Revitalising Growth

Annual Report 2014

SUNTAR ECO-CITY LIMITED

Contents

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 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 (formerly known as Xi'an Reyphon Chemical Co., Ltd), located in the Jinghe Economic Development Zone of Xi'an, Shanxi Province, is currently engaged in the production of pharmaceutical 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 real estate development and management business and change in name of the Company from "Reyphon Agriceutical Limited" to "Suntar Eco-City Limited".

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Group's Annual Report for the financial year ended December 31, 2014 ("FY2014").

Financial and Operations Review

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

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

The Group currently has two divisions: the pharmaceutical ingredients products segment and the property development segment. As the property development segment has not completed any property development, the Group's revenue and loss for FY2014 were mainly from the pharmaceutical ingredients products 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. In FY2014, under the challenging competition from within the industry as well as from dynamic macro-developments, the Group reduced the sales of previous products of corticosteroids and achieved a total revenue of RMB10.2 million, 75.3% lower than the RMB41.1 million in FY2013. The Group currently focused on the research and development of the new products of 17alpha-Hydroxyprogesterone and Dexamethasone Sodium Phosphate which would derive higher gross profit margin to generate profit to the Company. In 3Q 2014, the Company began to sell the new products and generated positive gross profit. The new products are still in the process of further testing under the new technology in its manufacturing processes.

FY2015 Prospects and Future Plans

The Group's entry into the eco-tourism real estate development and management business is expected to bring new revenue streams to the Group as the PRC is actively promoting eco-tourism as a sustainable and environmentally friendly form of tourism activity. The eco-tourism real estate development and management business is also expected to help the Group build a recurring and stable source of revenue. The entry into this business will also enable the Group to reduce reliance on existing pharmaceutical ingredients products segment which will remain competitive and challenging.

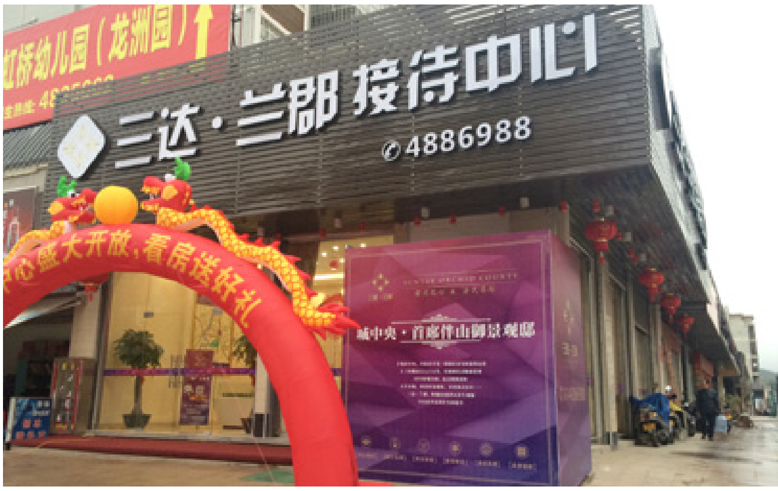
The Company has obtained the land use right of a parcel of land for residential property development of Lan County project in Wuping, Fujian, PRC and development of the said parcel of land has commenced on 30 June 2014. In FY2015, the Group will accelerate the development of the Suntar Eco-City which is currently under initial stage of construction and further research and manufacturing of the new technology in pharmaceutical ingredients products segment.

