



Suntar

SUNTAR ECO-CITY LIMITED



2017
ANNUAL REPORT



SUNTAR ECO-CITY LIMITED

10 Ang Mo Kio Street 65, #06-10 Techpoint, Singapore 569059

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ABOUT US

Suntar Eco-City Limited (the “Company”) was established on 22 September 2006 and was listed on the Mainboard of Singapore Exchange Securities Trading Limited (“SGX-ST”) on 1 August 2007. The Company currently has two divisions: the pharmaceutical ingredients products segment and the property development segment.

The Company’s subsidiary, Xi’an Reyphon Pharmaceutical Co., Ltd, located in the Jinghe Economic Development Zone of Xi’an, Shanxi Province, is currently engaged in the production of pharmaceutical ingredients products.

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Lan Yihong
(Executive Director and Finance Director)

Chen Guansheng
(Non-Independent Non-Executive Director)

Foong Daw Ching
(Lead Independent Director)

He Kaijun
(Independent Non-Executive Director)

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 Accountants
6 Shenton Way OUE Downtown Two
#33-00
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

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group currently has two divisions: the pharmaceutical ingredients products segment and the property development segment. The pharmaceutical ingredients products segment was established in the People's Republic of China ("PRC") in 2007 for the expansion into human hormone production business. The property development segment was established as part of the Group's entry into the eco-tourism real estate development and management business. The segment completed development of the Lan County residential project in 2016.

In FY2017, driven by higher sales from the pharmaceutical products segment, the Group achieved a total revenue of RMB44.3 million, an increase of 26.9% or RMB9.4 million from RMB34.9 million in the corresponding period in 2016. Due to downward pressures on the gross margins of both segments the Group derive a lower higher gross profit margins of 9.6% in FY2017 compared to 23.8% in FY 2016, which resulted in a RMB4.1 million decrease in gross profit from RMB8.3 million in FY2016 to RMB4.2 million in FY 2017. The group also recorded an RMB11.2 million impairment loss to reflect the difference between the book value and recoverable amount of the Group's property, plant and equipment relating to the pharmaceutical ingredients products segment.

FY2018 Prospects and Future Plans

The Company has obtained the land use right of parcel of land for residential property development of Lan County project in Wuping, Fujian, PRC and development of the said parcel of land commenced on 30 June 2014. The development of the Lan County project was very successful and is expected to continue to contribute to revenue in FY2018.

Over the past year, the Group has conducted studies to better understand the feasibility of a consumer facing Bottled Water operation in China. China is the already largest consumer of Bottled Water in the world but per capita consumption is still below global average. With plenty of room for the segment to grow, and rising concerns with water safety, the Bottled Water market is expected to continue post strong growth in the near future. As a scientist and businessperson who has worked with water technologies for business clients over the past twenty years, I am excited to be applying my expertise

and experience with water technologies onto a consumer facing product. We are confident that the Bottled Water product we have developed will have a niche competitive advantage compared to the flagship products of incumbent market leaders. The Group will be actively seeking out new investment and business opportunities related to the manufacturing, marketing, sales and distribution of Bottled Water in China.

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

BOARD OF DIRECTORS



Dr Lan Weiguang

Non-Independent
Non-Executive Chairman

Dr Lan 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 Affairs Office of 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

Lead Independent Director

Mr Foong was appointed on 19 June 2007. He was formerly a senior partner of Baker Tilly TFW LLP and the former 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 Wales, a Fellow of the Institute of Singapore Chartered Accountants and a Fellow member of CPA Australia. He is also an independent director and the Chairman of the audit committee of Travelite Holdings Ltd, Starland Holdings Ltd and Ayondo Ltd, companies listed on the Singapore Exchange Securities Trading Limited. Mr Foong was awarded the Public Service Medal (Pingat Bakti Masyarakat) by the President of Singapore in 2003.

BOARD OF DIRECTORS

He Kaijun

Independent
Non-Executive Director

Mr He was appointed on 19 July 2013. He holds a Bachelor's Degree of Physics from Tianjin Nankai University, PRC. 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

Mr Chen 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 Yihong

Executive Director
and Finance Director

Mr Lan was appointed as Executive Director of the Company on 8 May 2015, and re-designated to Executive Director and Finance Director with effect from 5 August 2015. Mr Lan is responsible for the oversight of the financial planning and financial reporting matters of the company and strategic development of the group.

Previously, Mr Lan was with CDH Investments in their Beijing Private Equity office where he drove investments in the Consumer and Healthcare space. Prior to that Mr Lan worked with Deutsche Bank Securities in their investment banking division based out of New York City, with a specific focus on the Chemicals sector. He received his undergraduate degree in Industrial Engineering from University of Michigan – Ann Arbor.



FINANCIAL HIGHLIGHTS

	2013 RMB '000	2014 RMB '000	2015 RMB '000	2016 RMB '000	2017 RMB '000
				(Restated)	
Revenue	41,133	10,174	31,878	34,899	44,281
Gross profit / (loss)	-2,145	-137	2,263	8,299	4,245
(Loss) / Profit before tax	922	-8,396	-4,526	1,334	-16,862
(Loss) / Profit after tax	-450	-8,420	-4,568	2,776	-17,474
Current assets	87,032	82,715	85,572	97,264	120,597
Non-current assets	55,675	57,790	55,598	51,412	20,824
Total assets	142,707	140,505	141,170	148,676	141,421
Current liabilities	10,956	17,174	22,407	29,137	39,356
Total liabilities	10,956	17,174	22,407	29,137	39,356
Net current assets	76,076	65,541	63,165	68,127	81,241
Equity or Net assets	131,751	123,331	118,763	119,539	102,065
Basic and diluted earnings / (loss) per share (RMB cents) ⁽¹⁾	-0.72	-13.42	-7.28	1.24	-27.84

Notes:

(1) On 24 November 2015, the Company completed a share consolidation for every five existing issued ordinary shares of the Company into one ordinary shares and earnings per shares for the comparative period had been adjusted for the effects of the share consolidation.

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CORPORATE GOVERNANCE REPORT

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 2017 (“FY2017”), the Group has adhered to the principles and guidelines as set out in the Code, except where otherwise indicated.

A. BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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, financial statements and results;
- 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 issues and report back to the Board with its recommendations. The Chief Executive Officer (“CEO”) 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.

CORPORATE GOVERNANCE REPORT

The Board has adopted a set of internal controls and guidelines which sets out authority and approval limits for cheque signatories arrangements. Matters which are specifically reserved to the Board for decision and approval include, amongst others: -

- Approval of announcements (including but not limited to half-year and full-year results announcements) for release to the SGX-ST;
- Approval of the annual reports, circulars and audited financial statements;
- Convening of shareholders' meetings;
- Approval of corporate strategies;
- Approval of material acquisitions and disposal of assets; and
- Approval of major investment and funding decisions.

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.

There was no new Director appointed in the financial year ended 31 December 2017. The Company has and will continue to provide incoming Directors (if and when appointed) 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 role and responsibilities of a Director and the Group's business and operations, including site visits. The costs of arranging and funding the training of the Directors will be borne by the Company.

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

The number of Board and Board Committees meetings held during the FY2017 and the attendance of each Director at every Board and Board Committees meeting is presented below. Minutes of all Board and Board Committees 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
<u>No. of meetings attended by respective Directors</u>				
<i>Non-Independent Non-Executive Chairman:</i>				
Dr Lan Weiguang	4	4	1	1
<i>Executive Director:</i>				
Lan Yihong	4	N/A	N/A	N/A
<i>Independent Directors:</i>				
Foong Daw Ching	4	4	1	1
He Kaijun	4	4	1	1
<i>Non-Independent Non-Executive Director:</i>				
Chen Guansheng	4	N/A	N/A	N/A

Notes:

(1) Include meetings via teleconference.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board 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 Yihong (Executive Director and Finance Director)

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 Director)
- Mr He Kaijun (Independent 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 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 one 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.

In view that the Chairman is not an Independent Director, the Board noted that the company is required to comply with the requirement for Independent Directors to make up at least half of the Board at the annual general meeting ("AGM") following the end of financial year commencing on or after 1 May 2016. Following the retirement of Mr Chen Guansheng at the forthcoming AGM, the Company will be in compliance with the Code.

