SUNTAR ECO-CITY LIMITED

ANNUAL REPORT 2013

Contents

About Us

Suntar Eco-city Limited (the “Company”), formerly known as Reyphon Agriceutical Limted was established on 22 September 2006 and was listed on the Mainboard of Singapore Exchange Securities Trading Limited on 1 August 2007. The Company currently has two divisions: the pharmaceutical ingredient product segment and the property development division.

The subsidiary, Xi’an Reyphon Pharmaceutical Co., Ltd (formerly known as Xi’an Reyphon Chemical Co., Ltd), located in the Jinghe Economic Development Zone of Xi’an, Shanxi Province, is currently engaged in the production of pharmaceutical ingredient products.

At the Extraordinary General Meeting held on 11 June 2012, the shareholders of the Group has approved the expansion of the Group’s scope of business to include the eco-tourism real estate development and management business and change in name of the Group from “Reyphon Agriceutical Limited” to “Suntar Eco-City Limited”.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Group's Annual Report for the financial year ended December 31, 2013 ("FY2013").

Financial and operations Review

After the disposal of Gibberellic acid segment in FY2010, the Group has been actively exploring new business opportunities to rejuvenating the Group. The Group had on 28 January 2011 announced that it would like to enter the eco-tourism real estate development and management business and had entered into a conditional tourism management agreement with the Wuping Authorities (the "Tourism Management Agreement"). On 9 September 2011, the Board further announced that the Company had entered into a supplemental agreement to amend certain terms and conditions of the Tourism Management Agreement (the "Supplemental Agreement"). Under the terms of the Tourism Management Agreement and the Supplemental Agreement, the Company will operate and manage the Green Wuping Eco-Tourism Scenic Spot on behalf of the Wuping Authorities; and invest in and develop the Suntar Eco-City .

Further to the announcement, the circular to hold an Extraordinary General Meeting to obtain the shareholders' approval for the entry into eco-city development and eco-tourism management business has been approved by the Singapore Stock Exchange. All resolutions as set out in the Notice of Extraordinary General Meeting dated 18 May 2012 and put to vote were duly passed by the shareholders of the Group at the Extraordinary General Meeting held on 11 June 2012.

The Group currently has two divisions: the pharmaceutical ingredient product segment and the property development division. As the property development division has not commenced any commercial operation, the Group's revenue, profit or loss for FY2013 is mainly from the pharmaceutical ingredient product segment. The pharmaceutical ingredient product segment was established in the PRC in 2007 for the expansion into human hormone production business. In FY2013, under the challenging competition from within our industry as well as from dynamic macro-developments, the Group achieved a total revenue of RMB41.1 million, 17.6% lower than the RMB49.9 million in FY2012. Due to a sale of technology know-how, the Group generated profit before tax of RMB0.9 million for the year. The loss after tax for the year decreased from RMB1.2 million in FY2012 to loss of RMB0.5 million in FY2013.

FY2014 Prospects and Future Plans

The Group's entry into the eco-tourism real estate development and management business is expected to bring new revenue streams to the Group as the PRC is actively promoting eco-tourism as a sustainable and environmentally friendly form of tourism activity. The eco-tourism real estate development and management business is also expected to help the Group build a recurring and stable source of revenue. The entry into this business will also enable the Group to reduce reliance on existing pharmaceutical ingredient product segment which will be competitive and challenging. In FY2014, the Group will accelerate the develop of the Eco-tourism Scenic spot and Suntar Eco-city which is currently under initial stage of construction.

Acknowledgment

Finally, I would like to thank all our board directors, management team, business partners and shareholders for their support and understanding all these years.

Dr Lan Weiguang

Non-Independent Non-Executive Chairman

Corporate Social Responsibility

The Company is envisioned to create home for people living in harmony with nature that meets the needs of an urbanising China and to combine dynamic development with environmental adaptation.

The Company's ongoing project, Wuping Suntar Eco-city ("Suntar Eco-City"), is designed to develop and promote a green-ecology community where the nature is integrated into daily living by adopting affordable technologies and practices to develop a foundation for sustainable development and living.

In the planning and design of Suntar Eco-City, sustainable development concepts and technologies are applied. In addition, an "eight-dimension" technical system consisting of water use and disposal, garbage disposal and utilization, new energy development and utilization, transportation security, greening ecology, public utilities, urban landscape, and ecological construction that will be constructed to drive Suntar Eco-City towards environmental friendly community. With the adoption of wastewater treatment engineering technology developed by the Company's holding company namely, Sinomem Technology Pte. Ltd., Suntar Eco-City will enhance its waste management by improving water quality safeguarding the environmental cleanliness. The wastewater treatment technology could purify the wastewater so that the wastewater can be reused. As part of the environmental protection effort, the adoption of such wastewater treatment technology will ultimately reduce the per capita consumption of fresh water and energy, thus improving the urban living standard.

Located in the national AAAA rated Eco-tourism site in south China, in the near future, Suntar Eco-City will be built into a future city enjoying high degree of openness, prosperity and civilization, an innovative city blessed with innovation in culture, institutions and environment, an eco-city featuring harmony in industry, resource and social life and a happy city with development in economy, technology and service.

Financial Highlights

	2008 RMB '000	2009 RMB '000	2010 RMB '000	2011 RMB '000	2012 RMB '000	2013 RMB '000
Revenue	106,787	115,907	124,279 (1)	42,781	49,909	41,133
Gross Profit	6,791	29,112	22,272 (1)	2,253	3,328	(2,145)
(Loss) Profit before tax	(52,822)	(3,145)	1,793 (1)	(4,263)	(1,225)	922
(Loss) Profit after tax	(52,822)	(3,145)	978 (1)	(3,879)	(1,233)	(450)
Current assets	92,507	92,116	110,198	88,466	79,812	87,032
Non-current assets	101,137	94,503	35,854	59,257	61,430	55,675
Total assets	193,644	186,619	146,052	147,723	141,242	142,707
Current liabilities	54,164	50,284	8,739	14,289	9,041	10,956
Total liabilities	54,164	50,284	8,739	14,289	9,041	10,956
Net current assets	38,343	41,832	101,459	74,177	70,771	76,076
Equity or Net assets	139,480	136,335	137,313	133,434	132,201	131,751
Basic and diluted earnings per share (RMB cents)	(16.83))	(1.00)	0.31 (2)	(1.24)	(0.39)	(0.14)

Notes:

(1) Including amount of discontinued operation for nine months period ended 30 September 2010.

(2) Incurred by discontinued operation for nine months period ended 30 September 2010.

Corporate Information

Board of Directors

Dr Lan Weiguang
(Non-Independent Non-Executive Chairman)

Lan Chunguang
(Executive Director / Chief Executive Officer)

Chen Guansheng
(Non-Independent Non-Executive Director)

Foong Daw Ching
(Independent Non-Executive Director)

He Kaijun
(Independent Non-Executive Director)
(Appointed on July 19, 2013)

Audit Committee

Foong Daw Ching *(Chairman)*
Dr Lan Weiguang
He Kaijun

Remuneration Committee

He Kaijun *(Chairman)*
Dr Lan Weiguang
Foong Daw Ching

Nominating Committee

He Kaijun *(Chairman)*
Dr Lan Weiguang
Foong Daw Ching

Company Secretary

Chew Kok Liang

Registered Office

6 Battery Road
#10-01
Singapore 049909
Company Registration No. 200613997H
Tel : (65) 6483 0310
Fax : (65) 6483 0210

Share Registrar And Share Transfer Office

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

Auditors

Deloitte & Touche LLP
Public Accountants and Chartered Accoutants
6 Shenton Way OUE Downtown Two
#32-00
Singapore 068809
Partner-in-charge : Ong Bee Yen
Date of Appointment : 5th August 2013

Principal Bankers

United Overseas Bank Limited
80 Raffles Place
#12-00 UOB Plaza 1
Singapore 048624

Board of Directors

Dr Lan Weiguang

Non-Independent Non-Executive Chairman

He was appointed on 22 September 2006. Dr Lan is responsible for overseeing the overall management and operations, formulating the business model and growth strategies, of Sinomem Technology Pte Ltd and its subsidiaries ("Sinomem Group") and supervising R&D activities. Prior to the founding of Sinomem Group in November 1996, from August 1985 to January 1992, Dr Lan was an Assistant Professor at the Department of Food Engineering of Jimei University in Xiamen. From March 1994 to December 1995, Dr Lan was Technical and Sales Director of Hydrochem Engineering (Singapore) Pte Ltd. Dr Lan obtained a Bachelor of Science in Chemistry from Xiamen University in July 1985 and a PhD in Chemistry from the National University of Singapore in September 1995. From June 1997 to September 1999, Dr Lan was an Associate Professor at Xiamen University and he established the Applied Membrane R&D Centre in Xiamen University . In September 1999, he was promoted to the position of Professor at the Faculty of Chemistry and Chemical Engineering of Xiamen University, a position which he still holds today. In 2004, Dr Lan was invited to be a Professor at Nanchang University. In 2003, Dr Lan won the Young Chinese Entrepreneur Award organized by Yazhou Zhou Kan. In June 2004, he was elected as Vice Secretary-General of the China Membrane Industry Association. In 2005, he won the Outstanding Entrepreneurship Award awarded by the State Oversea Chinese Affair Office of People's Republic of China ("PRC"), the "Golden-Bridge" Award awarded by the Chinese Technological Market Association and the Outstanding Science Alumni Award awarded by the National University of Singapore.

Foong Daw Ching

Independent Non-Executive Director

He was appointed on 19 June, 2007. He is currently a senior partner of Baker Tilly TFW LLP and Chairman of Baker Tilly International, Asia Pacific Region. Mr Foong has more than 30 years of audit experience. Mr Foong is a Fellow of The Institute Of Chartered Accountants in England and Wakes, a Fellow of the Institute of Singapore Chartered Accountants and a Fellow member of CPA Australia. He is also an independent director and the a Chairman of the audit committee of Travelite Holdings Ltd and Starland Holdings Ltd, companies listed on the Singapore Exchange Securities Trading Limited. Mr Foong was awarded the Pulic Service Medal (Pingat Bakti Masyarakat) by the President of Singapore in 2003.