Acknowledgment

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

DR LAN WEIGUANG
Non-Independent Non-Executive Chairman

Corporate Social Responsibility



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

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

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

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

Financial Highlights

	2009 RMB '000	2010 RMB '000	2011 RMB '000	2012 RMB '000	2013 RMB '000	2014 RMB '000
Revenue	115,907	124,279 (1)	42,781	49,909	41,133	**10,174**
Gross profit (loss)	29,112	22,272 (1)	2,253	3,328	(2,145)	**(137)**
(Loss) Profit before tax	(3,145)	1,793 (1)	(4,263)	(1,225)	922	**(8,396)**
(Loss) Profit after tax	(3,145)	978 (1)	(3,879)	(1,233)	(450)	**(8,420)**
Current assets	92,116	110,198	88,466	79,812	87,032	**82,715**
Non-current assets	94,503	35,854	59,257	61,430	55,675	**57,790**
Total assets	186,619	146,052	147,723	141,242	142,707	**140,505**
Current liabilities	50,284	8,739	14,289	9,041	10,956	**17,174**
Total liabilities	50,284	8,739	14,289	9,041	10,956	**17,174**
Net current assets	41,832	101,459	74,177	70,771	76,076	**65,541**
Equity or Net assets	136,335	137,313	133,434	132,201	131,751	**123,331**
Basic and diluted earnings per share (RMB cents)	(1.00)	0.31 (2)	(1.24)	(0.39)	(0.14)	**(2.68)**

Notes:

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

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

Corporate Information

BOARD OF DIRECTORS

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

Lan Chunguang
(Executive Director / Chief Executive Officer)

Chen Guansheng
(Non-Independent Non-Executive Director)

Foong Daw Ching
(Independent Non-Executive Director)

He Kaijun
(Independent Non-Executive Director)

AUDIT COMMITTEE

Foong Daw Ching
(Chairman)

Dr Lan Weiguang

He Kaijun

REMUNERATION COMMITTEE

He Kaijun
(Chairman)

Dr Lan Weiguang

Foong Daw Ching

NOMINATING COMMITTEE

He Kaijun
(Chairman)

Dr Lan Weiguang

Foong Daw Ching

COMPANY SECRETARY

Chew Kok Liang

REGISTERED OFFICE

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

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

AUDITORS

Deloitte & Touche LLP
Public Accountants and Chartered Accoutants
6 Shenton Way OUE Downtown Two
#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

Board of Directors

Dr Lan Weiguang

Non-Independent Non-Executive Chairman

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

Foong Daw Ching

Independent Non-Executive Director

He was appointed on 19 June 2007. He is currently a senior partner of Baker Tilly TFW LLP and Chairman of Baker Tilly International, Asia Pacific Region. Mr Foong has more than 30 years of audit experience. Mr Foong is a Fellow of The Institute Of Chartered Accountants in England and 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 and Starland Holdings 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.

He Kaijun

Independent Non-Executive Director

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

Chen Guansheng

Non-independent Non-Executive Director

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

Lan Chunguang

Executive Director / CEO

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

Corporate Governance Report
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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 2014 ("FY2014"), the Group has adhered to the principles and guidelines as set out in the Code, except where otherwise indicated.

A. BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

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

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

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

To facilitate effective execution of its function, the Board has delegated specific responsibilities to three subcommittees, namely Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") (collectively, the "Board Committees" or each the "Board Committee"). Each Board Committee has its own terms of reference setting out its roles and authorities to examine particular issue and report back to the Board with its recommendations. The Chief Executive Officer ("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.

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 2014. 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 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 Articles of Association 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 FY2014 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
No. of meetings attended by respective Directors				
Non-Independent Non-Executive Chairman:				
Dr Lan Weiguang	4	4	1	1
Executive Director:				
Lan Chunguang	4	N/A	N/A	N/A
Independent Non-Executive Directors:				
Foong Daw Ching	4	4	1	1
He Kaijun	1	1	1	1
Non-Independent Non-Executive Director:				
Mr Chen Guansheng	2	N/A	N/A	N/A

Notes:

(1) include meetings via teleconference

Corporate Governance Report

Principle 2: Board Composition and Guidance

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

EXECUTIVE DIRECTOR

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

NON-EXECUTIVE DIRECTORS

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

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

The Board is of the view that there is a strong and independent element on the Board with Independent Directors forming at least one-third of the Board although the Independent Directors do not make up at least half of the Board where the Chairman and the CEO are immediate family members. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made without any individual influencing or dominating the decision making process.

The Board considers an "independent" director as one who has no relationship with the Group, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Company and Group.