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.

CORPORATE GOVERNANCE REPORT

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 and to address changes in the operations.

Save for Mr Foong Daw Ching, none of the Independent Director has served on the Board beyond nine years from the date of his appointment.

The Board (save for Mr Foong Daw Ching) has considered the following factors when reviewing the independence of Mr Foong Daw Ching who has served on the Board for more than nine years from date of his first appointment:-

- The attendance and participation of the Independent Director in the proceedings and decision-making process of the Board and Board Committee meetings;
- The considerable amount of experience, required expertise in the relevant industry and wealth of knowledge that the Independent Director brings to the Company;
- The Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company;
- The qualification and expertise of the Independent Director to provide reasonable checks and balances for the Management to act as safeguard for the protection of the Company's assets and shareholders' interest;
- The Independent Director is able to act independently and provides overall guidance to the Management; and
- The Independent Director has no relationship with the Company, related corporations, 10% shareholder or its Management that could impair his fair judgement.

Having considered the aforesaid factors, the Board is of the view that Mr Foong Daw Ching remained independent in his exercise of objective judgement on the corporate affairs of the Company, notwithstanding that he has served on the Board for more than 9 years from the date of his first appointment.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman and the CEO are separate 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-Independent Non-Executive Chairman, CEO or Finance Director has failed to resolve or for which such contact is inappropriate. Such concerns may be sent to his email address at dawching23@gmail.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;

CORPORATE GOVERNANCE REPORT

- Ensuring effective communication with shareholders;
- Ensuring constructive relations within the Board, between the Board and Management as well as facilitating effective contribution of Non-Executive Directors; and
- Ensuring that the Directors receive complete, adequate and timely information.

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.

The Independent Directors led by the Lead Independent Director, are encouraged to meet periodically without the presence of the Executive Director where necessary. The Lead Independent Director will also provide feedback to the Non-Independent Non-Executive Chairman after such meetings.

B. BOARD COMMITTEES

Nominating Committee Board Membership

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

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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 Director)
- Mr Foong Daw Ching (Lead Independent 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 of appointment and re-appointment 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 programs for the Board;
- (f) developing a process for evaluation of the performance of the Board, its Board Committees and Directors;
- (g) where any Director has multiple listed company 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 listed company 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.

CORPORATE GOVERNANCE REPORT

PARTICULARS OF DIRECTORS AS AT 31 DECEMBER 2017

Name of Director	Date of first Appointment	Date of last re-election	Relationships with directors, the Company or its 10% shareholders	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	30 April 2015 (to be re-elected at the forthcoming AGM)	Father of Lan Yihong, who is a Director of the Company	Non-Independent Non-Executive Chairman	Member of AC, NC and RC	Sinomem Technology Pte Ltd
Chen Guansheng	9 May 2008	27 April 2017 (retiring at the forthcoming AGM)	–	Non-Independent Non-Executive Director	None	None
Foong Daw Ching	19 June 2007	27 April 2017	–	Lead Independent Director	Chairman of AC, Member of NC and RC	<ul style="list-style-type: none"> • Travelites Holdings Ltd • Starland Holdings Ltd • Ayondo Ltd.
He Kaijun	19 July 2013	28 April 2016	–	Independent Non-Executive Director	Chairman of NC and RC, and Member of AC	None
Lan Yihong	8 May 2015	28 April 2016	Son of Dr Lan Weiguang, who is a Director of the Company	Executive Director and Finance Director	None	None

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 Constitution whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every 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.

Pursuant to the Constitution, one-third of Board will retire via rotation at the forthcoming AGM. There are presently five (5) directors on the Board. Pursuant to Regulation 93, two (2) directors shall retire via rotation at the forthcoming AGM.

Dr Lan Weiguang, last re-elected at the AGM on 30 April 2015, will retire at the forthcoming AGM and being eligible, has consented for re-election. Mr Chen Guansheng had informed that he wish to retire at the forthcoming AGM and does not wish to be considered for re-election. The NC noted Mr Chen's request and recommends that the Company records its appreciation to Mr Chen for his contributions during his tenure as a director of the Company.

CORPORATE GOVERNANCE REPORT

The NC has recommended to the Board that Dr Lan Weiguang be nominated for re-election pursuant to the Company's Constitution at the forthcoming AGM. In making the recommendation, the NC had considered the Dr Lan's overall contribution and performance. Dr Lan has abstained from voting on any resolutions in respect to his re-election or re-appointment.

The Board has accepted the recommendations and records its appreciation to Mr Chen Guansheng for his contributions during his tenure as a director. The Board will table the re-election of Dr Lan Weiguang for shareholders' approval at the forthcoming AGM.

There is no alternate Director on the Board.

The NC and the Board are satisfied that all 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 five.

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 Members with objective performance criteria and contribution of each individual Director to the effectiveness of the Board. The NC had conducted the assessments for FY2017. These assessment reports were recommended by the NC and reviewed by the Board. These assessments also take 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.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to 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 the 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 Chairman, 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 key management personnel 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 respective Chairman of the Board and Board Committees meetings in ensuring that Board procedures are followed so that the Board functions effectively, and the Company's Constitution 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 Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

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 Director)
- Mr Foong Daw Ching (Lead Independent 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) reviewing and recommending to the Board a general framework of remuneration for the Directors and key management personnel (including executive officers and senior management) of the Group;
- (b) reviewing and recommending specific remuneration packages and terms of employment (where applicable) for each Executive Director and key management personnel (including executive officers and senior management);
- (c) conducting 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) considering various disclosure requirements for remuneration of Directors, the CEO and at least the top five key management personnel (who are not the Directors and the CEO), and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;
- (e) reviewing and recommending 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 Executive Director's 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.

CORPORATE GOVERNANCE REPORT

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 Company may recommend for the Company to consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company.

The remuneration paid to the Directors and key management personnel (including executive officers and senior management) on an individual basis during the FY2017 is set out below:

Board of Directors	Salary RMB	Bonus RMB	Directors' Fees RMB	Incentive and other benefits RMB	Total RMB
Below RMB1,221,125 or approximately S\$250,000					
Dr Lan Weiguang	–	–	5	–	5
Mr Lan Yihong	–	–	–	–	–
Mr Chen Guansheng ⁽¹⁾	–	–	–	–	–
Mr Foong Daw Ching	–	–	235,495	–	235,495
Mr He Kaijun	–	–	36,000	–	36,000

Note:

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

Key Management Personnel	Salary %	Bonus %	Incentive and other benefits %	Total %
Below RMB1,221,125 or approximately S\$250,000				
Lan Chunguang	100	–	–	100
Yan Jie	100	–	–	100
Zhang Shengli	100	–	–	100
Ma Hongxiang	100	–	–	100
Gao Yuanyuan	100	–	–	100
Wang Peiwen	100	–	–	100

The aggregate total remuneration paid to the top five key management personnel (who are not Directors) for the FY2017 is RMB444,000.

None of the Directors, 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 FY2017.

For FY2017, 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 Suntar Eco-City 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 FY2017. The principal terms of the Scheme is set out in the pages 123 to 129 of the IPO Prospectus dated 24 July 2007.

C. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the 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 to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. In addition, all Directors and key management personnel of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the Listing Manual.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board 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 adequacy of 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 FY2017, the Board has received assurance from the CEO and Finance Director 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 rely on reports from the Finance Director to identify material non-compliance or internal control weaknesses. There were no major internal control weaknesses highlighted for the attention of AC for FY2017. 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 Finance Director, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls in addressing financial, operational, compliance and information technology risks, and risk management systems are effective and adequate 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.

CORPORATE GOVERNANCE REPORT

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

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

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 Director)
- Mr He Kaijun (Independent 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. None of the AC members was a former partner or director of the Company's existing auditing firm within a period of 12 months nor has any financial interest in the auditing firm. The Board is of the view that the AC has sufficient financial management expertise and experience to discharge the AC's functions.