Board of Directors

He Kaijun

Independent Non-Executive Director

Mr He Kaijun was appointed on 19 July 2013. He holds a Bachelor's Degree of Physics from Tianjin Nankai University, China. He also attained the Senior Management Training Course in Germany and Manager of High-tech Industry Training Course in Singapore. From 1989, Mr He obtained more than 20 years working experience in Industrial Park and Innovation park development and management as well as trade promotion. In 1989, Mr He was appointed as Chairman of China's Ministry of Mechanical and Electrical New Technology Research and Development Centre in Xiamen. From 1990 to 2001, Mr He contributed to set up Xiamen Torch Hi-Tech Industrial Development Zone, which is one of first China's national level high-tech industrial development zones and the most important industrial and technology park in Xiamen, Xiamen High-tech Centre for Enterprise and Xiamen Pioneering Park for Overseas Chinese Scholars. From 2001 to 2013, Mr He served as consultant of Xiamen Investment Promotion Agency, Chairman of Xiamen Optoelectronic Technology Centre, Chairman of Xiamen LED Trade Promotion Centre and Chairman of Xiamen Torch Strategic Emerging Industries Promotion Centre. Mr He is also the Science counsellor of the Standing Committee of Xiamen Municipal People's Congress.

Chen Guansheng

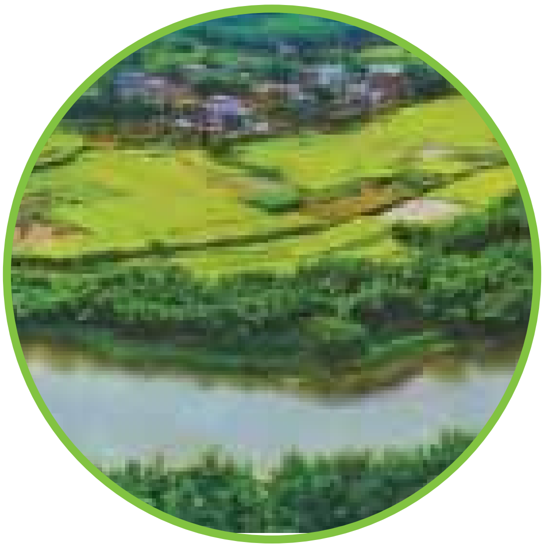
Non-independent Non-Executive Director

He was appointed on 9 May 2008. Mr Chen has more than 17 years experiences in fermentation-based pharmaceutical industry. He has been with Sinomem Group since June 2005. Prior to joining Sinomem Group, he was with Lukang Pharmaceutical Co., Ltd, a listed company in the PRC as the Deputy General Manager from July 1996 to December 1999 and as Director and Executive Vice President from December 1999 to April 2005. Mr Chen holds a Bachelor Degree of Chemical Engineering from Zhejiang University PRC and a MBA from Hong Kong Polytechnic University.

Lan Chunguang

Executive Director / CEO

Mr Lan was appointed on 19 November 2010 and is responsible for the overall management and strategic development of the Group. He has been the General Manager of the membrane technology division of Sinomem Group since 2009. He has nearly 10 years of general management experience. Mr. Lan started as an Administrative cum Customer Manager with Suntar Membrane Technology (Xiamen) Co., Ltd since 1997. From 2007, he assists its Managing Director to oversee the overall management and day-to-day operations. He holds a Diploma in History from Longyan Teachers' College, Fujian Province, PRC. He has obtained in June 2010 his Master of Business Administration with National University of Singapore.




Corporate Governance Report & Financial Contents

Suntar Eco-City Limited (the "Company" or "Suntar Eco-City") and together with its subsidiaries (the "Group") are committed to achieving high standards of corporate governance and transparency within the Group in the spirit of the Code of Corporate Governance 2012 (the "Code") in order to safeguard the Group's assets and to protect the interest of the shareholders. The Board of Directors (the "Board") believes that good corporate governance inculcates an ethical environment and enhances the long-term value of its shareholders.

This report describes corporate governance framework and practices adopted by the Group, embodying the principles in the Code. The Board is pleased to confirm that for the financial year ended 31 December 2013 ("FY2013"), the Group has adhered to the principles and guidelines as set out in the Code, except where otherwise indicated.

A. BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board is responsible for setting the strategic directions for the Company. The Board, in fulfilling its stewardship responsibility for the Company, met on a regular basis throughout the year to supervise the Management in areas such as budgeting and planning, organizational and financial performance, the achievement of strategic goals and objectives, risk management as well as communication with shareholders of the Company. The Board is also responsible for considering sustainability issues relating to the environment and social factors as part of the strategic direction of the Group.

The principle functions of the Board are, *inter alia*, to:-

- provide entrepreneurial leadership, set strategic objectives, and ensure that necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
- review of management performance;
- identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;
- set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;
- approve announcements, annual report and accounts;
- convene meetings of shareholders; and
- approve acquisition and/or disposal of company and/or business; entry into material contracts; incorporation and/or dissolution of subsidiary, associated company and/or joint venture company; changes to the issued and paid-up share capital of any subsidiaries within the Group.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

To facilitate effective execution of its function, the Board has delegated specific responsibilities to three sub-committees, namely Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") (collectively, the "Board Committees" or each the "Board Committee"). Each Board Committee has its own terms of reference setting out its roles and authorities to examine particular issue and report back to the Board with its recommendations. The Chief Executive Officer is invited to attend all Board and Board Committees meetings and is required to report to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board has adopted a set of internal controls and guidelines which sets out authority and approval limits for cheque signatories arrangements.

On an ongoing basis, the Company updates the Directors regarding new legislation and/or regulations which are relevant to the Group to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

The incoming Directors were also provided with information relating to corporate conduct and governance including continuing disclosure requirements as required by the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), disclosure of interests in securities, restrictions on disclosure of confidential or price sensitive information and etc. Orientation programmes were also provided to the newly appointed Directors to familiarise themselves with the Group's business and operations, including site visits.

The Board meets regularly on a quarterly basis and such other times as warranted by circumstances. Ad-hoc, non-scheduled Board meetings including meeting via teleconference, could be held to deliberate on urgent and critical matters. The Company's Articles of Association provides for Board meetings to be conducted by way of teleconference, provided that the requisite quorum of at least 2 Directors is present.

The number of Board and Board Committees meetings held during the FY2013 and the attendance of each Director at every Board and Board Committees meeting is presented below. Minutes of all Board Committee and Board meetings are circulated to members for review and confirmation. These minutes could also enable Directors to be kept abreast of matters discussed at such meetings.

	Board(1)	Audit Committee(1)	Nominating Committee(1)	Remuneration Committee(1)
No. of meetings held	4	4	1	1
No. of meetings attended by respective Directors				
Non-Independent Non-Executive Chairman:				
Dr Lan Weiguang	4	4	1	1
Executive Director:				
Mr Lan Chunguang	4	N/A	N/A	N/A
Independent Non-Executive Directors:				
Mr Foong Daw Ching	4	4	1	1
Mr He Kaijun(2)	2	2	–	–
Mr Kong Tai(3)	–	–	–	–
Non-Independent Non-Executive Director:				
Mr Chen Guansheng	1	N/A	N/A	N/A

Notes:

(1) includes meetings via teleconference
(2) Mr He Kaijun was appointed as a Director with effect from 19 July 2013
(3) Mr Kong Tai retired as a Director with effect from 26 April 2013

Principle 2: Board Composition and Guidance

The Board comprises five Directors comprising, one Executive Director and four Non-Executive Directors. The Directors as at the date of this report are listed as follows:

EXECUTIVE DIRECTOR

- Mr Lan Chunguang (Executive Director and Chief Executive Officer)

NON-EXECUTIVE DIRECTORS

- Dr Lan Weiguang (Non-Independent Non-Executive Chairman)
- Mr Chen Guansheng (Non-Independent Non-Executive Director)
- Mr Foong Daw Ching (Lead Independent Non-Executive Director)
- Mr He Kaijun (Independent Non-Executive Director)

The Board has examined its size and is of the view that the current board size is appropriate for effective decision-making, taking into account the scope and nature of the operations of the Company and the core competencies and experience of its members.

The Board is of the view that there is a strong and independent element on the Board with Independent Directors forming at least one-third of the Board although the Independent Directors do not make up at least half of the Board where the Chairman and the Chief Executive Officer ("CEO") are immediate family members. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made without any individual influencing or dominating the decision making process. The Board considers an "independent" director as one who has no relationship with the Group, 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 judgment with a view to the best interest of the Company and Group.

The Board consists of respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary. These include accounting, finance, pharmaceutical, property development, engineering, business and management experience. Key information regarding the directors' academic and professional qualifications and other appointments is set out on pages 6 and 7 of the Annual Report.

Although all the Directors have an equal responsibility for the Group's operations, the role of the Non-Executive Directors is particularly important in ensuring that the strategies proposed and implemented by the Management are constructively challenged, taking into account the long-term success of the Group and interests of the shareholders. The Non-Executive Directors also monitor closely on the performance of the Management in meeting agreed goals and objectives. The Non-Executive Directors are encouraged to meet regularly as and when required without Management present.

The Board is of the view that the current Board consists of the appropriate mix of expertise, knowledge and experience to provide the necessary guidance to lead and direct the Group. The Board will consistently examine its size with a view of determining its impact on its effectiveness.

The Board believes that there is a good balance of power and authority as all Board Committees are chaired by Independent Directors. The Company will continue to review its Board composition with a view to enhance corporate governance practices.

None of the Directors has served on the Board beyond nine years from the date of his appointment.

Principle 3: Chairman and Chief Executive Officer

The roles of the Chairman and the CEO are separated and distinct, each having his own areas of responsibilities. The Company believes that a clear division of responsibilities between the Chairman and the CEO will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for constructive decision-making. The positions of Chairman and CEO are held by Dr Lan Weiguang and Mr Lan Chunguang respectively, who are siblings.