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

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

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

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

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

Corporate Governance Report

Principle 3: Chairman and Chief Executive Officer

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

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

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

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

B. BOARD COMMITTEES

Nominating Committee
Principle 4: Board Membership
Principle 5: Board Performance

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

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

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

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

(b) reviewing and recommending 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 2014

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	26 April 2013 (to be re-elected at the forthcoming AGM)	Brother of Lan Chunguang, who is a Director of the Company	Non-Independent Non-Executive Chairman	Member of AC, NC and RC	Sinomem Technology Limited
Lan Chunguang	19 November 2010	27 April 2012 (to be re-elected at the forthcoming AGM)	Brother of Dr Lan Weiguang, who is a Director and substantial shareholder of the Company	Executive Director and CEO	None	None
Chen Guansheng	9 May 2008	22 April 2014	–	Non-Independent Non-Executive Director	None	None
Foong Daw Ching	19 June 2007	22 April 2014	–	Lead Independent Non-Executive Director	Chairman of AC, Member of NC and RC	• Travelites Holdings Ltd • Starland Holdings Ltd • Medi-Flex Limited (resigned on 2 May 2014)
He Kaijun	19 July 2013	22 April 2014 (to be re-appointed at the forthcoming AGM)	–	Independent Non-Executive Director	Chairman of NC and RC and Member of AC	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 Articles of Association whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every Annual General Meeting ("AGM").

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

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

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

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

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 Member with objective performance criteria and contribution of each individual Director to the effectiveness of the Board. The NC conducted an assessment of the functions and effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director towards the effectiveness of the Board for FY2014. These assessment reports were recommended by the NC and reviewed by the Board. These assessments also takes into consideration both qualitative and quantitative criteria, such as return on equity, success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the Management's performance against the goals that had been set by the Board.

Principle 6: Access to Information

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

Draft agendas for Board and Board Committees meetings are circulated in advance to the respective 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 Articles of Association and relevant rules and regulations, including requirements of the Singapore Companies Act and the Listing Manual of SGX-ST, are complied with, at all times.

Corporate Governance Report

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

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

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

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

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

(a) 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 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.

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 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 FY2014 is set out below:

Board of Directors	Salary RMB	Bonus RMB	Directors' Fees RMB	Incentive and other benefits RMB	Total RMB
Below RMB1,185,050 or approximately S$250,000					
Mr Lan Chunguang(1)	–	–	–	–	–
Dr Lan Weiguang	–	–	5	–	5
Mr Chen Guansheng(2)	–	–	–	–	–
Mr Foong Daw Ching	–	–	231,892	–	231,892
Mr He Kaijun	–	–	36,000	–	36,000

Note:

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

Key Management Personnel	Salary %	Bonus %	Incentive and other benefits %	Total %
Below RMB1,185,050 or approximately S$250,000				
Xiang Zhijing	76	13	11	100
Ping Zhicun	82	18	–	100
Zhang Shengli	80	18	2	100
Lian Keji	100	–	–	100
Zhang Yuanwang	100	–	–	100

The aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO) for the FY2014 is RMB1,052,000.

None of the Directors (including the CEO) and the top five key management personnel (who are not Directors or the CEO) of the Company has received any termination, retirement, post-employment benefits for FY2014.

Corporate Governance Report

For FY2014, the Company does not have any employees who are immediate family members of a Director or the CEO, whose remuneration exceeded S$50,000.

The Company has a share option scheme known as Reyphon Employee Share Option Scheme ("ESOS") which was approved by shareholders of the Company on 10 July 2007. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. No options were granted under the ESOS during FY2014.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

Principle 10: Accountability

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

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

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

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

Principle 11: Risk Management and Internal Controls

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

The AC will continue to review and monitor the 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 FY2014, the Board has received assurance from the CEO and Group Finance Manager that (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Group's risk management and internal control systems are sufficiently effective.