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) reviewing with the external auditors the audit plan and audit report, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- (b) reviewing with internal auditors the internal audit plan, the scope and the result of their examination and evaluation of the system of internal controls;
- (c) reviewing 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) reviewing the internal control procedures and ensure co-ordination between the auditors and the Management, and reviewing 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) reviewing and discussing with the auditors any suspected fraud or improprieties or irregularities, 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) reviewing the assurance received from the CEO and Finance Director that (1) the financial records have been properly maintained and the financial statements of the Company give a true and fair view of the Group's operations and finances; and (2) effectiveness of the Group's risk management and internal control systems;
- (g) reviewing the scope and results of external audit, its cost effectiveness, and the independence and objectivity of the external auditors;

CORPORATE GOVERNANCE REPORT

- (h) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls systems, including financial, operational, compliance and information technology controls;
- (i) recommending to the Board on the proposals on 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) reviewing interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual of SGX-ST;
- (k) reviewing potential conflicts of interest (if any);
- (l) reviewing 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) undertaking 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) 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 FY2017 are as follows:-

Services	Amount (RMB)
Audit service	456,000
Non-audit service	-
Total	<u>456,000</u>

The AC has also reviewed all audit fees paid to the external auditors. There were no non-audit fees paid to the external auditors of the Company in FY2017. The AC 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 and 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.

In July 2010, the Singapore Exchange Limited ("SGX") and Accounting and Corporate Regulatory Authority ("ACRA") launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance 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.

CORPORATE GOVERNANCE REPORT

In addition, in October 2015, with the support from SGX and Singapore Institute of Directors, ACRA had introduced the “Audit Quality Indicators (“**AQIs**”) Disclosure Framework to assist the ACs in evaluating the re-appointment of external auditors based on eight quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the external auditors based on the eight AQIs at engagement and/or firm-level.

The AC met with the external auditors to discuss the audit findings as well as their audit. The management has made significant judgments relating to significant estimates in the financial statements. These also required the making of assumptions regarding uncertain future events including those relating to the estimation of net realizable value of properties held for sale and the carrying value of property, plant and equipment. The financial reporting matters that required significant judgments and estimates are fully described in Note 3 to the accompanying financial statements.

The AC also considered the following key audit matters (“KAM”) reported by the external auditors.

1. Property, Plant And Equipment

As at December 31, 2017, the Group has property, plant and equipment with net carrying value of RMB5.9 million which comprised of property, plant and equipment with book value of RMB17.2 million less impairment loss of RMB11.2 million.

This item was one of the issues which gave rise to audit qualifications for financial year 2016.

The AC was pleased to note that the management had provided the auditors sufficient information to enable the auditors to satisfactorily ascertain the carrying value of this item for the current financial year.

2. Related Parties Transactions

In Financial Year 2016, the auditors also qualified their opinion relating to Related Parties Transactions. They were unable to satisfactorily ascertain the relationship of the Group’s subsidiary, Xi’an Reyphon Pharmaceutical Co., Ltd (Xian Reyphon) in PRC with Customer C due to an employee who has represented himself as a general manager of Xian Reyphon and approved transactions in that capacity. This employee is a shareholder and a legal representative of Customer C. He is also the son of the major shareholder of Customer C.

For the current financial year, the AC was also pleased to note that the auditors were able to conclude that Xi’an Reyphon and Customer C did not have common key shareholders or key management personnel based on searches performed.

The AC and the external auditors discussed these KAMs, their reason for justifying it as KAMs and the approach they took in their audit of these items in the Financial Statements.

The AC is satisfied that the Company’s auditors are 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.

In addition to the activities undertaken to fulfil its responsibilities, the AC is kept abreast by the Management, external and internal auditors on changes to accounting standards, stock exchange rules and other codes and regulations which could have an impact on the Group’s business and financial statements.

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.

CORPORATE GOVERNANCE REPORT

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company had engaged Xiamen Heyu Certified Public Accountant (CPA) Ltd (厦门和裕会计师事务所有限公司) as its internal auditors for the Group. The internal auditor reports directly to the AC on audit matters and to the Non-Independent Non-Executive Chairman and Finance Director on administrative matters. The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls and consequently to highlight the areas where control weaknesses exist, if any, and thus improvements could be made. The Company continues to work with the internal auditor to identify other scope of work which will help to further enhance the robustness of the Company's internal controls.

The AC will review the adequacy of the internal audit function at least annually and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company. The AC has met with the internal auditors, without the presence of Management, once during FY2017.

The internal auditor follows closely the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Board acknowledges that it is responsible for the overall internal control framework but notes that no system of internal control could provide absolute assurance against all irregularities.

C. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholders Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' right, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The 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 chairman of each of the Board Committees. The Chairman of the AC, NC and RC 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.

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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. A Relevant Intermediary¹ may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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, including but not limited to the Group's actual and projected financial performance; projected levels of capital expenditure and other investment plans; working capital requirements and general financial conditions; and the level of the Group's cash and retained earnings. Taking into account the above factors, the Board has not recommended dividends to be paid in respect of FY2017.

The Company has put all resolutions to vote by poll at its AGM. The Company will release an announcement on the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages.

D. ADDITIONAL INFORMATION

Dealings in Securities

The Company has complied with Rule 1207(19) of the Listing Manual of the SGX-ST in relation to the best practices on dealings in the securities:-

- (a) The Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;
- (b) Officers of the Company did not deal in the Company's securities on short-term considerations; and
- (c) The Company and its officers did not deal in the Company's shares (i) during the periods commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

In addition, the Directors and Management are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

¹ A Relevant Intermediary is:

- a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or
- c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE GOVERNANCE 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 FY2017.

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.

The aggregate value of interested person transactions entered into during the year, disclosed in accordance with Rule 907 of the SGX-ST Listing Manual, was as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Lan Weiguang	\$313,811 (equivalent to RMB1,615,000)	Nil

The Company has no shareholders' mandate for interested person transactions.

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 were 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 (\$\$)	Amount Utilized (\$\$)
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 the Group	7,447,000	
- Purchase of raw materials		6,162,000
- Employee salary expenses		1,012,000
- Tax expenses		76,000
- Miscellaneous expenses		232,000
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 utilised to-date.

CORPORATE GOVERNANCE REPORT

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.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of change in equity of the Company for the financial year ended December 31, 2017.

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 as set out on pages 37 to 84 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial 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.

1 DIRECTORS

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

Dr Lan Weiguang
Foong Daw Ching
Chen Guansheng
He Kaijun
Lan Yihong

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:

DIRECTORS' STATEMENT

Name of directors and companies in which interests are held	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Ultimate holding company Clean Water Investment <u>Limited</u> (Ordinary shares of par value US\$0.000001)				
Dr Lan Weiguang	271,268,960	271,268,960	10,000,040	10,000,040
<u>The Company</u> (Ordinary shares)				
Dr Lan Weiguang	63,800	63,800	47,213,600	47,213,600
Foong Daw Ching	2,000	2,000	-	-

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, 2018 were the same as at December 31, 2017.

4 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were 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.

5 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 four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) the internal and external audit plans and results of internal auditors' examination and evaluation of the group's systems of internal accounting controls;
- (b) the quarterly, half yearly and annual 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 full 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 and internal 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.

DIRECTORS' STATEMENT

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

.....
Lan Weiguang

.....
Lan Yihong

April 11, 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Suntar Eco-City Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 84.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2017

Key Audit Matters

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

Impairment of Property, Plant and Equipment Refer to Note 14 to the consolidated financial statements	
<p>As at December 31, 2017, the Group has property, plant and equipment with net carrying value of RMB5.9 million which comprised of property, plant and equipment with book value of RMB17.1 million less impairment loss of RMB11.2 million.</p> <p>The Group assessed that there is an indicator of impairment of these assets due to losses incurred in the pharmaceutical ingredients products segment in the current financial year. Accordingly, the management prepared a discounted cash flow forecast and determined that an impairment loss of RMB11.2 million be made to reflect the recoverable amount of these assets.</p> <p>We have determined the impairment of property, plant and equipment to be a key audit matter as impairment assessment involves significant judgment and estimates with regard to key assumptions on future market conditions, growth rate and discount rate used in the discounted future cash flows forecast prepared by management.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • Discussed with management and evaluated the key management assumptions, including comparing the revenue growth rate against recent sales; • Obtained and compared the profit forecast against the production plan approved by management; • Assessed the appropriateness of discount rate used by comparing to external sources of information; and • Assessed the appropriateness of the impairment amount made by management. <p>We have assessed and validated the adequacy and appropriateness of the disclosure made in the financial statements.</p>