In order to promote high standards of corporate governance, Mr Foong Daw Ching has been appointed as the Group's Lead Independent Director, who is also a member of the NC, and shall be available to the shareholders whenever their concerns through the normal communication channels to the Non-Executive Chairman, CEO or Group Finance Manager has failed to resolve or for which such contact is inappropriate. Such concerns may be sent to his email address at dawching@bakertillytfw.com.

As the Company's Non-Independent Non-Executive Chairman, Dr Lan Weiguang's primary responsibilities include:

- Ensuring that Board procedures are followed and reviewed so that the Board functions effectively;
- Ensuring that corporate plans, policies and strategies adopted by the Board are implemented;
- Ensuring the Company's compliance with the Code;
- Ensuring that Board Meetings are held as and when necessary;
- Ensuring that adequate time of Board Meetings are available for discussion and promote openness and debate during the Board Meetings; and
- Ensuring effective communication with shareholders.

As the Company's CEO, Mr Lan Chunguang is responsible for the overall management and strategic development of the Group. To further enhance balance of power within the Board, all major decisions made by the Company will be subject to review by the Board.

B. BOARD COMMITTEES

Nominating Committee ("NC")

Principle 4: Board Membership
Principle 5: Board Performance

The NC comprises the following three Directors, all non-executive, the majority of whom, including the Chairman of the NC, are Independent Non-Executive Directors:-

- Mr He Kaijun (NC Chairman and Independent Non-Executive Director)
- Mr Foong Daw Ching (Lead Independent Non-Executive Director)
- Dr Lan Weiguang (Non-Independent Non-Executive Chairman)

The Board has approved the written terms of reference of the NC. The NC performs, *inter alia*, the following functions:

(a) reviewing and recommending of the Board succession plans for Directors, in particular, the Chairman and the CEO;

(b) reviewing and recommending or re-nomination of Directors (including alternate directors, if applicable) having regard to the Directors' contribution and performance;

(c) determining on an annual basis whether or not a Director is independent;

(d) assessing the performance of the Board, its Board Committees and contribution of each Director to the effectiveness of the Board;

(e) reviewing the training and professional development programmes for the Board;

(f) determine annually whether a Director is independent;

(g) where any Director has multiple board representations and other principal commitments, to decide whether the Director is able to and has adequately carrying out his duties as a Director of the Company, taking into consideration the competing time commitments that the Director faces when serving on multiple Board representations and to determine the maximum number of listed company board representations which any Director may hold;

(h) other acts as may be required by the SGX-ST and the Code from time to time.

PARTICULARS OF DIRECTORS AS AT 31 DECEMBER 2013

Name of Director	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board Committees	Directorship/ chairmanship both present and those held over the preceding three years in other listed company and other major appointments
Dr Lan Weiguang	22 September 2006	26 April 2013	Non- Independent Non-Executive Chairman	Member of Audit Committee, Nominating Committee and Remuneration Committee	Sinomem Technology Limited
Lan Chunguang	19 November 2010	27 April 2012	Executive Director and Chief Executive Officer	None	None
Chen Guansheng	9 May 2008	27 April 2012	Non- Independent Non-Executive Director	None	None
Foong Daw Ching	19 June 2007	28 April 2011	Lead Independent Non-Executive Director	Chairman of Audit Committee, Member of Nominating Committee and Remuneration Committee	• Medi-Flex Limited • Travelite Holdings Ltd • Starland Holdings Ltd
He Kaijun[1]	19 July 2013	N.A.	Independent Non-Executive Director	Chairman of Nominating Committee and Remuneration Committee and Member of Audit Committee	None

Note:

(1) Mr He Kaijun was appointed as a Director with effect from 19 July 2013

The independence of each Director will be reviewed by the NC on an annual basis. The NC adopts the definition of what constitute an Independent Director from the Code. During the year, the NC had reviewed and determined that Mr Foong Daw Ching and Mr He Kaijun are independent.

All Directors are subject to retirement pursuant to the provisions of the Company's Articles of Association whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every Annual General Meeting ("AGM").

A newly-appointed Director will have to submit himself for re-election at the AGM immediately following his appointment and, thereafter, be subjected to the one-third-rotation rule.

In addition, those Directors who are of age 70 years shall be subject to annual re-appointment in the AGM pursuant to Section 153 of the Companies Act, Chapter 50.

The NC recommended to the Board that Mr Foong Daw Ching and Mr Chen Guansheng be nominated for re-appointment pursuant to Articles of Association of the Company and Mr He Kaijun be recommended for re-appointment pursuant to Section 153 of the Companies Act, Chapter 50. at the forthcoming AGM. In making the recommendation, the NC had considered the Directors' overall contribution and performance. Each NC member shall abstain from voting on any resolutions in respect to his re-election or re-appointment.

The Board has accepted the recommendations and the aforementioned retiring Directors will be offering themselves for re-election and re-appointment.

Despite some of the Directors having multiple Board representations, the NC and the Board is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company after taking into the consideration the number of listed company board representations and other principal commitments of these Directors. The Board with the recommendation of the NC, decided that the maximum number of the listed company board representations which any Director may hold is 5.

As at the date of this report, no Director has exceeded the maximum number of the listed company board representations set by the Board.

On an annual basis, the NC in consultation with the Chairman of the Board, will review and evaluate the performance of the Board as a whole, its Board Committees and each Board Member taking into consideration the attendance record, preparedness and participation at the meetings of the Board and Board Committees and also the contribution of each Director to the effectiveness of the Board.

The Board has a formal process for assessing the effectiveness of the Board as a whole, its Board Committees and Board Member with objective performance criteria and contribution of each individual Director to the effectiveness of the Board. The NC conducted an assessment of the functions and effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director towards the effectiveness of the Board for FY2013. These assessment reports were recommended by the NC and reviewed by the Board. These assessments also takes into consideration both qualitative and quantitative criteria, such as return on equity, success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the Management's performance against the goals that had been set by the Board.

Principle 6: Access to Information

To enable the Board to function effectively and to fulfill its responsibilities, the Management strives to provide Board papers prior to any Board and Board Committees meeting. These papers are issued in advance, with sufficient time to enable directors to consider the issues and to obtain additional information or explanation from the Management, if necessary.

Draft agendas for Board and Board Committees meetings are circulated in advance to the respective Chairmen, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.

All Directors have separate and independent access to senior management and to the Company Secretary at all times. The Company Secretary and/or his representatives administer, attend and prepare minutes of Board and Board Committees meetings, and assists the Non-Independent Non-Executive Chairman in ensuring that Board procedures are followed so that the Board functions effectively, and the Company's Articles of Association and relevant rules and regulations, including requirements of the Singapore Companies Act and the Listing Manual of SGX-ST, are complied with, at all times.

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Should the Directors need independent professional advice, the Company will, upon direction by the Board, appoint a professional advisor to render the advice, and the costs of such professional fees will be borne by the Company.

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

The RC comprises the following three non-executive Directors, the majority of whom, including the Chairman of the RC, are independent:-

- Mr He Kaijun (RC Chairman and Independent Non-Executive Director)
- Mr Foong Daw Ching (Lead Independent Non-Executive Director)
- Dr Lan Weiguang (Non-Independent Non-Executive Chairman)

The Board has approved the written terms of reference of the RC. The RC performs, *inter alia*, the following functions:

(a) recommend to the Board a framework of remuneration for the Directors and key management personnel (including executive officers and senior management) of the Group;

(b) determine specific remuneration packages and terms of employment (where applicable) for each Executive Director and key management personnel (including executive officers and senior management);

(c) annual review of the remuneration of employees related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;

(d) review and approve any bonuses, pay increment and/or promotions for the key management personnel (including executive officers and senior management);

(e) review and recommend to the Board, the adoption of share options schemes or any long term incentive schemes for the benefits of the Group's employees who had exceptional performance; and

(f) other acts as may be required by the SGX-ST and the Code from time to time.

In carrying out the above responsibilities, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice will be borne by the Company.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of the Executive Director and is designed to align the Directors' interest with those of shareholders and link rewards to corporate and individual performance. In addition, the RC is responsible for the review of compensation commitments to the service agreements, if any, entail in the event of early termination.

The RC's recommendations are made in consultation with the Chairman of the Board and submitted to the entire Board for approval. The Company will submit the quantum of the Directors' fee of each financial year to the shareholders for approval at the AGM. The payment of fees to Non-Executive Directors is subject to approval at the AGM of the Company. Each and every Director abstained from voting on any resolutions and making any recommendations and/or participating in any deliberations in respect of their own remuneration.

The remuneration paid to Directors and key management personnel (including executive officers and senior management) on an individual basis during the FY2013 is set out below:

Board of Directors	**Salary**	**Bonus**	**Directors' Fees**	**Incentive and other benefits**	**Total**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**
Below RMB1,196,000 or approximately $250,000					
Mr Lan Chunguang(1)	–	–	–	–	–
Dr Lan Weiguang	–	–	5	–	5
Mr Chen Guansheng(2)	–	–	–	–	–
Mr Foong Daw Ching	–	–	229,665	–	229,665
Mr Kong Tai(3)	–	–	–	–	–

Note:

(1) Mr Lan Chunguang has waived his remuneration for the financial year ended 31 December 2013.

(2) Mr Chen Guansheng did not receive any remuneration from the Company.

(3) Mr Kong Tai retired as a Director with effect from 26 April 2013.

Key Management Personnel	**Salary**	**Bonus**	**Incentive and other benefits**	**Total**
	%	**%**	**%**	**%**
Below RMB 1,196,000 or approximately $250,000				
Xiang Zhijing	86	14	–	100
Lian Keji	100	–	–	100
Zhang Yuanwang	100	–	–	100
Zhang Shengli	92	8	–	100
Ma Hongxiang	92	8	–	100

The aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO) for the FY2013 is RMB 812,000.

None of the Directors (including the CEO) and the top five key management personnel (who are not Directors or the CEO) of the Company has received any termination, retirement, post-employment benefits for FY2013.

For FY2013, the Company does not have any employees who are immediate family members of a Director or the CEO, whose remuneration exceeded S$50,000.