At present, the AC and Board rely on reports from the Group Finance Manager to identify material non-compliance or internal control weaknesses. There were no major internal control weaknesses highlighted for the attention of AC for FY2014. The AC and Board also review the management letter, if any, prepared by the external auditors on control weakness relevant for the preparation of financial statements.

The Board, through the AC, reviews the adequacy of the Group's risk management framework and internal controls, to ensure risk management and internal controls are in place. In this aspect, the AC reviews the audit plans, and the findings of the auditors and ensures that the Group follows up on auditors recommendations raised, if any, during the audit process. The AC guides Management to check and ensure the adequacy of the internal controls. Based on the internal controls and risk management framework established and maintained by the Group, work performed by the external auditors (to the extent as required by them to form an audit opinion on the statutory financial statements), periodic reviews performed by the Management and assurance from the CEO and Group Finance Manager, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls 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.

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.

Principle 12: Audit Committee

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

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

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

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

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

(a) reviewing with the external auditors 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;

Corporate Governance Report

(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 Group Finance Manager 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;

(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 to shareholders 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) failing 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 FY2014 are as follows:-

Services	Amount (RMB)
Audit service	425,000
Non-audit service	–
Total	425,000

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

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

Messrs Deloitte & Touche LLP, the external auditors of the Company, has confirmed that they are Public Accounting Firms registered with Accounting 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.

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

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.

Principle 13: Internal Audit

The Company is primarily engaged in the production of pharmaceutical ingredient product on a smaller scale as compared to preceding years, as well as commencing its property development business on a relatively small scale. In view of the small size of Group's business and operations, the AC was of the view that the appointment of professional internal auditors to conduct the internal audit review for FY2014 would involve expenses unduly out of proportion to its value. Notwithstanding the aforementioned, the AC will review the need to engage external professional internal auditors as and when it deems necessary. The AC will engage external professional internal auditors, set their internal audit scope, approve their internal audit plans, review their internal audit reports and assess the effectiveness of the internal auditors, such as its scope of work and the quality of its audit reports, if deemed necessary.

Corporate Governance Report

For FY2014, the AC has reviewed the internal controls review based on the report from the Group Finance Manager, and assurance from the CEO and Group Finance Manager. In addition, both the AC and external auditors meet quarterly to discuss for the matters pertaining to the Company's statutory audits. The external auditors were also invited to attend all AC meetings of the Company held for FY2014.

C. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

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

The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. All shareholders of the Company will receive the annual report and notice of the AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the 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. Shareholders are highly encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the AGM through proxy forms sent in advance.

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

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

The Company does not have a policy on payment of dividends. The issue of dividend is deliberated by the Board having regard to various factors, 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 FY2014.

Due to the high cost in employing electronic polling and relatively small number of shareholders who turn up for the Company's general meetings, the voting process of the Company is carried out via a show of hands unless a poll is demanded. In the event a poll is conducted, the Company will make an announcement of 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.

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 FY2014.

Interested Person Transactions
(Listing Manual Rule 907)

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

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

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

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

Corporate Governance Report

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

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

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

As announced on 14 November 2013, the Company does not have any immediate plans to utilise the remaining proceeds. In order to increase the flexibility in the deployment of funds, the Company had re-designated the remaining proceeds as working capital of the Company.

The Company shall make periodic announcements of the use of the IPO proceeds as and when the proceeds are materially disbursed.

Report Of The Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2014.

1 DIRECTORS

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

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

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

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

The directors' interests in shares of the Company and related corporations as at January 21, 2015 were the same as at December 31, 2014.

Report Of The Directors

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

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

(b) *Options exercised*

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

(c) *Unissued shares under options*

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

6 AUDIT COMMITTEE

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

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

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

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

(d) any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position with management;

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

6 AUDIT COMMITTEE (cont'd)

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

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

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

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

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

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Lan Weiguang

....

Lan Chunguang

March 27, 2015

Statement Of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 31 to 68 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014, and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

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Lan Weiguang

....