Key Audit Matters (cont'd)

Related parties Refer to Note 6 to the consolidated financial statements	
<p>During the year ended December 31, 2016, an employee of Xi'an Reyphon Pharmaceutical Co., Ltd ("Xi'an Reyphon"), a subsidiary of the Group, is a shareholder and a legal representative of a major customer ("Customer C") of the Group. The former employee, who has since left the employment of Xi'an Reyphon in May 2017, is also the son of the major shareholder of Customer C ("Major Shareholder"). The employee presented himself as the general manager and had approved transactions using that designation in Xi'an Reyphon in 2016.</p> <p>In 2017, Xi'an Reyphon continued to have sales transactions with Customer C. In addition, there were other transactions between Xi'an Reyphon, Customer C and another entity in which the Major Shareholder has investments in ("Customer E").</p> <p>As at December 31, 2017, Xi'an Reyphon recorded advance payments of RMB10.1 million from Customer C.</p> <p>The existence of the relationship and transactions between the Xi'an Reyphon, Customer C and Customer E resulted in considerations as to whether Customer C and Customer E are related parties.</p>	<p>We performed the following procedures to ascertain the relationship between Xi'an Reyphon, Customer C and Customer E:</p> <ul style="list-style-type: none"> • Performed background checks on Customer C and Customer E to understand who their legal representatives, directors, shareholders, and/or related corporations are; • Inquired and obtained confirmations from directors and key management personnel of the Group confirming if any of them hold a management position in the Group's key customers or suppliers which might influence the decision making in the business transactions with the Group; and • Reviewed journal entries. <p>Xi'an Reyphon, Customer C and Customer E did not have common key shareholders or key management personnel based on searches performed. Information on transactions between Xi'an Reyphon, Customer C and Customer E are disclosed in Note 6 to the financial statements.</p>

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2017

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

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

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

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2017

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Ong Bee Yen.

Public Accountants and
Chartered Accountants
Singapore

April 11, 2018

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017

	Note	Group		Company	
		2017	2016	2017	2016
		RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	7	66,363	30,605	365	195
Structured deposits	8	-	10,500	-	-
Trade receivables	9	9,203	2,979	-	-
Other receivables and prepayments	10	2,910	3,921	8	-
Prepaid lease premium	11	355	355	-	-
Property held for sale	12	22,595	29,184	-	-
Inventories	13	19,171	19,720	-	-
Total current assets		120,597	97,264	373	195
Non-current assets					
Prepaid lease premium	11	13,828	14,183	-	-
Property, plant and equipment	14	5,944	17,627	-	-
Property under development	15	838	19,338	-	-
Subsidiaries	16	-	-	131,406	131,406
Intangible asset	17	214	264	-	-
Total non-current assets		20,824	51,412	131,406	131,406
Total assets		141,421	148,676	131,779	131,601
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	18	25,299	17,682	-	-
Other payables and accruals	19	12,141	9,624	8,232	6,449
Income tax payable		1,916	1,831	-	-
Total current liabilities		39,356	29,137	8,232	6,449
Capital and reserve					
Share capital	20	162,713	162,713	162,713	162,713
Statutory reserves	21	434	235	-	-
Accumulated losses		(61,082)	(43,409)	(39,166)	(37,561)
Net equity		102,065	119,539	123,547	125,152
Total liabilities and equity		141,421	148,676	131,779	131,601

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2017

	Note	Group	
		2017 RMB'000	2016 RMB'000 (Restated)
Revenue	22	44,281	34,899
Cost of sales		(40,036)	(26,600)
Gross profit		4,245	8,299
Other operating income	23	1,773	2,690
Administrative expenses		(11,117)	(7,600)
Selling and distribution cost		(537)	(290)
Other operating expenses	24	(11,226)	(1,765)
(Loss) Profit before income tax	25	(16,862)	1,334
Income tax expense	26	(612)	(558)
(Loss) Profit for the year, representing total comprehensive (loss) income for the year, attributable to owners of the Company		(17,474)	776
(Loss) Profit per share:			
Basic and diluted (loss) profit per share (RMB cents)	27	(27.84)	1.24

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2017

	Share capital RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Group				
Balance at January 1, 2016	162,713	-	(43,950)	118,763
Transfer to statutory reserves	-	235	(235)	-
Profit for the year, representing total comprehensive income for the year (Restated)	-	-	776	776
Balance at December 31, 2016 (Restated)	162,713	235	(43,409)	119,539
Transfer to statutory reserves	-	199	(199)	-
Loss for the year, representing total comprehensive loss for the year	-	-	(17,474)	(17,474)
Balance at December 31, 2017	162,713	434	(61,082)	102,065
Company				
Balance at January 1, 2016	162,713	-	(35,598)	127,115
Loss for the year, representing total comprehensive loss for the year	-	-	(1,963)	(1,963)
Balance at December 31, 2016	162,713	-	(37,561)	125,152
Loss for the year, representing total comprehensive loss for the year	-	-	(1,605)	(1,605)
Balance at December 31, 2017	162,713	-	(39,166)	123,547

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	Group	
	2017 RMB'000	2016 RMB'000 (Restated)
Operating activities		
(Loss) Profit before income tax	(16,862)	1,334
Adjustments for:		
Depreciation of property, plant and equipment	1,832	2,197
Interest income	(1,523)	(772)
Amortisation of intangible asset	50	80
Amortisation on prepaid lease premium	355	355
Allowance for inventory obsolescence	932	-
Impairment loss on property, plant and equipment	11,226	1,765
Unrealised exchange loss	(3)	(12)
Operating cash flows before movements in working capital	(3,993)	4,947
Trade receivables	(6,224)	(1,489)
Inventories	(383)	(2,612)
Other receivables and prepayments	1,011	(1,176)
Property held for sale	6,589	(29,184)
Property under development	18,500	37,728
Trade payables	7,617	2,576
Other payables and accruals	902	1,482
Cash from operations	24,019	12,272
Interest received	1,523	772
Income tax (paid) refund	(527)	37
Net cash from operating activities	25,015	13,081
Investing activities		
Decrease (Increase) in structured deposits	10,500	(10,500)
Purchase of property, plant and equipment	(1,410)	(2,249)
Proceeds from disposal of property, plant and equipment	35	152
Net cash from (used in) investing activities	9,125	(12,597)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	Group	
	2017	2016
	RMB'000	RMB'000
Financing activity		
Receipt of advances from a director, representing cash flow from financing activity	1,615	2,077
Net increase in cash and cash equivalents	35,755	2,561
Cash and cash equivalents at beginning of year	30,605	28,032
Effect of exchange rate changes on the balance of cash held in foreign currencies	3	12
Cash and cash equivalents at end of year	66,363	30,605

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 16 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, 2017 were authorised for issue by the Board of Directors on April 11, 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been 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 ("FRSs").

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 consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2017, the Group has 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 and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

Adoption of a new financial reporting framework in 2018

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management is in the process of performing an analysis of the transition options and other requirements of SFRS(I) and will determine whether there will be any change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below).

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

New SFRS(I) that may have impact

The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

- SFRS(I) 9 *Financial Instruments*¹
- SFRS(I) 15 *Revenue from Contracts with Customers* (with clarifications issued)¹
- SFRS(I) 16 *Leases*²

¹ Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if SFRS(I) 15 is adopted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group is in the process of assessing the impact of adoption of the above SFRS(I) 9 on the financial statements of the Group in the period of their initial adoption. Management did not early adopt SFRS(I) 9 for financial year ended December 31, 2017.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

The Group is in the process of assessing the impact of adoption of the above SFRS(I) 15 on the financial statements of the Group in the period of their initial adoption. Management did not early adopt SFRS(I) 15 for financial year ended December 31, 2017.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the group's ownership interests in existing subsidiaries

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries 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 subsidiaries. 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, a gain or loss is recognised in profit or loss and is calculated as the difference between in 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). 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, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are 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 *Provision, Contingent Liabilities and Contingent Assets*, as appropriate with the corresponding gain 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.

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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.