The Company has a share option scheme known as Reyphon Employee Share Option Scheme ("ESOS") which was approved by shareholders of the Company on 10 July 2007. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. No options were granted under the ESOS during FY2013. The principal terms of the Scheme is set out in the pages 123 to 129 of the IPO Prospectus dated 24 July 2007.

Accountability and Audit

Principle 10: Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, to the public, the regulators and the shareholders of the Company.

The Board is accountable to the shareholders and other stakeholders while the Management is accountable to the Board. The Board's primary role is to protect and enhance long-term value and returns for the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of SGX-ST.

Any price sensitive information will be publicly released via SGXNet, before the Company meets with any group of investors or analysts.

In discharge of its duties to the shareholders, the Board, when presenting annual financial statements and announcements, seek to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with Rule 705(5) of the Listing Manual of SGX-ST. The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

Principle 11: Internal Controls

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interests of the shareholders and the Group's asset. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss and to ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of business risks.

The AC will continue to review and monitor the Company's internal controls and risk management practices, taking into consideration the risks which the Group is exposed to, the likelihood of occurrence of such risks and the costs of implementing controls.

For FY2013, the Board has received assurance from the CEO and Group Finance Manager that (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Group's risk management and internal control systems are sufficiently effective.

At present, the AC and Board relies on reports from the Group Finance Manager to identify material non-compliance or internal control weaknesses. There were no major internal control weaknesses highlighted for the attention of AC for FY2013. The AC and Board also review the management letter, if any, prepared by the external auditors on control weakness relevant for the preparation of financial statements.

The Board, through the AC, reviews the adequacy of the Group's risk management framework and internal controls, to ensure risk management and internal controls are in place. In this aspect, the AC reviews the audit plans, and the findings of the auditors and ensures that the Group follows up on auditors recommendations raised, if any, during the audit process. The AC guides Management to check and ensure the adequacy of the internal controls. Based on the internal controls and risk management framework established and maintained by the Group, work performed by the external auditors (to the extent as required by them to form an audit opinion on the statutory financial statements), periodic reviews performed by the Management and assurance from the CEO and Group Finance Manager, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls are adequate in addressing financial, operational, compliance and information technology risks in the current scope of the Group's business environment and to provide reasonable assurance of integrity to safeguard its assets and shareholders' investments, against material misstatement.

At the moment, the overall risk management framework of the Group was collectively monitored by the AC and the Board. The Board will consider the necessity of establishing a separate Board risk committee as and when it deemed expedient.

Audit Committee ("AC")

Principle 12: Audit Committee

The AC comprises the following three non-executive directors, the majority of whom, including the Chairman of the AC, are independent:

- Mr Foong Daw Ching (AC Chairman and Lead Independent Non-Executive Director)
- Mr He Kaijun (Independent Non-Executive Director)
- Dr Lan Weiguang (Non-Independent Non-Executive Chairman)

The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

The Board has approved the written terms of reference of the AC. The AC will assist the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records, develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group. The AC will provide a channel of communication between the Board, the Management and the auditors on matters relating to audit. The AC met with the external auditors periodically.

The AC performs, *inter alia*, the following functions:-

(a) review with the internal and external auditors audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(b) review with internal auditors the internal audit plan and the result of their examination and evaluation of the system of internal controls;

(c) review the quarterly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of SGX-ST and any other relevant statutory or regulatory requirements;

(d) review the internal control procedures and ensure co-ordination between the auditors and the Management, and review the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the Management, where necessary);

(e) review and discuss with the auditors any suspected fraud or irregularity, 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 or financial position and the Management's response;

(f) review the assurance received from the CEO and Group Finance Manager that (1) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations; and (2) effectiveness of the Group's risk management and internal control systems;

(g) review the scope and results of audit and its cost effectiveness, and the independence and objectivity of the external auditors;

(h) review the adequacy and effectiveness of the Company's internal controls systems, including financial, operational, compliance and information technology controls;

(i) consider and recommend the appointment or re-appointment of the internal and external auditors and matters relating to the resignation or dismissal of the internal and external auditors;

(j) review interested person transactions (if any) failing within the scope of Chapter 9 of the Listing Manual of SGX-ST;

(k) review potential conflicts of interest (if any);

(l) review the policy and arrangements by which staff of the Group or any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action;

(m) assessing the suitability for appointment of finance Director / Manager (or equivalent rank);

(n) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(o) undertake such other acts as may be required by the SGX-ST and the Code from time to time.

The AC will meet, at the minimum, on a quarterly basis. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The AC has been given full access to and co-operation of the Company's Management. The AC has access to resources to enable it to discharge its functions properly. To facilitate discussions at its meetings, the AC had invited the other key executives of the Group to attend its meetings. The AC had direct access to the external auditors and had also met with the external auditors without the presence of the Management to discuss the results of their examinations and evaluation of the system of internal accounting controls. During the year, the AC has reviewed the scope and quality of their audits and the independence and objectivity of the external auditors as well as the cost effectiveness.

The fees paid/payable to Messrs Deloitte & Touche LLP, the external auditors, for the FY2013 are as follows:-

Services	Amount (RMB)
Audit service	695
Non-audit service	16
Total	711

The AC has also reviewed all audit and non-audit fees paid to the external auditor. The AC has reviewed the volume of non-audit services rendered to the Group by the external auditors, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Company has complied with Rule 715 of the Listing Manual of the SGX-ST as all subsidiaries of the Company are audited by Messrs Deloitte & Touche LLP for the purposes of the consolidated financial statements of the Company and its subsidiaries.

Messrs Deloitte & Touche LLP, the external auditors of the Company has confirmed that they are Public Accounting Firms registered with Accounting & Corporate Regulatory Authority and provided a confirmation of their independence to the AC. The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

The AC is satisfied that the Company's auditors are still able to meet the audit requirements and statutory obligation of the Company. Accordingly, the AC is satisfied that Rule 712 of the Listing Manual of the SGX-ST is complied with and has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM.

The Company has established a whistle blowing policy to enable persons employed by the Group a channel to report any suspected non-compliance with regulations, policies, fraud and/or other matters to the appropriate authority for resolution, without any prejudicial implications to these employees. The AC is vested with the power and authority to receive, investigate and enforce appropriate action when any such non-compliance matter is brought to its attention. As of to-date, there were no reports received through the whistle blowing mechanism.

Principle 13: Internal Audit

The Company is primarily engaged in the production of pharmaceutical ingredient product on a smaller scale as compared to preceding years, as well as commencing its property development business on a relatively small scale. In view of the small size of Group's business and operations, the AC was of the view that the appointment of professional internal auditors to conduct the internal audit review for FY2013 would involve expenses unduly out of proportion to its value. Notwithstanding the aforementioned, the AC will review the need to engage external professional internal auditors as and when it deems necessary. The AC will engage external professional internal auditors, set their internal audit scope, approve their internal audit plans, review their internal audit reports and assess the effectiveness of the internal auditors, such as its scope of work and the quality of its audit reports, if deemed necessary.

For FY2013, the AC has reviewed the internal controls review based on the report from the Group Finance Manager, and assurance from the CEO and Group Finance Manager. In addition, both the AC and external auditors meet quarterly to discuss for the matters pertaining to the Company's statutory audits. The external auditors were also invited to attend all AC meetings of the Company held for FY2013.

C. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Shareholders Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Company believes that a high standard of disclosure is crucial to raising the level of corporate governance. All information that requires public disclosure is first announced through the SGXNet. The Company is open to meetings with investors and analysts and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure. The Company has also adopted quarterly results reporting since its listing in August 2007. Price-sensitive information is publicly released, and is announced within the mandatory period.

The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. All shareholders of the Company will receive the annual report and notice of the AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board Committees. The Chairpersons of the Audit, Nominating and Remuneration Committees together with the external auditors would be present at the AGM to address all queries that the shareholders may have. In the event that the Company wishes to obtain shareholders' approval for any major transaction, the Board will disseminate such information via SGXNet, prepare and send notice of general meeting and circular to shareholders within the mandatory period. Shareholders are highly encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. 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 AGM through proxy forms sent in advance.

Minutes of general meetings include substantial and relevant queries or comments from shareholders relating to the agenda of the meeting and responses from the Board and Management. These minutes would be available to shareholders upon their request.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. Each item of the resolution included in the notice of general meetings will be accompanied by full explanation of the effects of a proposed resolution.

The Company does not have a policy on payment of dividends. The issue of dividend is deliberated by the Board having regard to various factors.

D. ADDITIONAL INFORMATION

Dealings in Securities
(Listing Manual Rule 1207(19))

The Company has an internal code on dealings in securities to govern the dealings in securities by the Company, its directors and officers. The Company, its directors, and officers are not permitted to deal in the Company's shares on short term considerations or whilst they are in possession of any unpublished material price sensitive information and during the periods commencing two weeks before the announcement of the Company's quarterly results or one month before the announcement of the Company's full year results, and ending on the date of announcements of the relevant results. Internal memorandums are sent to remind directors and officers on the period where dealings are prohibited.

In addition, the Company, its directors and officers are also expected to observe insider-trading laws at all times. They are also discouraged from dealing in the Company's securities on short-terms considerations.

Risk Management
(Listing Manual Rule 1207(4)(b)(iv))

The Management continually reviews and improves the business and operational activities to take into account the risk management perspective. The Management seeks to identify areas of significant business risks and will consider the appropriate measures to be taken to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the AC. The details and the Group's financial and business risks can be found on pages 45 to 47 of the Annual Report.

Material Contracts
(Listing Manual Rule 1207(8))

There was no material contracts entered into by the Group involving the interests of any directors or Controlling Shareholders subsisting at the end of the FY2013.

Interested Person Transactions
(Listing Manual Rule 907)

The Company had established a procedure to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no significant interested person transactions equal to or exceeding S$100,000 in aggregate, entered into during the financial year under review.

USE OF INITIAL PUBLIC OFFERING PROCEEDS
(Listing Manual Rule 1207(20))

The Group raised S$28,782,000 from its initial public offering ("IPO") from the issuance of 73,800,000 new shares of S$0.39 each on 1 August 2007. Total net proceeds was approximately S$26,370,000 after deducting IPO expenses of approximately S$2,412,000.