Lan Chunguang

March 27, 2015

Independent Auditors' Report

Year ended December 31, 2014

Report on the Financial Statements

We have audited the accompanying financial statements of Suntar Eco-City Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 68.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Independent Auditors' Report

Year ended December 31, 2014

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 27, 2015

Statements Of Financial Position

December 31, 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	7	8,291	58,392	204	199
Structured deposits	8	33,830	–	–	–
Trade receivables	9	1,244	12,456	–	–
Other receivables and prepayments	10	3,849	9,506	–	–
Prepaid lease premium	11	357	357	–	–
Properties under development	12	15,278	–	–	–
Inventories	13	19,866	6,321	–	–
Total current assets		82,715	87,032	204	199
Non-current assets					
Prepaid lease premium	11	14,891	15,299	–	–
Property, plant and equipment	14	18,065	16,975	–	–
Properties under development	12	24,434	23,401	–	–
Subsidiaries	16	–	–	131,406	131,406
Intangible asset	17	400	–	–	–
Total non-current assets		57,790	55,675	131,406	131,406
Total assets		140,505	142,707	131,610	131,605
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	18	11,397	1,587	–	–
Other payables and accruals	19	4,541	4,986	2,804	1,163
Bank loans	20	–	3,137	–	–
Income tax payable		1,236	1,246	–	–
Total current liabilities		17,174	10,956	2,804	1,163
Capital and reserve					
Share capital	21	162,713	162,713	162,713	162,713
Accumulated losses		(39,382)	(30,962)	(33,907)	(32,271)
Net equity		123,331	131,751	128,806	130,442
Total liabilities and equity		140,505	142,707	131,610	131,605

See accompanying notes to financial statements.

Consolidated Statement Of Profit And Loss And Other Comprehensive Income

Year ended December 31, 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Revenue	22	10,174	41,133
Cost of sales		(10,311)	(43,278)
Gross loss		(137)	(2,145)
Other operating income	23	1,475	12,000
Administrative expenses		(9,602)	(8,411)
Selling and distribution cost		(132)	(132)
Finance cost	24	–	(390)
(Loss) Profit before income tax	25	(8,396)	922
Income tax expense	26	(24)	(1,372)
Loss for the year, representing total comprehensive income for the year, attributable to owners of the Company		(8,420)	(450)
Loss per share:			
Basic and diluted loss per share (RMB cents)	27	(2.68)	(0.14)

See accompanying notes to financial statements.

Statements Of Changes In Equity

Year ended December 31, 2014

	Share capital RMB'000	Statutory reserve * RMB'000	Accumulated losses RMB'000	Total RMB'000
Group				
Balance at January 1, 2013	162,713	–	(30,512)	132,201
Loss for the year, representing total comprehensive income for the year	–	–	(450)	(450)
Balance at December 31, 2013	162,713	–	(30,962)	131,751
Loss for the year, representing total comprehensive income for the year	–	–	(8,420)	(8,420)
Balance at December 31, 2014	162,713	–	(39,382)	123,331
Company				
Balance at January 1, 2013	162,713	–	(31,244)	131,469
Loss for the year, representing total comprehensive income for the year	–	–	(1,027)	(1,027)
Balance at December 31, 2013	162,713	–	(32,271)	130,442
Loss for the year, representing total comprehensive income for the year	–	–	(1,636)	(1,636)
Balance at December 31, 2014	162,713	–	(33,907)	128,806

* *See Note 28 to the financial statements.*

See accompanying notes to financial statements.