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.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

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 (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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 other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and *FRS 39 Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets, including structured deposits, at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains and losses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

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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 (including trade and other receivables and bank balances and cash) 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 effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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.

For financial assets measured at amortised costs, 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 financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 collateralised 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 its 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.

Derecognition of financial liabilities

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

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

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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.

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 carried 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 their intended 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:

Leasehold 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 item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

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INTANGIBLE ASSETS - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the Group's accounting policy.

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.

PROPERTY UNDER DEVELOPMENT - Property 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.

Revenue and costs are recognised based on the completion of construction method when the transfer of significant risks and rewards of ownership coincides with the time when the property is completed and ready for hand over.

PROPERTY FOR SALE - Property for sale are stated at lower of cost or net realisable value. Cost is determined by apportionment of the total land cost and development costs based on floor area of the unsold property. Net realisable value is determined by reference to sale proceeds of property sold in the ordinary course of business less all estimated selling expenses; or is estimated by management in the absence of comparable transactions after taking into consideration prevailing market conditions.

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IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

STATUTORY RESERVE - Statutory reserve represents the amount transferred from profit after tax of the subsidiaries 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.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

Sale of property

Revenue arising from the sale of property is recognised upon the signing of the sale and purchase agreement, the receipt of the deposits and confirmation of arrangement of settlement of remaining sales proceeds and the achievement of status ready for hand-over to customers as stipulated in the sale and purchase agreement, whichever is the later. Payment received from buyers prior to this stage are recorded as advances received from customers for sales of property and are classified as current liabilities.

Interest income

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

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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 consolidated statement of profit or loss and other 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. 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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The carrying amount of deferred tax assets is reviewed at the 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 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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

CASH AND CASH EQUIVALENTS IN STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash at bank that is subject to an insignificant risk of changes in value and is readily convertible to a known amount of cash.

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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, management is required to make judgements, estimates and assumptions about the carrying amounts of 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 are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Related parties

Note 6 to the financial statements describe the transactions between Xi'an Reyphon Pharmaceutical Co., Ltd ("Xi'an Reyphon"), a subsidiary of the Group and two of its customers, Customer C and Customer E. Management determined that Customer C and Customer E are not related parties of the Group. In making the judgement on the relationship between the Group, and Customer C and Customer E management considered the following:

- whether the Group, Customer C and Customer E are members of the same group;
- whether the Customer C and Customer E are associates or joint venture entities of the same group;
- whether Customer C and/or Customer E has significant influence over the Group; or
- whether a member of key management personnel or legal representative of Customer C and/or Customer E is also a member of key management personnel in the Group.

Management has determined that Customer C and Customer E are not related parties of the Group and all transactions between the Group, Customers C and Customer E are normal business transactions on arm's length basis. Accordingly, the transactions between the Group, Customer C and Customer E not within the scope of FRS 24 *Related Party Disclosures*.

(ii) Impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires management's judgement and an estimation of the value in use of these property, plant and equipment. The value in use calculation requires the Group 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. Based on the assessment, the Group made an impairment loss of RMB11,226,000 (2016: RMB Nil) to write down the carrying value of the property, plant and equipment to its recoverable amount.

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: 10% to 19% (2016 : 5%) from 2018 to 2022 (2016 : 2017 to 2012) and 1% (2016 : 1%) as the long term growth rate from 2023 (2016 : 2022) onwards;
- Discount rate: 12.8% (2016 : 10%); and
- Annual capital expenditure of RMB500,000 (2016 : RMB1,500,000).

The carrying amount of property, plant and equipment and details of the impairment assessment are disclosed in Note 14 to the financial statements.

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) Recoverability of trade and other receivables

The assessment for recoverability of trade and other receivables of the Group is based on the evaluation of collectability and aging analysis and management's estimates of recoverability of these receivables. 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 amounts of trade and other receivables is disclosed in Notes 9 and 10 to the financial statements respectively.

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(ii) Allowance for property held for sale

In determining the net realisable value of the Group's property held for sale, management estimated the recoverable amount of the properties held for sale based on most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations in prices, the condition of the property held for sale and market evidence of transaction price and prevailing market transactions.

The carrying amount of property held for sale is disclosed in Note 12 to the financial statements.

(iii) 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 during or after the end of the period to the extent that such events confirm conditions existing at the end of the year.

Management performed the analysis and assessment of inventories items as at end of financial year and determined that the estimated selling prices of finished goods will be in excess of the estimated cost of finished goods on completion of production, except for certain finished goods and raw material items that may be realised at below cost, allowance of which has been made. Management is satisfied that adequate allowance for inventories has been made in the financial statements wherever necessary.

The carrying amount of inventories is disclosed in Note 13 to the financial statements.

(iv) Impairment of investment in subsidiaries

Management has carried out a review of the recoverable amount of the Company's investment in subsidiaries having regard to the existing performance of the subsidiaries and the carrying value of the net assets in these subsidiaries. Based on the assessment, management believes that no allowance for impairment is necessary.

The carrying amount of the Company's investment in subsidiaries is disclosed in Note 16 to the financial statements.

4 FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	76,502	36,411	373	195
Structured deposits	-	10,500	-	-
Financial liabilities				
Payables at amortised cost	26,701	22,072	8,232	6,449

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and the Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements in 2017 and 2016.

(c) 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.

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(i) Foreign exchange risk management

The Group transacts business in various currencies including RMB, SGD and USD and therefore is exposed to 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:

	2017		2016	
	SGD	USD	SGD	USD
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>				
Cash and bank balances	305	113	126	120
Other payables and accruals	(8,220)	-	(6,430)	-
<u>Company</u>				
Cash and bank balances	253	112	75	119
Other payables and accruals	(8,196)	-	(6,406)	-

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency weakens by 10% against RMB, loss for the year will increase (decrease) by:

	SGD		USD	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Profit or loss</u>				
Group	(792)	(630)	11	12
Company	(794)	(633)	11	12

(ii) Interest rate risk management

The Group does not have significant exposure to interest rate risk as there is no significant interest bearing financial assets and liabilities. Accordingly, no sensitivity analysis is prepared.

(iii) Credit risk management

The Group's credit risk is attributable to its trade and other receivables. 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.

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.

The Group is exposed to significant concentration of credit risk in respect of its trade receivables due from 1 customer as at December 31, 2017, which accounted for 21% (2016: no significant concentration of credit risk) of the total trade receivables balance. This customer is one of the five largest customers of the Group, the balance of which is monitored on an on-going basis.

With respect to credit risk arising from the other financial assets of the Group which mainly comprise bank balances, the Group's exposure to credit risk arising from default of counterparties is limited as the counterparties have good credit rating.

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. 99.4% (2016: 99.2%) 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.

As at December 31, 2017, the Company's current liabilities exceed its current assets by RMB7,859,000 (2016: RMB6,254,000). Management is of the view that the Company's exposure to liquidity risk is minimal as financial support from a director would be available to the Company as and when required.

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Liquidity and interest risk analyses

Non-derivative financial liabilities and assets

As at the end of the reporting periods, the Group's and the 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 Group determines fair values of various financial assets and financial liabilities in the following manner:

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Group

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at (RMB'000)				Fair value hierarchy	Valuation technique(s) and key input(s)
	2017		2016			
	Assets	Liabilities	Assets	Liabilities		
Financial assets at fair value through profit or loss (see Note 8)						
Structured deposits	-	-	10,500	-	Level 2	Discounted cash flow. Future cash flows are estimated based on the expected return over the principal of the structured deposit, discounted at a rate that reflects the credit risk of underlying assets of the structured deposit being PRC government bonds and treasury notes.

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Management considers that the carrying amounts of cash and cash equivalents, trade and other receivables, trade payables, other payables and accruals approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Company

The company had no financial assets or liabilities carried at fair value in 2017 and 2016.

There were no transfers between the different levels of the fair value hierarchy in 2017 and 2016.

(d) Capital 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 issued capital net of 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 is not subject to any externally imposed capital requirements.

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

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Suntar Investment 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 Limited, 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 are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand and expected to be settled in cash, unless otherwise stated.