After the IPO, the Group had transferred a total sum of USD13,461,200 (approximately S$19,854,000) from the IPO proceeds to its principal subsidiary, Jiangxi New Reyphon Biochemical Co., Ltd, for the following purposes:

Use of net proceeds as stated in the Prospectus	Amount allocated as stated in the Prospectus (S$)	Amount Utilized (S$)
To expand production capacity	15,000,000	11,426,000
For R&D of new products	3,000,000	576,000
To strengthen sales and distribution network	1,000,000	370,000
For general working capital purposes of Group	7,447,000	7,482,000
Total	26,447,000	19,854,000

The aforementioned proceeds have been used in accordance with the intended use and is in accordance with the percentage allocated as stated in the Prospectus. The remaining proceeds of approximately S$6.6 million has not been utilized to-date.

As announced on 14 November 2013, the Company does not have any immediate plans to utilise the remaining proceeds. In order to increase the flexibility in the deployment of funds, the Company had re-designated the remaining proceeds as working capital of the Company. The Company shall make periodic announcements of the use of the IPO proceeds as and when the proceeds are materially disbursed.

REPORT OF **THE DIRECTORS**

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2013.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Dr Lan Weiguang
Foong Daw Ching
Chen Guansheng
Lan Chunguang
He Kaijun (Appointed on July 19, 2013)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
Name of directors and companies in which interests are held	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
Ultimate holding company - Clean Water Investment Limited (Ordinary shares of par value US$0.000001)				
Dr Lan Weiguang	271,268,960	271,268,960	10,000,040	10,000,040
The Company (Ordinary shares)				
Dr Lan Weiguang	319,000	319,000	236,068,000	236,068,000
Foong Daw Ching	10,000	10,000	–	–
Lan Chunguang	–	585,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Dr Lan Weiguang is deemed to have an interest in all the related corporations of the Company.

The directors' interests in shares of the Company and related corporations as at January 21, 2014 were the same as at December 31, 2013.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

6 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Foong Daw Ching, an independent director, and includes Mr He Kaijun, an independent director and Dr Lan Weiguang, a non-executive director. The Audit Committee has met 4 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors, external and internal auditors of the Company:

(a) the internal and external audit plans and results of internal auditors' examination and evaluation of the systems of internal accounting controls;

(b) the quarterly and annual results announcements and financial statements before submission to the Board of Directors for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of SGX-ST and any other relevant statutory or regulatory requirements;

(c) the co-ordination between the external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss;

(d) any suspected fraud or irregularity, 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 or financial position with management;

(e) the appointment and re-appointment of the external auditors and matters relating to the resignation or dismissal of the external auditors;

(f) interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual of SGX-ST;

(g) potential conflicts of interest (if any); and

(h) undertake such other reviews and projects as may be requested by the Board of Directors and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee.

The Audit Committee has access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Lan Weiguang

Lan Chunguang

March 28, 2014

STATEMENT OF **DIRECTORS**

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 30 to 60 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013, and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Lan Weiguang

Lan Chunguang

March 28, 2014

INDEPENDENT **AUDITORS' REPORT**

YEAR ENDED DECEMBER 31, 2013

Report on the Financial Statements

We have audited the accompanying financial statements of Suntar Eco-City Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2013, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 60.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 28, 2014

STATEMENT OF **FINANCIAL POSITION**

DECEMBER 31, 2013

	Note	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
<u>ASSETS</u>					
Current assets					
Cash and cash equivalents	7	58,392	47,484	199	264
Trade receivables	8	12,456	5,519	–	–
Other receivables and prepayments	9	9,506	9,760	–	867
Prepaid lease premium	10	357	357	–	–
Inventories	11	6,321	16,692	–	–
Total current assets		87,032	79,812	199	1,131
Non-current assets					
Prepaid lease premium	10	15,299	15,656	–	–
Property, plant and equipment	12	16,975	18,303	–	–
Properties under development	13	23,401	26,932	–	–
Deferred tax assets	14	–	539	–	–
Subsidiaries	15	–	–	131,406	131,406
Total non-current assets		55,675	61,430	131,406	131,406
Total assets		142,707	141,242	131,605	132,537
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	16	1,587	4,917	–	–
Other payables and accruals	17	4,986	3,711	1,163	1,068
Bank loans	18	3,137	–	–	–
Income tax payable		1,246	413	–	–
Total current liabilities		10,956	9,041	1,163	1,068
Capital and reserve					
Share capital	19	162,713	162,713	162,713	162,713
Accumulated losses		(30,962)	(30,512)	(32,271)	(31,244)
Net equity		131,751	132,201	130,442	131,469
Total liabilities and equity		142,707	141,242	131,605	132,537

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2013

	Note	Group 2013 RMB'000	Group 2012 RMB'000
Revenue	20	41,133	49,909
Cost of sales		(43,278)	(46,581)
Gross (loss) profit		(2,145)	3,328
Other operating income	21	12,000	1,955
Administrative expenses		(8,411)	(6,210)
Selling and distribution cost		(132)	(298)
Finance cost	22	(390)	–
Profit (Loss) before income tax	23	922	(1,225)
Income tax expense	24	(1,372)	(8)
Loss for the year, representing total comprehensive loss for the year		(450)	(1,233)
Loss per share:			
Basic and diluted loss per share (RMB cents)	25	(0.14)	(0.39)

See accompanying notes to financial statements.

STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED DECEMBER 31, 2013

	Share capital RMB'000	Statutory reserve * RMB'000	Accumulated losses RMB'000	Total RMB'000
Group				
Balance at January 1, 2012	162,713	–	(29,279)	133,434
Loss for the year representing total comprehensive loss for the year	–	–	(1,233)	(1,233)
Balance at December 31, 2012	162,713	–	(30,512)	132,201
Loss for the year representing total comprehensive loss for the year	–	–	(450)	(450)
Balance at December 31, 2013	162,713	–	(30,962)	131,751
Company				
Balance at January 1, 2012	162,713	–	(29,050)	133,663
Loss for the year representing total comprehensive loss for the year	–	–	(2,194)	(2,194)
Balance at December 31, 2012	162,713	–	(31,244)	131,469
Loss for the year representing total comprehensive loss for the year	–	–	(1,027)	(1,027)
Balance at December 31, 2013	162,713	–	(32,271)	130,442

* *See Note 26 to the financial statements.*

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED DECEMBER 31, 2013

	Group	
	2013	2012
	RMB'000	RMB'000
Operating activities		
Profit (Loss) before income tax	922	(1,225)
Adjustments for:		
Depreciation expense	1,468	1,586
Interest income	(602)	(170)
Interest expense	390	–
Amortisation on prepaid lease premium	357	357
Allowance for inventories	331	–
Unrealised exchange loss (gain)	1,795	(1,739)
Operating cash flows before movements in working capital	4,661	(1,191)
Trade receivables	(6,937)	8,406
Inventories	10,040	(1,826)
Other receivables and prepayments	(7,746)	(1,163)
Properties under development	3,531	(3,932)
Trade payables	(3,330)	(4,077)
Other payables and accruals	1,134	(2,214)
Cash generated from (used in) operations	1,353	(5,997)
Interest received	602	170
Interest paid	(390)	–
Income tax paid	–	(162)
Net cash from (used in) operating activities	1,565	(5,989)
Investing activities		
Loan repayment from a non-related company	8,000	–
Loan to a non-related company	–	(8,000)
Purchase of property, plant and equipment	(147)	(157)
Proceed from disposal of property, plant and equipment	7	–
Net cash from (used in) investing activities	7,860	(8,157)
Financing activities		
Drawdown on bank loans	9,226	–
Repayment of bank loans	(6,089)	–
Advance from a non-related party	2,646	1,205
Repayment of advance from a non-related party	(2,505)	–
Net cash from financing activities	3,278	1,205
Net increase (decrease) in cash and cash equivalents	12,703	(12,941)
Cash and cash equivalents at beginning of year	47,484	58,686
Effect of exchange rate changes on the balance of cash held in foreign currencies	(1,795)	1,739
Cash and cash equivalents at end of year	58,392	47,484

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200613997H) is incorporated in the Republic of Singapore with its principal place of business at 10 Ang Mo Kio Street 65, #06-10, Singapore 569059 and registered office at 6 Battery Road, #10-01, Singapore 049909. The Company is listed on the main board of the Singapore Exchange Securities Trading Limited. The consolidated financial statements are expressed in Chinese Renminbi ("RMB").

The principal activity of the Company is to carry on the business of an investment holding company.

The principal activity of the subsidiaries is disclosed in Note 15 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2013 were authorised for issue by the Board of Directors on March 28, 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2013, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

At the date of authorisation of the financial statements, the Directors anticipate that the adoption of the FRS, INT FRS and amendments to FRS that were issued but effective only in future periods is not expected to have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments*: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

BUSINESS COMBINATIONS - The acquisition of subsidiaries under common control is accounted for using the merger accounting method. Under this method, the Company has been treated as the holding company of the subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries.

The acquisition of subsidiaries from a party other than common control shareholders is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments.

Financial assets

Loan and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loan and receivables". Loan and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and fixed deposits that are subject to an insignificant risk of changes in value and are readily convertible to a known amount of cash.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collaterialised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of the liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when the recognition of interest would be immaterial.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment loss.

Construction-in-progress is stated at cost, which consists of construction costs incurred during the period of construction, less accumulated impairment losses. No depreciation is provided on construction-in-progress until the construction is completed and the properties and assets are ready for use.

Depreciation is charged so as to write off the cost of property, plant and equipment, other than construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	-	30 years
Plant and machinery	-	12 years
Office equipment	-	5 years to 10 years
Motor vehicles	-	5 years

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

PREPAID LEASE PREMIUM - Prepaid lease premium pertains to the prepayment of land rental for the total land rental period. Prepaid lease premium is measured at the total land rental cost less amortisation and any accumulated impairment loss and is charged to profit or loss on a straight-line basis over their land rental period.

RESEARCH EXPENDITURE - Expenditure on research activities is recognised as an expense in the period in which it is incurred.