Consolidated Statement Of Cash Flows

Year ended December 31, 2014

	Group	
	2014	2013
	RMB'000	RMB'000
Operating activities		
(Loss) Profit before income tax	(8,396)	922
Adjustments for:		
Depreciation expense	1,460	1,468
Interest income	(1,291)	(602)
Interest expense	–	390
Amortisation on prepaid lease premium	357	357
Bad debts written off	370	–
(Reversal of) Allowance for inventories	(331)	331
Unrealised exchange (gain) loss	4	1,795
Operating cash flows before movements in working capital	(7,827)	4,661
Trade receivables	10,842	(6,937)
Inventories	(13,214)	10,040
Other receivables and prepayments	5,657	(7,746)
Properties under development	(16,311)	3,531
Trade payables	9,810	(3,330)
Other payables and accruals	(725)	1,134
Cash (used in) generated from operations	(11,768)	1,353
Interest received	1,291	602
Interest paid	–	(390)
Income tax paid	(34)	–
Net cash (used in) from operating activities	(10,511)	1,565
Investing activities		
Loan repayment from a non-related company	–	8,000
Investment in structured deposits	(33,830)	–
Purchase of property, plant and equipment	(2,550)	(147)
Purchase of intangible asset	(400)	–
Proceed from disposal of property, plant and equipment	–	7
Net cash (used in) from investing activities	(36,780)	7,860
Financing activities		
Drawdown on bank loans	–	9,226
Repayment of bank loans	(3,137)	(6,089)
Advance from a non-related party	–	2,646
Grant received from government (Note 11)	51	–
Receipt of advances from a director	1,626	–
Repayment of advance from a non-related party	(1,346)	(2,505)
Net cash (used in) from financing activities	(2,806)	3,278
Net (decrease) increase in cash and cash equivalents	(50,097)	12,703
Cash and cash equivalents at beginning of year	58,392	47,484
Effect of exchange rate changes on the balance of cash held in foreign currencies	(4)	(1,795)
Cash and cash equivalents at end of year	8,291	58,392

See accompanying notes to financial statements.

Notes To Financial Statements

December 31, 2014

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, 2014 were authorised for issue by the Board of Directors on March 27, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payments*, 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, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 115 *Revenue from Contracts with Customers*
- FRS 109 *Financial Instruments*
- Improvements to Financial Reporting Standards (January 2014)
- Improvements to Financial Reporting Standards (February 2014)
- Improvements to Financial Reporting Standards (November 2014)

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

Management anticipates that the adoption of the above FRSs and amendments to FRS 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:

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of FRS 115 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 FRS 115, 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 FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after January 1, 2017 with early application permitted. The Group and the Company are currently evaluating the potential impact of the application in the period of initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and 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 for FRS 109:

- All recognised financial assets that are within the scope of FRS 39 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 FRS 109, 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.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is 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 a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. 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.

FRS 109 will take effect from financial years beginning on or after January 1, 2018 with early application permitted. The Group is evaluating the potential impact of the application in the period of initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Improvements to Financial Reporting Standards (January 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after July 1, 2014 with early application permitted, unless otherwise stated.

Standard	Topic	Key amendment
FRS 102 *Share Based Payments*	Definition of vesting condition	Amended definitions of 'vesting condition' and 'market condition' and added definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. Amendments apply prospectively to share-based payment transactions with a grant date on or after July 1, 2014 with early application permitted, with earlier application permitted.
FRS 108 *Operating Segments*	Aggregation of Operating Segments	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	Clarified that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The Group is currently evaluating the potential impact of the above Improvements to Financial Reporting Standards (January 2014).

Improvements to Financial Reporting Standards (February 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after July 1, 2014 with early application permitted, unless otherwise stated.

Standard	Topic	Key amendment
FRS 113 *Fair Value Measurements*	Scope of portfolio exception	The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, FRS 39, even if those contracts do not meet the definitions of financial assets or financial liabilities within FRS 32. Consistent with the prospective initial application of FRS 113, the amendment must be applied prospectively from the beginning of the annual period in which FRS 113 was initially applied.

The Group is currently evaluating the potential impact of the above Improvements to Financial Reporting Standards (February 2014).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Improvements to Financial Reporting Standards (November 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after January 1, 2016 with early application permitted, unless otherwise stated.

Standard	Topic	Key amendment
FRS 19 *Employee Benefits*	Discount rate: regional market issue	Clarifies that the depth of the market of high quality corporate bonds used in estimating the discount rate for post-employment benefits should be assessed at the currency level instead of at country level.

The Group is currently evaluating the potential impact of the above Improvements to Financial Reporting Standards (November 2014).