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6 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand and expected to be settled in cash, unless otherwise stated.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Short-term benefits	772	864
Post-employment benefits	-	41
	<u>772</u>	<u>905</u>

Transactions with a major customer and its related corporation

During the year ended December 31, 2016, an employee of Xi'an Reyphon Pharmaceutical Co., Ltd. ("Xi'an Reyphon") is a shareholder and a legal representative of a major customer, Customer C (Note 28) of the Group. The former employee, who has since left the employment of Xi'an Reyphon in May 2017, is also the son of the major shareholder of Customer C ("Major Shareholder"). The employee presented himself as the general manager and had approved transactions using that designation in Xi'an Reyphon in 2016.

In 2017, Xi'an Reyphon continued with its sales transactions with Customer C and another entity in which the Major Shareholder has investments in ("Customer E"). Xi'an Reyphon's key transactions with Customer C and Customer E during the year are as follows:

	Customer C		Customer E	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Sales (net of returns)	3,993	3,970	-	-
Advance payments for orders and payments for purchases from Xi'an Reyphon	17,725	6,213	-	4,500
Return of advance payments	-	4,500	4,500	-

As at December 31, 2017, the Group recorded advance payments received from Customer C of RMB10,122,000 (2016 : trade receivable of RMB2,932,000). There was no outstanding balance with Customer E as at December 31, 2017 (2016: advance payments of RMB4,500,000) (Note 18).

NOTES TO FINANCIAL STATEMENTS

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7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Cash at bank	66,363	30,605	365	195

8 STRUCTURED DEPOSITS

	Group	
	2017 RMB'000	2016 RMB'000
Structured deposits with bank	-	10,500

In 2016, the Group entered into a contract of structured deposits with bank. Structured deposits amounting to RMB10,500,000 were principal guaranteed, with no maturity period and with a return up to a maximum of 3.3% per annum.

The structured deposits were fully redeemed subsequent to the reporting period.

9 TRADE RECEIVABLES

	Group	
	2017 RMB'000	2016 RMB'000
Outside parties	6,451	197
Less: Allowance for doubtful debts	(149)	(149)
	6,302	48
Notes receivable	2,901	2,931
	9,203	2,979

The average credit period on sale of goods is 60 days (2016: 60 days). No interest is charged on the trade receivables on the outstanding balance.

NOTES TO FINANCIAL STATEMENTS

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

	Group	
	2017	2016
	RMB'000	RMB'000
Not past due and not impaired	8,034	2,961
Past due but not impaired:		
Less than 2 months	-	-
2 months to 6 months	974	18
6 months to 1 year	-	-
1 year to 2 years	195	-
	<u>9,203</u>	<u>2,979</u>
Impaired receivables - collectively assessed ⁽ⁱ⁾	149	149
Less: Allowance for impairment	<u>(149)</u>	<u>(149)</u>
	-	-
Total trade receivables, net	<u><u>9,203</u></u>	<u><u>2,979</u></u>

(i) These amounts are stated before any deduction for impairment losses.

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB1,169,000 (2016 : RMB18,000) 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. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The trade receivables which are neither past due nor impaired are assessed to be recoverable as there has not been a significant change in credit quality. Accordingly, management believes that there is no further credit allowances required in excess of the allowance for doubtful debts

The concentration of credit risk is disclosed in Note 4(c)(iii) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Receivable for sale of sapling	-	1,944	-	-
Prepayments	796	10	-	-
Advances to suppliers	1,178	733	-	-
Advances to staffs	477	501	-	-
Value added tax recoverable	-	351	-	-
Others	459	382	8	-
	2,910	3,921	8	-

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

11 PREPAID LEASE PREMIUM

	Group	
	2017	2016
	RMB'000	RMB'000
Cost:		
At beginning and end of year	17,379	17,379
Accumulated amortisation:		
At beginning of year	2,841	2,486
Amortisation	355	355
At end of year	3,196	2,841
Carrying amount:		
At end of year	14,183	14,538
Presented in the Statement of Financial Position:		
Current asset	355	355
Non-current asset	13,828	14,183
	14,183	14,538

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

The amortisation expense has been included in the line item "administrative expenses" in profit or loss.

NOTES TO FINANCIAL STATEMENTS

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12 PROPERTY HELD FOR SALE

	Group	
	2017	2016
	RMB'000	RMB'000
Land use rights	12,950	12,950
Development costs	30,244	27,304
	43,194	40,254
Recognised as cost of sales	(20,599)	(11,070)
	22,595	29,184

The property held for sale is located at Wuping County with a site and total saleable area of 3,810 sqm and 10,345 sqm, respectively. The Group completed and commenced the sale of the property at end of 2016. The leasehold tenure of the property is 70 years starting from May 29, 2014.

13 INVENTORIES

	Group	
	2017	2016
	RMB'000	RMB'000
Raw materials	3,098	3,656
Work in progress	980	12,093
Finished goods	16,025	4,642
	20,103	20,391
Less: Allowance for inventories	(932)	(671)
	19,171	19,720

Movement in the allowance for inventories obsolescence

Balance at beginning of the year	671	671
Utilisation	(671)	-
Allowance recognised in profit and loss (Note 25)	932	-
Balance at end of the year	932	671

14 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	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
Cost:						
At January 1, 2016	10,651	17,071	600	806	1,842	30,970
Additions	-	903	299	-	1,047	2,249
Transfer	-	162	-	-	(162)	-
Disposal	-	-	(254)	-	-	(254)
At December 31, 2016	10,651	18,136	645	806	2,727	32,965
Additions	-	375	731	-	304	1,410
Transfer	-	1,161	-	-	(1,161)	-
Disposal	(5)	(3,112)	(169)	-	-	(3,286)
At December 31, 2017	10,646	16,560	1,207	806	1,870	31,089
Accumulated depreciation:						
At January 1, 2016	2,381	8,432	333	332	-	11,478
Depreciation	485	1,441	164	107	-	2,197
Disposal	-	-	(102)	-	-	(102)
At December 31, 2016	2,866	9,873	395	439	-	13,573
Depreciation	318	1,064	343	107	-	1,832
Disposal	(2)	(1,360)	(124)	-	-	(1,486)
At December 31, 2017	3,182	9,577	614	546	-	13,919

NOTES TO FINANCIAL STATEMENTS

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Group	Leasehold	Plant and	Office	Motor	Construction-	Total
	buildings	machinery	equipment	vehicles	in-progress	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impairment:	-	-	-	-	-	-
At December 31, 2016	-	-	-	-	-	-
Impairment loss recognised in the year (Restated)	-	1,765	-	-	-	1,765
At December 31, 2016 (Restated)	-	1,765	-	-	-	1,765
Disposal	-	(1,765)	-	-	-	(1,765)
Impairment loss recognised in the year	4,896	4,581	352	170	1,227	11,226
At December 31, 2017	4,896	4,581	352	170	1,227	11,226
Carrying amount:						
At December 31, 2017	2,568	2,402	241	90	643	5,944
At December 31, 2016 (Restated)	7,785	6,498	250	367	2,727	17,627

During the year, the Group carried out a review of the recoverable amount of its property, plant and equipment, having regard to the loss incurred by Xi'an Reyphon. These assets are used in the Group's production and sale of pharmaceutical ingredients products segment. The review led to the recognition of an impairment loss on the Group's property, plant and equipment of RMB11,226,000 (2016 : RMB 1,765,000 (Restated)) that has been recognised in profit and loss, and included in the line item "other operating expenses". The recoverable amount of the relevant assets has been determined on the basis of their value in use.

NOTES TO FINANCIAL STATEMENTS

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In measuring value in use, the Group prepared a five-year cash flow forecasts based on most recent financial forecasts approved by management. The key assumptions used in the cash flow projections include the forecast revenue growth ranging between 10% to 19% (2016 : 5%) from 2018 to 2022 (2016 : 2017 to 2021) and 1% (2016 : 1%) as the long term growth rate from 2023 (2016 : 2022) onwards. Discount rate applied to the cash flow forecasts is 12.8% (2016 : 10%) per annum. The estimated growth rate has taken into consideration the actual orders received by the Group's pharmaceutical business up to the date the forecasts are prepared.

Management has further performed the sensitivity analysis on the cash flow projection, which indicates that should discount rate increase by 1%, there is a further impairment loss of RMB619,000. Should the growth rate reduce by 1% during the forecast period, additional impairment loss would be RMB470,000.