PROPERTIES UNDER DEVELOPMENT - Properties under development are stated at cost, which includes cost of land and construction, related overhead expenditure and financing charges and other net costs incurred during the period of development. The interest rates applied to funds for the development are based on the actual interest payable on the borrowings for such development.

When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

Upon completion of construction, the properties are transferred to completed properties held for sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

IMPAIRMENT OF ASSETS - At end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

STATUTORY RESERVE - Statutory reserve represents the amount transferred from profit after tax of the subsidiary incorporated in the People's Republic of China (the "PRC") in accordance with the PRC requirement. The statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing capital.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Pursuant to the relevant regulations of the PRC government, the PRC subsidiaries of the Group ("PRC subsidiaries") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. The PRC government is responsible for the pension liability to these retired staff. Contributions under the Schemes are charged as an expense as incurred.

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following critical judgement, apart from those involving estimations (see below), has been made by management in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the financial statements:

New technology

As described below, the Group assessed whether there is any impairment of property, plant and equipment based on value-in-use calculations from estimating the future cash flows expected from the cash-generating unit. Although the Group incurred gross loss of RMB2,145,000 during the year due to higher unit cost of raw materials, the Group has taken measures to manage the increasing raw material costs by investing in research and development of new technology in its manufacturing processes. Management determines the new technology to be used for the production by existing plant and equipment in the second quarter of 2014. Such new technology is expected to contribute 88% growth in revenue in 2014. Management believes that the use of new technology will be successful and accordingly, no impairment of property, plant and equipment is necessary.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Allowances for recovery of debts

The assessment for recovery of debts of the Group is based on the evaluation of collectability and aging analysis of outstanding debts and on management's estimates of recoverability of these debts. A considerable amount of estimates is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of trade and other receivables is disclosed in Notes 8 and 9 to the financial statements respectively.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(ii) Allowances for inventories

In determining the net realisable value of the Group's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. This represents the value of the inventories which are expected to realise as estimated by management. These estimates take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The carrying amount of inventories is disclosed in Note 11 to the financial statements.

(iii) Impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of these property, plant and equipment. The value in use calculation requires the Company to estimate the future cash flows expected from the cash-generating unit and an appropriate discount rate in order to calculate the present value of the future cash flows.

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management for the next five years with the following key assumptions:

- Revenue growth rate: 88% in 2014, 5% from 2015 to 2018 and 1% as the long term growth rate from 2019 onwards;
- Discounted rate: 11%; and
- New technology is expected to be used in the second quarter of 2014 and to contribute 88% growth in revenue in 2014.

Management has evaluated the carrying amount of property, plant and equipment based on such estimates and is confident that no allowance for impairment is necessary. The carrying amount of property, plant and equipment is disclosed in Note 12 to the financial statements.

(iv) Impairment of investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the recoverable amount of these subsidiaries. Management has evaluated the recoverability of those investments based on estimated recoverable amount of the subsidiaries and is confident that no allowance for impairment is necessary. The carrying amount of investments in subsidiary at the end of reporting period is disclosed in Note 15 to the financial statements.

4 FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of reporting period:

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	79,418	61,743	199	1,131
Financial liabilities				
Payables at amortised cost	9,710	8,628	1,163	1,068

(b) Financial risk management policies and objectives

The Group's overall risk management policy seeks to minimise potential adverse effects on its financial performance.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group transacts business mainly in RMB and therefore is not exposed to significant foreign exchange risk. The Group does not enter into derivative foreign exchange contracts and foreign currency borrowings to hedge its foreign exchange risk.

At the reporting date, the net position of the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	2013		2012	
	SGD	USD	SGD	USD
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Cash and bank balances	35,097	18	38,451	108
Other payables and accruals	(1,187)	–	(1,078)	–
Company				
Cash and bank balances	95	104	157	108
Other payables and accruals	(1,163)	–	(1,068)	–

4 FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) Financial risk management policies and objectives (Cont'd)

(i) Foreign exchange risk management (Cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase in the exchange rate for the relevant foreign currencies against the functional currency of each entity of the Group. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates a decrease in loss/increase in profit when the relevant foreign currencies strengthen 10% against the functional currency of each Group entity. For a 10% weakening of the relevant foreign currencies against the functional currency of each Group entity, there would be an equal and opposite impact on the profit or loss.

	SGD		USD	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss				
Group	3,391	3,737	10	11
Company	(107)	(91)	10	11

(ii) Interest rate risk management

Interest-bearing financial liabilities comprise advances from a non-related party and bank loans which bear fixed interest rate, and the Group is not subject to any variation in the short-term interest rates. Accordingly, no sensitivity analysis is presented.

(iii) Credit risk management

The Group's credit risk is attributable to its trade and other receivables and advances to suppliers. The credit risk on liquid funds is limited because management reviews the recoverable amount of trade receivables at end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group is exposed to significant concentration of credit risk. The five largest customers accounted for approximately 72% (2012 : 100%) of the Group's total trade receivables as at December 31, 2013. Apart from delegating a team for determining the credit limits, credit approvals and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

4 FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

(b) Financial risk management policies and objectives (Cont'd)

(iii) Credit risk management (Cont'd)

With respect to credit risk arising from the other financial assets of the Group which mainly comprise bank and other deposits, the Group's exposure to credit risk arising from default of counterparties is limited as the counterparties have good credit standing and the Group does not expect any significant loss for uncollected advances/deposits from these entities.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and both internally and externally generated cash flows to finance its activities. 99.5%(2012 : 97.6%) of the Group's cash are in the PRC. The remittance of funds out of the PRC is subject to restrictions imposed by State Administration of Foreign Exchange of China in PRC.

Liquidity and interest risk analyses

Non-derivative financial liabilities and assets

As at the end of the reporting periods, the Group's and Company's non-derivative financial liabilities and non-derivative financial assets are unsecured and repayable on demand.

(v) Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising bank loan and issued capital net off accumulated losses.

The Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues or share buy-backs.

The Group's overall strategy remains unchanged from prior year.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Suntar Investments Pte Ltd, incorporated in the Republic of Singapore. The intermediate holding company is Sinomem Technology Pte Ltd, also incorporated in the Republic of Singapore. The Company's ultimate holding company is Clean Water Investment Limted, incorporated in the Cayman Islands. As at the end of the reporting periods, the Company is deemed to be ultimately controlled by Dr Lan Weiguang and his spouse, Ms Chen Ni. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the transactions and arrangements and terms thereof are with members of the ultimate holding company's group and the effect of these on the basis determined between the parties is reflected in these financial statements. The amount due from and to related companies are unsecured, interest-free and repayable on demand unless otherwise stated.

Details of transactions between the Group and other related companies are disclosed below:

	Group	
	2013	2012
	RMB'000	RMB'000
Rental expenses	–	25

6 RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements and terms thereof are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The amount due from and to related parties are unsecured, interest-free and repayable on demand unless otherwise stated.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Short-term benefits	230	653

During the year, certain directors and key management personnel waived the rights to remuneration.

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	58,392	46,716	199	264
Fixed deposits	–	768	–	–
Total	58,392	47,484	199	264

In 2012, the fixed deposits bore average effective interest rate of 0.05% per annum and were for tenure of approximately 30 days. Fixed deposits were considered as cash and cash equivalents in 2012 as management was of the view that these deposits might be withdrawn as and when required without having to incur penalty.

8 TRADE RECEIVABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Outside parties	6,074	2,998
Notes receivable	6,382	2,521
Total	12,456	5,519

The average credit period on sale of goods is 60 days (2012 : 60 days). No interest is charged on the trade receivables on the outstanding balance.

The table below is an analysis of trade receivables as at December 31:

Not past due and not impaired	10,676	3,807
Past due but not impaired:		
2 months to 6 months	13	1,212
6 months to 12 months	55	500
12 months to 24 months	1,712	–
Total trade receivables	12,456	5,519

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB1,780,000 (2012 : RMB1,712,000) which are past due at the end of reporting period for which the Group has not made any provision as there has not been a significant change in the credit quality and the amounts are still considered receivable. Subsequent to year end, the trade receivables which are not impaired but past due for more than 12 months have been settled. The Group does not hold any collateral over these balances.

At the end of the reporting period, management considers all trade receivables as recoverable and hence no allowance has been made in respect of doubtful debts.

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Loan to a non-related company (Note 29)	–	8,000	–	–
Receivable for sale of technology know-how	7,398	–	–	–
Advances to suppliers	–	520	–	–
Prepayments	936	500	–	–
Advances to staff	1,007	258	–	–
Subsidiary (Note 15)	–	–	–	867
Others	165	482	–	–
Total	9,506	9,760	–	867

In 2012, the loan to a non-related company bore effective interest rate of 5.6% per annum and was fully repaid in 2013.

The advances made to suppliers and staff are interest free, unsecured and repayable on demand.

Receivable for sale of technology know-how is interest free, unsecured and repayable by June 30, 2014.

10 PREPAID LEASE PREMIUM

	Group	
	2013	2012
	RMB'000	RMB'000
Cost:		
At beginning and at end of year	17,430	17,430
Accumulated amortisation:		
At beginning of year	1,417	1,060
Amortisation	357	357
At end of year	1,774	1,417
Carrying amount:		
At end of year	15,656	16,013

10 PREPAID LEASE PREMIUM (Cont'd)

Presented in the Statement of Financial Position:

	Group	
	2013	2012
	RMB'000	RMB'000
Current asset	357	357
Non-current asset	15,299	15,656
Total	15,656	16,013

Prepaid lease premium represents lease premium for the land and are released to consolidated profit or loss over the term of relevant rights of approximately fifty years as stated in the land use rights certificate granted for usage to the Group.

