F) MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" in the announcements made on SGXNET, Director's Report and these financial statements, there were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholders subsisting at the end of FY2016.

(G) REPORT ON THE USE OF SHARE PLACEMENT PROCEEDS

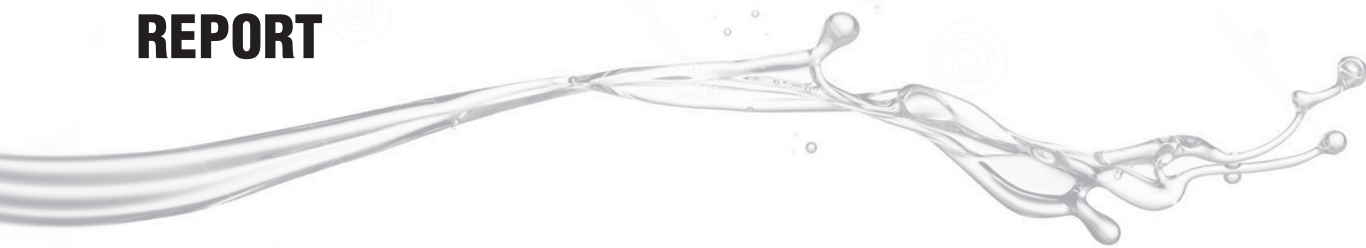
As announced via SGXNET, the Company had on 4 September 2015 allotted and issued 705,530,975 new ordinary shares to subscribers at the issue price of S\$0.35 per share representing gross proceeds of approximately S\$247 million (equivalent to US\$178 million), which was utilised for expansion of trading business (including commodity and derivative trading), repayment of shareholders' loan, general working capital of the Group and general corporate activities, including but not limited to potential acquisitions and joint ventures. By the financial period ended 30 September 2016, the proceeds has been fully utilised as follows:

Utilisation of Proceeds	US\$'000
Description	
Expansion of trading business (Including commodity and derivative trading)	131,002
Repayment of shareholder loan	9,400
General working capital of the Group ⁽¹⁾	9,950
General corporate activities, including but not limited to potential acquisitions and joint ventures	28,000
Total	178,352

Note:

⁽¹⁾ General working capital of the Group comprises entirely administrative expenses.

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(H) INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

The Board will meet to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9 of the SGX-ST's Listing Manual.

The Audit Committee has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the Audit Committee ensures that the relevant rules under Chapter 9 of the SGX-ST's Listing Manual are complied with.

The Group and the Company confirm that there were no interested person transactions during the period under review.

(I) RISK MANAGEMENT

The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all the significant control policies and procedures and highlight all significant findings to the Directors and the Audit Committee.

The Risk Management Committee was established on 30 November 2015 to assist the Board in the governance of risk. In particular, the committee shall, on behalf of the Board, determine the Company's level of risk tolerance and oversee the Management in the design, implementation and monitoring of risk management and internal control systems in the Company.