15 PROPERTY UNDER DEVELOPMENT

The cost of property under development included the following cost:

	Group	
	2017	2016
	RMB'000	RMB'000
Deposit placed for land use	-	18,000
Development costs	838	1,338
	<u>838</u>	<u>19,338</u>

During the year, the Group received a full refund of the deposit paid to Wuping Authorities for the acquisition of land use rights of RMB18,000,000 in conjunction with the cancellation of Suntar Eco-city tourism projects.

As at December 31, 2017, the property under development of RMB838,000 relates to cost incurred in the preliminary development of a residential project in Wuping County.

NOTES TO FINANCIAL STATEMENTS

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16 SUBSIDIARIES

	Company	
	2017	2016
	RMB'000	RMB'000
Unquoted equity shares, at cost	51,614	51,614
Amount due from a subsidiary	79,792	79,792
	<u>131,406</u>	<u>131,406</u>

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		Principal activities
		2017	2016	
		%	%	
<u>Held by the Company</u>				
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 ingredient pharmaceutical products
<u>Held by a subsidiary</u>				
Wuping Suntar Eco-city Development Co., Ltd ⁽²⁾	PRC	100	100	Eco-tourism development
Wuping Lan County Real Estate Development Co., Ltd ⁽²⁾	PRC	100	100	Property development
Xiamen DaLan Technology Co., Ltd ⁽³⁾	PRC	100	100	Medical research and development, sale of healthcare product and investment consulting

NOTES TO FINANCIAL STATEMENTS

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Name of subsidiaries	Country of registration and operation	Effective equity interest and voting power held		Principal activities
		2017	2016	
		%	%	
Suzhou DaLan Technology Co., Ltd ⁽³⁾	PRC	100	100	Medical research and development, sale of nanophase materials and technical consulting
Yan'an Siho-Sing Aqua Polis Development Co., Ltd ⁽³⁾	PRC	100	100	Eco-tourism development
Xi'an Lan County Real Estate Development Co., Ltd ^{# (3)}	PRC	100 [#]	-	Property development

Incorporated during the year.

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

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

(3) No audit is required.

17 INTANGIBLE ASSET

	Group	
	2017	2016
	RMB'000	RMB'000
Cost:		
At beginning and end of year	400	400
Accumulated amortisation:		
At beginning of year	136	56
Amortisation	50	80
At end of year	186	136
Carrying amount:		
At end of year	214	264

The Group acquired a technology for production of new pharmaceutical products, amounting to RMB400,000 on December 31, 2014. The intangible asset is amortised over the estimated useful life of 8 years.

NOTES TO FINANCIAL STATEMENTS

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18 TRADE PAYABLES

	Group	
	2017	2016
	RMB'000	RMB'000
Outside parties	14,560	12,448
Advance payments from customers	10,739	5,234
	<u>25,299</u>	<u>17,682</u>

The average credit period on purchases of goods is 60 days (2016 : 60 days).

19 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	2,213	1,989	1,218	1,043
Advances from a director	7,014	5,399	7,014	5,399
Outside parties	2,914	2,236	-	-
Related company (Note 5)	-	-	-	7
	<u>12,141</u>	<u>9,624</u>	<u>8,232</u>	<u>6,449</u>

The advances from a director are unsecured, interest-free and repayable on demand.

20 SHARE CAPITAL

	Group and Company			
	2017	2016	2017	2016
	Number of ordinary shares		RMB'000	RMB'000
Issued and paid up: At beginning and end of the year	<u>62,759,999</u>	<u>62,759,999</u>	<u>162,713</u>	<u>162,713</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

21 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.

NOTES TO FINANCIAL STATEMENTS

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22 REVENUE

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

	Group	
	2017	2016
	RMB'000	RMB'000
Revenue from sale of pharmaceutical products	32,914	20,901
Revenue from sale of property	11,367	13,998
	44,281	34,899

23 OTHER OPERATING INCOME

	Group	
	2017	2016
	RMB'000	RMB'000
Interest income	1,523	772
Gain from disposal of saplings	-	1,915
Government grant	250	3
	1,773	2,690

24 OTHER OPERATING EXPENSES

	Group	
	2017	2016
	RMB'000	RMB'000 (Restated)
Impairment loss on property, plant and equipment (Note 14)	11,226	1,765
	11,226	1,765

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

25 (LOSS) PROFIT BEFORE INCOME TAX

This has been arrived at after charging (crediting):

	Group	
	2017	2016
	RMB'000	RMB'000 (Restated)
Allowance for inventory obsolescence	932	-
Amortisation of intangible assets	50	80
Amortisation on prepaid lease premium	355	355
Audit fee		
- paid/payable to the Company's auditor	456	505
- paid/payable to other auditors	501	375
Cost of inventories recognised as an expense	40,036	26,600
Depreciation of property, plant and equipment	1,832	2,196
Directors' fees	271	268
Foreign exchange loss	101	180
Impairment loss on property, plant and equipment	11,226	1,765
Unrealised exchange loss	3	12
Research expenses	3,802	325
Retirement benefit scheme contributions	676	792
Staff costs	3,031	3,406

26 INCOME TAX EXPENSE

	Group	
	2017	2016
	RMB'000	RMB'000
Current tax	612	555
Under provision of prior year's tax expense	-	3
	612	558

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Income tax is calculated by applying the PRC statutory tax rate at 25% (2016: 25%) of the estimated assessable loss for the year. The total charge for the year can be reconciled to the accounting loss as follows:

	Group	
	2017 RMB'000	2016 RMB'000 (Restated)
(Loss) Profit before income tax	(16,862)	1,334
Income tax (benefit) expense at tax rate of 25%	(4,216)	334
Effect of different tax rate of the Company and subsidiaries in operating in other jurisdictions	130	159
Non-deductible items	3,743	519
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	955	-
Utilisation of deferred tax not recognised	-	(162)
Tax exemption	-	(295)
Under provision of prior year's tax expense	-	3
	612	558

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

	Group	
	2017 RMB'000	2016 RMB'000
At beginning of year	10,429	11,597
Arising	3,820	-
Utilised	-	(648)
Expired	(233)	(520)
At end of year	14,016	10,429
Deferred tax benefit not recognised	3,504	2,607

Subject to the agreement by the tax authorities, at the end of reporting period, the Group has unutilised tax losses of RMB11,893,000 (2016: RMB9,239,000) available for offset against future profits that has expiry dates of up to 2022. No deferred tax asset has been recognised in respect of tax losses due to unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS

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27 (LOSS) PROFIT PER SHARE

	Group	
	2017	2016
		(Restated)
(Loss) Profit:		
(Loss) Profit attributable to equity holders of the Company (RMB'000)	(17,474)	776
Number of shares:		
Weighted average number of ordinary shares ('000)	62,760	62,760
(Loss) Profit per share (RMB cents)	(27.84)	1.24

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

28 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 segments - "pharmaceutical ingredients products" and "property development". These segments 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.

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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
<u>2017</u>				
Revenue:				
External customers	32,914	11,367	-	44,281
Result				
Segment result	(17,470)	2,442	(1,834)	(16,862)
Income tax expense				(612)
Loss for the year				(17,474)
Assets:				
Segment assets	51,421	87,875	-	139,296
Unallocated assets			2,125	2,125
Total assets				141,421
Liabilities:				
Segment liabilities	25,407	4,642	-	30,049
Unallocated liabilities			9,307	9,307
Total liabilities				39,356

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

	Pharmaceutical ingredients products	Property development	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2016				
Revenue:				
External customers	20,901	13,998	-	<u>34,899</u>
Result				
Segment result (Restated)	(1,381)	4,705	(1,990)	1,334
Income tax expense				<u>(558)</u>
Profit for the year (Restated)				<u>776</u>
Assets:				
Segment assets (Restated)	58,093	88,545	-	146,638
Unallocated assets			2,038	<u>2,038</u>
Total assets (Restated)				<u>148,676</u>
Liabilities:				
Segment liabilities	14,608	7,031	-	21,639
Unallocated liabilities			7,498	<u>7,498</u>
Total liabilities				<u>29,137</u>

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:

	2017	2016
	RMB'000	RMB'000
Customer A	4,274	8,202
Customer B	-	4,103
Customer C	3,993	3,970
Customer D	<u>5,220</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

29 OPERATING LEASE ARRANGEMENTS

	Group	
	2017	2016
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	-	48

At the end of the reporting period, the Group has no outstanding commitment under non-cancellable operating leases.