11 INVENTORIES

	Group	
	2013	2012
	RMB'000	RMB'000
At cost:		
Raw materials	537	1,107
Work in progress	4,613	6,330
Finished goods	1,502	9,255
	6,652	16,692
Less: Allowance for inventories	(331)	–
Net	6,321	16,692

The cost of inventories recognised as an expense includes RMB331,000 (2012 : RMB Nil) in respect of write-down of inventories to net realisable value.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group						
Cost:						
At January 1, 2012	10,292	12,703	164	272	1,630	25,061
Additions	–	68	89	–	–	157
At December 31, 2012	10,292	12,771	253	272	1,630	25,218
Additions	20	90	37	–	–	147
Disposal	–	(12)	–	–	–	(12)
At December 31, 2013	10,312	12,849	290	272	1,630	25,353
Accumulated depreciation:						
At January 1, 2012	1,096	3,926	103	204	–	5,329
Depreciation	307	1,192	32	55	–	1,586
At December 31, 2012	1,403	5,118	135	259	–	6,915
Depreciation	307	1,089	59	13	–	1,468
Disposal	–	(5)	–	–	–	(5)
At December 31, 2013	1,710	6,202	194	272	–	8,378
Carrying amount:						
At December 31, 2013	8,602	6,647	96	–	1,630	16,975
At December 31, 2012	8,889	7,653	118	13	1,630	18,303

13 PROPERTIES UNDER DEVELOPMENT

	Group 2013 RMB'000	Group 2012 RMB'000
Deposit placed for land costs	20,000	25,000
Development costs	3,401	1,932
Total	23,401	26,932

In 2011, the Group had entered into a conditional tourism management agreement with the government authorities of Wuping County (the "Tourism Management Agreement") and had also entered into a supplemental agreement to amend certain terms and conditions of the Tourism Management Agreement (the "Supplemental Agreement").

13 PROPERTIES UNDER DEVELOPMENT (cont'd)

Under the terms of the Tourism Management Agreement and the Supplement Agreement, the Company will:

(i) develop, operate and manage the Green Wuping Eco-Tourism Scenic Spot on behalf of the Wuping Authorities; and

(ii) invest in and develop Suntar Eco-City.

In 2011, the Company paid a deposit of RMB23 million to the Wuping Authorities for the acquisition of land use rights in connection with the Tourism Management Agreement, which may be refunded to the Company if the Company fails to obtain the land use rights eventually.

In 2012, the Group paid an additional RMB2 million to the government authorities of Wuping County as specified in the revised agreement.

During the year, the Group received a RMB5 million refund from the government authorities of Wuping County as a result of decrease in the scale of land.

As at the end of the reporting period, the entity has not obtained the certificate for Land Use Rights, and relevant licenses for the commencement of the development.

14 DEFERRED TAX ASSETS

The following is major deferred tax assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Tax losses RMB'000	Provisions RMB'000	Other RMB'000	Total RMB'000
Balance at January 1, 2012	460	74	13	547
Charge to profit or loss	(8)	–	–	(8)
Balance at December 31, 2012	452	74	13	539
Charge to profit or loss	(452)	(74)	(13)	(539)
Balance at December 31, 2013	–	–	–	–

15 SUBSIDIARIES

	Group 2013 RMB'000	Group 2012 RMB'000
Unquoted equity shares, at cost	51,614	51,614
Amount due from a subsidiary	79,792	79,792
Total	131,406	131,406

Amount due from a subsidiary is deemed as part of the investment in subsidiary as there is no contractual obligation for repayment by the subsidiary except upon liquidation.

Details of the Company's subsidiaries as at the end of the reporting periods are as follows:

Name of subsidiaries	Country of registration and operation	Effective equity interest and voting power held 2013 %	Effective equity interest and voting power held 2012 %	Principal activity
Held by the Company				
China Green Eco-Holdings Pte Ltd [(1)]	Singapore	100	100	Investment holding company
Xi'an Reyphon Pharmaceutical Co., Ltd [(2)]	PRC	100	100	Manufacture and sale of hormone-type pharmaceutical products
Held by a subsidiary				
Wuping Suntar Eco-city Development Co., Ltd [(2)]	PRC	100	100	Eco-tourism development

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by member firms of Deloitte Touche Tohmatsu Limited for consolidation purpose.

16 TRADE PAYABLES

	Group 2013 RMB'000	Group 2012 RMB'000
Outside parties	1,587	4,917

The average credit period on purchases of goods is 60 days (2012 : 60 days).

17 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	1,348	1,429	1,091	1,068
Advances from a non-related party	1,346	1,205	–	–
Outside parties	2,292	1,077	–	–
Related company (Note 5)	–	–	72	–
Total	4,986	3,711	1,163	1,068

The amount due to a related company is unsecured, interest-free and repayable on demand.

In 2013, the advances from a non-related party are unsecured, bear fixed interest rate of 6% per annum and have been fully repaid subsequent to year end. In 2012, the advances from a non-related party were unsecured, interest-free and repayable on demand.

18 BANK LOANS

	Group	
	2013	2012
	RMB'000	RMB'000
Bank loans	3,137	–

The bank loans represent note receivables discounted to bank with full recourse. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the note receivables (Note 8) and has recognised the cash received on the transfer as a secured borrowing.

The loans period ranges from approximately 4 to 5 months with an average fixed interest rate of 7.2% per annum. Upon maturity, the loans amount will offset against the same amount of note receivables.

19 SHARE CAPITAL

	Group and Company			
	2013	2012	2013	2012
	Number of ordinary shares		RMB'000	RMB'000
Issued and paid up:				
At beginning of year and at end of year	313,800,000	313,800,000	162,713	162,713

The ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared.

20 REVENUE

This comprises revenue from sale of goods, net of discounts and returns from operations.

21 OTHER OPERATING INCOME

	Group	
	2013	2012
	RMB'000	RMB'000
Sales of technological know-how	11,398	–
Foreign exchange gain	–	1,739
Bank interest income	602	170
Others	–	46
Total	12,000	1,955

22 FINANCE COST

	Group	
	2013	2012
	RMB'000	RMB'000
Interest expense on		
Advances from a non-related party	141	–
Bank loans	249	–
Total	390	–

23 PROFIT (LOSS) BEFORE INCOME TAX

This has been arrived at after charging (crediting):

	Group	
	2013	2012
	RMB'000	RMB'000
Amortisation on prepaid lease premium	357	357
Audit fee		
- paid to the Company's auditor	425	325
- paid to other auditor	270	130
Cost of inventories recognised as an expense	43,278	46,581
Depreciation of property, plant and equipment	1,468	1,586
Directors' fees	230	410
Directors' remuneration:		
- of the subsidiaries	–	243
Foreign exchange loss (gain)	1,795	(1,739)
Non-audit fee paid to auditors of the Company	16	16
Research expenses	75	111
Retirement benefit scheme contributions	364	318
Staff costs	4,219	3,479

24 INCOME TAX EXPENSE

	Group	
	2013	2012
	RMB'000	RMB'000
Current tax	833	–
Deferred tax (Note 14)	539	8
Income tax expenses	1,372	8

Income tax is calculated by applying the PRC statutory tax rate at 25% (2012 : 25%) of the estimated assessable profit (loss) for the year. The total charge for the year can be reconciled to the accounting profit (loss) as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Profit (Loss) before income tax	922	(1,225)
Income tax benefit at 25%	231	(306)
Non-deductible items	1,361	565
Utilisation of deferred tax benefits not recognised previously	(220)	(251)
Net	1,372	8

The Group has tax losses carry forward available for offsetting against future taxable income as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
At beginning of year	2,688	3,727
Arising	–	1,403
Utilised	(2,688)	(2,442)
At end of year	–	2,688
Deferred tax benefit recognised	–	452
Deferred tax benefit not recognised	–	220

In 2012, deferred tax assets had not been recognised in respect of tax losses amounting to RMB880,000 due to unpredictability of future profit streams.

25 LOSS PER SHARE

	Group	
	2013	2012
Loss:		
Loss attributable to equity holders of the Company (RMB'000)	(450)	(1,233)
Number of shares:		
Weighted average number of ordinary shares ('000)	313,800	313,800
Loss per share (RMB cents)	(0.14)	(0.39)

There is no dilution as no share options were granted during the financial year or outstanding as at the end of the reporting period.

26 STATUTORY RESERVE

According to the Articles of Association of the PRC subsidiaries, it requires the appropriation of 10% of its profit after tax each year, as shown in the PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC, to the statutory reserve until the balance reaches 50% of the registered share capital. According to the provision of the Articles of Association, in normal circumstances, the statutory reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation of the subsidiary.

There was no transfer to statutory reserve as at the end of the reporting periods.

27 SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance.

For management purposes, the Group is organised into two divisions – "pharmaceutical ingredients products" and "property development". These divisions are the basis on which the Group reports its segment information.

The accounting policies of the operating segments are the same as the Group's accounting policies describe in Note 2 to the financial statements. Segment results represent the profits earned by each segment without allocation of central administration costs, independent directors' fees, interest income, foreign exchange gains or losses and finance costs at corporate level.

As the property development division, as disclosed in Note 13 to the financial statements, has not commenced any commercial operations, the Group's revenue, profit or loss for the year is mainly from the pharmaceutical ingredients products division, which is the manufacturing and sale of hormone-type pharmaceutical products.

27 SEGMENT INFORMATION (cont'd)

As the Group's main assets and revenue are in People's Republic of China, accordingly, no geographical segment information is presented.

	Pharmaceutical ingredients products RMB'000	Property development RMB'000	Unallocated RMB'000	Total RMB'000
Statement of Net Assets				
2013				
Assets:				
Segment assets	64,870	77,569	–	142,439
Unallocated assets			268	268
Total assets				142,707
Liabilities:				
Segment liabilities	9,607	242	–	9,849
Unallocated liabilities			1,107	1,107
Total liabilities				10,956
2012				
Assets:				
Segment assets	60,081	80,030	–	140,111
Unallocated assets			1,131	1,131
Total assets				141,242
Liabilities:				
Segment liabilities	7,730	–	–	7,730
Unallocated liabilities			1,311	1,311
Total liabilities				9,041

Information about major customers

The Group's revenue derived from customers who individually account for 10% or more of the Group's revenue is detailed below:

	2013 RMB'000	2012 RMB'000
Customer A	21,240	27,079
Customer B	8,793	8,455
Customer C	3,774	7,159

28 OPERATING LEASE ARRANGEMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	–	25

Operating lease payments represented rentals payable by the Group for its office premises.