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

Notes To Financial Statements

December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

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 acquire, and equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

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

Effective interest method

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Loan and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For financial assets carried 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 investment 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 collaterialised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

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

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 asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

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

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

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.

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

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

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

Notes To Financial Statements

December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest income

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

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

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

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

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

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in statement of 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.

Notes To Financial Statements

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the entity's accounting policies

There are no 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.

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) <u>Allowances for recovery of debts</u>

The assessment for recovery of debts of the Group is based on the evaluation of collectability and aging analysis of outstanding debts and on management's estimates of recoverability of these debts. A considerable amount of estimates is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of trade and other receivables is disclosed in Notes 9 and 10 to the financial statements respectively.

(ii) <u>Allowances for inventories</u>

In determining the net realisable value of the Group's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. This represents the value of the inventories which are expected to realise as estimated by management. These estimates take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The carrying amount of inventories is disclosed in Note 13 to the financial statements.

Notes To Financial Statements

December 31, 2014

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

(iii) Impairment of property, plant and equipment

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

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

- Revenue growth rate: 5% from 2015 to 2019 and 1% as the long term growth rate from 2020 onwards;
- Discounted rate: 9%; and
- Annual capital expenditure of RMB350,000.

Management has evaluated the carrying amount of property, plant and equipment based on such estimates and is confident that no allowance for impairment is necessary. The carrying amount of property, plant and equipment is disclosed in Note 14 to the financial statements.

(iv) Impairment of investment in subsidiaries

Management has carried out a review of the recoverable amount of the investment in subsidiaries, having regard to the existing performance of the subsidiaries and the carrying value of the net assets in these subsidiaries and is confident that no allowance for impairment is necessary. The carrying amount of investments in subsidiaries at the end of reporting period is disclosed in Note 16 to the financial statements.

(v) Impairment of costs incurred for properties under development

Determining whether costs incurred for properties under development are impaired requires an estimation of the recoverable amount of these properties under development. Management has evaluated the recoverability of those costs incurred, including the deposit placed for land costs, based on estimated recoverable amount of these properties under development and is confident that no allowance for impairment is necessary. The carrying amount of costs incurred for properties under development at the end of reporting period is disclosed in Note 12 to the financial statements.

4 FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

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

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	10,747	79,418	204	199
Structured deposits	33,830	–	–	–
Financial liabilities				
Payables at amortised cost	15,938	9,710	2,804	1,163

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

Group

2014

Financial assets

Type of financial asset	(a) *Gross amounts of recognised financial asset* RMB'000	(b) *Gross amounts of recognised financial liabilities set off in the statement of financial position* RMB'000	(c) = (a) – (b) *Net amounts of financial assets presented in the statement of financial position* RMB'000
Other receivables	2,657	(1,657)	1,000
Total	2,657	(1,657)	1,000

Financial liabilities

Type of financial liability	(a) *Gross amounts of recognised financial liabilities* $	(b) *Gross amounts of recognised financial assets set off in the statement of financial position* $	(c) = (a) – (b) *Net amounts of financial liabilities presented in the statement of financial position* $
Trade payables	2,111	(1,657)	454
Total	2,111	(1,657)	454

Notes To Financial Statements

December 31, 2014

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

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

In reconciling the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position' to the line item amounts presented in the statement of financial position, the above amounts represent only those which are subject to offsetting, enforceable master netting arrangements and similar agreements. The residual amounts relate to those that are not in scope of the offsetting disclosures.

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements in 2013.

Company

The Company does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements in 2014 and 2013.

(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.

(i) Foreign exchange risk management

The Group transacts business in 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:

	2014		2013	
	SGD RMB'000	USD RMB'000	SGD RMB'000	USD RMB'000
Group				
Cash and bank balances	147	105	35,097	104
Other payables and accruals	(2,767)	–	(1,187)	–
Company				
Cash and bank balances	98	105	95	104
Other payables and accruals	(2,743)	–	(1,163)	–

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

(c) *Financial risk management policies and objectives (cont'd)*

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

Foreign currency sensitivity

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

	SGD		USD	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Profit or loss				
Group	(262)	3,391	11	2
Company	(264)	(107)	11	10

(ii) Interest rate risk management

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

The Group is exposed to significant concentration of credit risk. The five largest customers accounted for approximately 93% (2013 : 72%) of the Group's total trade receivables as at December 31, 2014. 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.