The operating lease payments in 2016 represented rentals payable by the Group for its office premises. Leases are negotiated for a term of a year with fixed monthly rental. In 2017, the leases have expired and were not renewed subsequently.

30 CONTINGENCIES AND GUARANTEES

As at December 31, 2016, the Group has provided guarantees of approximately RMB10,824,000 to banks for the benefit of its customers in respect of mortgage loans provided by the banks to these customers for the purchase of the Group's development properties. Should such guarantees be called upon, there would be an outflow of cash (previously collected by the Group) from the Group to the banks to discharge the obligations. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security for the mortgage loan granted.

During the year, the Group's guarantees in favour of the banks have been released in conjunction with the completion of the pledge of properties by the buyers to the banks.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

31 RESTATEMENT

The comparative statement of financial position as of December 31, 2016 and the statement of profit and loss and comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2016 have been restated as follows:

	Group			
	2017	2016	2016	2015
	<u>RMB'000</u>	<u>RMB'000</u> (Restated)	<u>RMB'000</u> (Previously reported)	<u>RMB'000</u>
<i>Statement of financial position as of December 31,</i>				
Property, plant and equipment	5,944	17,627	19,392	19,492
Accumulated losses	(61,082)	(43,409)	(41,644)	(43,950)
<i>Statement of profit and loss and comprehensive income and Statement of changes in equity for the year ended December 31,</i>				
Other operating expenses	(11,226)	(1,765)	-	-
(Loss) Profit for the year, representing total comprehensive (loss) profit for the year	(17,474)	776	2,541	(4,568)
(Loss) Profit per share:				
Basic and diluted (loss) profit per share (RMB cents)	(27.84)	1.24	4.05	(7.28)
<i>Consolidated statement of cash flows for the year ended December 31,</i>				
Impairment loss on property, plant and equipment	<u>11,226</u>	<u>1,765</u>	-	-

During the year, the Group disposed of plant and equipment of carrying value of about RMB1,800,000 million at a loss of RMB1,765,000 for proceeds of RMB35,000. The plant and equipment was not in use since 2016 and should have been impaired as of December 31, 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2018

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	280	46.67	160,599	0.26
1,001 – 10,000	234	39.00	980,400	1.56
10,001 – 1,000,000	82	13.67	6,992,200	11.14
1,000,001 and above	4	0.66	54,626,800	87.04
TOTAL	600	100.00	62,759,999	100.00

TWENTY LARGEST SHAREHOLDERS

	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1	SUNTAR INVESTMENT PTE LTD	47,213,600	75.23
2	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,736,000	4.36
3	UOB KAY HIAN PTE LTD	2,656,400	4.23
4	PHILLIP SECURITIES PTE LTD	2,020,800	3.22
5	CHENG YE	602,600	0.96
6	HONG WANJIN	576,300	0.92
7	LIU TIANRONG	400,600	0.64
8	YE JIAHONG	342,000	0.54
9	WAN HUAYIN	268,000	0.43
10	RAFFLES NOMINEES (PTE) LTD	265,400	0.42
11	LIAO LIANGDONG	263,200	0.42
12	TANG JIA JING	239,400	0.38
13	HOE JUAN JOK	230,000	0.37
14	CHONG PAULINE	198,800	0.32
15	CHEN YAN FENG	170,000	0.27
16	LIU XINHONG	167,000	0.27
17	ONEEQUITY SG PRIVATE LIMITED	160,000	0.25
18	SIM LAI HEE	140,000	0.22
19	ZOU XIN	140,000	0.22
20	ZHONG WENDE	138,000	0.22
	TOTAL	58,928,100	93.89

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2018

SHAREHOLDERS' INFORMATION AS AT 23 MARCH 2018

Total number of issued shares excluding treasury shares and subsidiary holdings	:	62,759,999
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 23 March 2018

Name	Direct Interest	No. of Ordinary shares		
		%	Deemed Interest	%
Suntar Investment Pte. Ltd.	47,213,600	75.23	–	–
Sinomem Technology Pte. Ltd. ⁽¹⁾	–	–	47,213,600	75.23
CDH Water Limited ⁽²⁾	–	–	47,213,600	75.23

Notes:

1. Sinomem Technology Pte. Ltd. ("Sinomem"), holds not less than 20% interests in 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 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 Orange Bloom, and is therefore indirectly interested in the shares held by Active Star in China Diamond HCL. 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.

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2018

FREE FLOAT

As at 23 March 2018, 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 Monday, 30 April 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2017 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Regulation 93 of the Company’s Constitution:
Dr LanWeiguang **(Resolution 2)**
[See Explanatory Note (i)]
3. To note the retirement of Mr Chen Guansheng as a Director of the Company.
4. To approve the payment of Directors’ fees of SGD55,371 for the financial year ended 31 December 2017. (2016: SGD55,493) **(Resolution 3)**
5. To re-appoint Messrs Deloitte & Touche LLP as the Company’s Auditors and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. Authority to allot and issue shares up to fifty per centum (50%) of Company’s total number of issued shares excluding treasury shares and subsidiary holdings.

“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) options, 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 of the Company 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 of the Company 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 the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the Company’s total number of issued Shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the Company’s total number of issued shares excluding treasury shares and subsidiary holdings (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 and subsidiary holdings will not require further shareholder approval, and will not be included in the aforementioned limits.

NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such 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 and subsidiary holdings shall be based on the Company's total number of issued Shares excluding treasury shares and subsidiary holdings at the time of the passing of this Resolution, after adjusting for:
- (i) new Shares arising from the conversion or exercise of any convertible securities or exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; 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 Company's Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority 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 (ii)] **(Resolution 5)**

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore, 13 April 2018

Explanatory Notes:

- (i) Dr Lan Weiguang will, upon the re-election as Director of the Company, remain as a Non-Independent Non-Executive Chairman of the Company and a member of Audit Committee, Remuneration Committee and Nominating Committee, and will be considered non-independent.
- (ii) Ordinary Resolution 5, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, to 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 issue under this Resolution, up to a number not exceeding, in total, fifty per centum (50%) of the Company's total number of issued shares excluding treasury shares and subsidiary holdings. For issues of shares other than on a pro rata basis to shareholders, the aggregate number of shares to be issued up to twenty per centum (20%) of Company's total number of issued shares excluding treasury shares and subsidiary holdings. 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.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than 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. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
4. 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.

NOTICE OF ANNUAL GENERAL MEETING

5. An investor who buys shares using Central Provident Fund Investment Scheme (“CPF Investor”) and/or Supplementary Retirement Scheme (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the Share Registrar business office at 80 Robinson Road, #11-02, Singapore 068898, not less than 48 hours before the time appointed for holding the Meeting.

*A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

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

SUNTAR ECO-CITY LIMITED

Company Registration No. 200613997H
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (Name) _____ (NRIC/Passport No.)

of _____

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

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

and/or (delete as appropriate)

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

or failing *him/her/them, the Chairman of the meeting as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 10 Ang Mo Kio Street 65, #06-10 Techpoint, Singapore 569059 on Monday, 30 April 2018 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2	Re-election of Dr Lan Weiguang as a Director		
3	Approval of Directors' fees for the financial year ended 31 December 2017		
4	Re-appointment of Messrs Deloitte & Touche LLP as Auditors and authority to Directors to fix remuneration		
5	Authority to issue shares		

* If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018

Total number of Shares

Signature of Shareholder(s)
and/or Common Seal of Corporate Shareholder

*Delete where inapplicable



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), 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 (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her/its stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her/it (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy 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 person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the Share Registrar business office at 80 Robinson Road, #11-02, Singapore 068898 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her/its attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize 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, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who buys shares using Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Suntar

三达真净水

纳滤出甘泉
Nanopurifier



三达：去除微污染·保留矿物质·水质弱碱性

纳滤甘泉

NANOPURIFIED WATER



今天的环
再好的水源
也得依赖
科技改善水质



Suntar
三达纳滤出甘泉