29 COMMITMENT

On October 28, 2011, the Company entered into a sale and purchase agreement with a third party for the acquisition of 63% equity interest in Vicenza International Properties Limited ("Vicenza"), a company incorporated in the British Virgin Islands for a consideration of RMB12.76 million. Vicenza is an investment holding company which holds a subsidiary in PRC that is involved in the property development business.

The proposed acquisition has yet to be taken place as at the end of the reporting period. The management is still in discussion with the Vicenza on the acquisition.

In 2012, the Group provided an interest bearing loan to a subsidiary of Vicenza, as disclosed in Note 9 to the financial statements. The loan was repaid in 2013.

STATISTICS OF **SHAREHOLDINGS**

AS AT 18 MARCH 2014

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	2	0.28	1,000	0.00
1,000 – 10,000	408	57.96	1,921,000	0.59
10,001 – 1,000,000	283	40.20	29,875,000	9.49
1,000,001 AND ABOVE	11	1.56	282,003,000	89.92
TOTAL	**704**	**100.00**	**313,800,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1	SUNTAR INVESTMENT PTE LTD	236,068,000	75.23
2	CIMB SECURITIES (SINGAPORE) PTE LTD	14,940,000	4.76
3	PHILLIP SECURITIES PTE LTD	10,032,000	3.20
4	UOB KAY HIAN PTE LTD	9,211,000	2.94
5	CHENG YE	3,535,000	1.13
6	LIU TIANRONG	2,003,000	0.64
7	YE JIAHONG	1,710,000	0.54
8	WAN HUAYIN	1,340,000	0.43
9	HOE JUAN JOK	1,150,000	0.37
10	LEE LENG KEONG	1,105,000	0.35
11	LIAO LIANGDONG	1,074,000	0.34
12	CHONG PAULINE	994,000	0.32
13	TANG JIA JING	871,000	0.28
14	CHEN YAN FENG	850,000	0.27
15	LIU XINHONG	835,000	0.27
16	RAFFLES NOMINEES (PTE) LTD	817,000	0.26
17	MAYBANK NOMINEES (SINGAPORE) PTE LTD	800,000	0.25
18	ZHONG WENDE	690,000	0.22
19	DBS NOMINEES PTE LTD	688,000	0.22
20	UNITED OVERSEAS BANK NOMINEES PTE LTD	663,000	0.21
	TOTAL	**289,376,000**	**92.23**

STATISTICS OF **SHAREHOLDINGS**

AS AT 18 MARCH 2014

SHAREHOLDERS' INFORMATION AS AT 18 MARCH 2014

Total number of issued shares excluding treasury shares	:	313,800,000
Total number of treasury shares	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 18 March 2014

	No. of Ordinary shares			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
Suntar Investment Pte. Ltd.	236,068,000	75.23	–	–
Sinomem Technology Pte. Ltd.(1)	–	–	236,068,000	75.23
CDH Water Limited(2)	–	–	236,068,000	75.23

Notes:

1. Sinomem Technology Pte. Ltd. ("Sinomem"), holds approximately 20% of the issued share capital of Suntar Investment Pte. Ltd. ("Suntar Investment"), is deemed to be interested in the shares held by Suntar Investment.

   Clean Water Investment Limited, holds the entire issued share capital of Sinomem which is the majority shareholder of Suntar Investment, is deemed to be interested in the shares held by Suntar Investment.

   Dr Lan Weiguang holds not less than 20% interests in Clean Water Investment Limited, which in turns hold 100% of the issued share capital of Sinomem, is deemed to be interested in the shares held by Suntar Investment.

2. CDH Water Limited ("CDH Water") holds not less than 20% of the entire issued share capital of Suntar Investments Pte. Ltd. and therefore is deemed to be interested in the Shares held by Suntar Investment.

   CDH Fund IV, L.P. ("CDH Fund IV") holds the entire issued share capital of CDH Water and therefore is deemed to be interested in the shares held by Suntar Investment.

   CDH IV Holdings Company Limited ("CDH IV Holdings") is the general partner of CDH Fund IV and therefore is deemed to be interested in the shares held by Suntar Investment.

   China Diamond Holdings IV, L.P. ("China Diamond Holdings IV") holds 80% of the issued share capital of CDH IV Holdings and therefore is deemed to be interested in the shares held by Suntar Investment.

   China Diamond Holdings Company Limited ("China Diamond HCL") is the general partner of China Diamond Holdings IV and therefore is deemed to be interested in the shares held by Suntar Investment.

   Mr. Jiao Shuge ("Mr Jiao") holds the entire issued share capital of Active Star Capital Limited ("Active Star") and is therefore indirectly interested in the shares held by Active Star in China Diamond HCL. The trustee of Orange Bloom, DBS Bank, acts in accordance with the directions, instructions or wishes of Mr. Jiao in relation to Orange Bloom therefore Mr. Jiao is regarded as an associate of Orange Bloom. Collectively, Active Star and Orange Bloom, and in turn Mr. Jiao, hold 28.78% of the issued share capital of China Diamond HCL. Mr. Jiao holds more than 20% of the issued share capital of China Diamond HCL and therefore is deemed to be interested in the shares held by Suntar Investment.

   Dr. Wu Shangzhi ("Dr Wu") holds the entire issued share capital of West Oak Company Limited ("West Oak") and is therefore indirectly interested in the shares held by West Oak in China Diamond HCL. The trustee of Forrest Circle, DBS Bank, acts in accordance with the directions, instructions or wishes of Dr. Wu in relation to Forrest Circle, therefore Dr. Wu is regarded as an associate of Forrest Circle. Collectively, West Oak and Forrest Circle, and in turn Dr. Wu, hold 35.42% of the issued share capital of China Diamond HCL. Dr. Wu holds more than 20% of the issued share capital of China Diamond HCL and therefore is deemed to be interested in the shares held by Suntar Investment.

FREE FLOAT

As at 18 March 2014, approximately 24.48% of the Company's total number of issued shares (excluding treasury shares preference shares, and convertible equity securities) of the Company was held in the hands of public.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST which requires at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed at all times held in the hands of the public.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SUNTAR ECO-CITY LIMITED (the "Company") will be held at 10 Ang Mo Kio Street 65, #06-10 Techpoint, Singapore 569059, on Tuesday, 22 April 2014 at 10.30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the financial year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 93 of the Company's Articles of Association:

   Mr Chen Guansheng **(Resolution 2)**
   Mr Foong Daw Ching **(Resolution 3)**

   [See Explanatory Note (i)]

3. To re-appoint Mr He Kaijun, a Director of the Company retiring pursuant to Section 153(6) of the Companies Act, Cap. 50, who is over 70 years of age, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.

   [See Explanatory Note (ii)] **(Resolution 4)**

4. To approve the payment of Directors' fees of S$48,001.00 (2012: S$81,000.00) for the financial year ended 31 December 2013. **(Resolution 5)**

5. To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

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

7. Authority to allot and issue shares up to fifty percent (50%) of Company's total number of issued shares excluding treasury shares.

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

   (a) (i) 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 (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty percent (20%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

(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 is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

   (ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the 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)**

8. Authority to grant options and issue shares under the Reyphon Employee Share Option Scheme

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Reyphon Employee Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the options granted under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen percent (15%) of the total number of issued shares excluding treasury shares of the Company from time to time."

[See Explanatory Note (iv)] **(Resolution 8)**

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore, 7 April 2014

Explanatory Notes:

(i) Mr Chen Guansheng will, upon re-election as a Director of the Company, remain as a Non-Executive Non-Independent Director.

Mr Foong Daw Ching will, upon re-election as a Director of the Company, remain as Lead Independent Director, Chairman of Audit Committee and Member of Nominating Committee and Remuneration Committee. Mr Foong Daw Ching will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Ordinary Resolution 4 is to re-appoint a Director of the Company who is over 70 years of age. Mr He Kaijun will, upon re-appointment as a Director of the Company, remain as Chairman of Nominating Committee and Remuneration Committee and Member of Audit Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Ordinary Resolution 7 is to empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty percent (50%) of the Company's total number of issued shares excluding treasury shares of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty percent (20%) of Company's total number of issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at 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 earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.

(iv) Ordinary Resolution 8 is to empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Reyphon Employee Share Option Scheme.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint up to two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 6 Battery Road #10-01 Singapore 049909, not less than 48 hours before the time set for the Annual General Meeting.

SUNTAR ECO-CITY LIMITED
(Company Registration Number 200613997H)
(the "Company")
(Incorporated in the Republic of Singapore)

IMPORTANT: FOR CPF INVESTOR ONLY

1. This Annual Report 2013 is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

ANNUAL GENERAL MEETING PROXY FORM

I/We ____ (Name)

of ____ (Address)

being a member/members of Suntar Eco-City Limited (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

or failing the person, or either or both the persons, referred to the above, the Chairman of the Annual General Meeting (the "Meeting") as my/our* proxy/proxies* to vote for me/us* on my/our behalf*, at the Meeting to be held at 10 Ang Mo Kio Street 65, #06-10 Techpoint, Singapore 569059 on Tuesday, 22 April 2014, at 10.30 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions Relating to:	For	Against
1.	Directors' Report and Audited Financial Statements for the financial year ended 31 December 2013		
2.	Re-election of Mr Chen Guansheng as Director		
3.	Re-election of Mr Foong Daw Ching as Director		
4.	Re-appointment of Mr He Kaijun as Director		
5.	Approval for payment of Directors' fees amounting to S$48,001/-		
6.	Re-appointment of Messrs Deloitte & Touche LLP as Auditors		
7.	Authority to allot and issue shares up to fifty percent (50%) of Company's total number of issued shares excluding treasury shares		
8.	Authority to grant options and issue shares under the Reyphon Employee Share Option Scheme		

Dated this __________ day of ______________ 2014.

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
Signature(s) of Member(s)
or, Common Seal of Corporate Member
*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a Meeting of the Company is entitled to appoint up to two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified. If the proportion of shareholding is not specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named.

4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any proxy or proxies appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 6 Battery Road #10-01 Singapore 049909 not less than 48 hours before the time appointed for holding of the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or the power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

SUNTAR ECO-CITY LIMITED