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

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

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

(c) *Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and both internally and externally generated cash flows to finance its activities. 97.0% (2013 : 99.5%) 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, 2014, the Company's current liabilities exceed its current assets by RMB2,600,000. 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.

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

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)
	2014		2013			
	Assets	Liabilities	Assets	Liabilities		
Financial assets at fair value through profit or loss (see Note 8)						
Structured deposits	33,830	–	–	–	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.

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

(c) Financial risk management policies and objectives (cont'd)

(v) Fair value of financial assets and financial liabilities (cont'd)

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.

There were no transfers between the different levels of the fair value hierarchy in 2013 and 2014.

(d) Capital risk management policies and objectives

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

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

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 eternally 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 Investments Pte Ltd, incorporated in the Republic of Singapore. The intermediate holding company is Sinomem Technology Pte Ltd, also incorporated in the Republic of Singapore. The Company's ultimate holding company is Clean Water Investment 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 and terms thereof are with members of the ultimate holding company's group and the effect of these on the basis determined between the parties is reflected in these financial statements. The amount due from and to related companies are unsecured, interest-free and repayable on demand and expected to be settled in cash, unless otherwise stated.

Notes To Financial Statements

December 31, 2014

6 RELATED PARTY TRANSACTIONS

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

	Group	
	2014 RMB'000	2013 RMB'000
Short-term benefits	1,260	1,042
Post-employment benefits	60	64
	1,320	1,106

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at bank	8,291	58,392	204	199

8 STRUCTURED DEPOSITS

	Group	
	2014 RMB'000	2013 RMB'000
Structured deposits with banks	33,830	–

During the year, the Group entered into contracts of structured deposits with banks. Structured deposit amounting to RMB14,781,000 is principal guaranteed, for contract period of 62 days and with a return up to a maximum of 4.3% per annum. Other structured deposits aggregating RMB19,049,000 are not principal guaranteed by the relevant banks and their return is determined by reference to the performance of certain government bonds and treasury notes. The maximum return rates stated in the contracts, if the underlying bonds and treasury notes perform well, range from 4.3% to 4.7% per annum, and, if the underlying bonds and treasury notes perform below expectation, the Group may not fully recover the principal sum placed. The period of the contracts range from 16 days to 62 days. Management is of the view that the carrying amounts of the structured deposits approximate fair value due to the short maturity period of the deposits. The entire contract was designated as financial asset at FVTPL on initial recognition.

There was no such financial asset as at December 31, 2013.

9 TRADE RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Outside parties	1,044	6,074
Notes receivable	200	6,382
Total	1,244	12,456

The average credit period on sale of goods is 60 days (2013 : 60 days). No interest is charged on the trade receivables on the outstanding balance.

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

	Group	
	2014	2013
	RMB'000	RMB'000
Not past due and not impaired	1,176	10,676
Past due but not impaired:		
2 months to 6 months	–	13
6 months to 12 months	–	55
12 months to 24 months	68	1,712
Total trade receivables	1,244	12,456

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.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB68,000 (2013 : RMB1,780,000) which are past due at the end of reporting period for which the Group has not made any provision as there has not been a significant change in the credit quality and the amounts are still considered receivable. Subsequent to year end, the trade receivables which are not impaired but past due for more than 12 months have been collected. The Group does not hold any collateral over these balances.

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

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December 31, 2014

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Receivable for sale of technology know-how	1,000	7,398	–	–
Prepayments	–	936	–	–
Advances to suppliers	1,326	–	–	–
Advances to staff	9	1,007	–	–
Value added tax recoverable	1,311	–	–	–
Others	203	165	–	–
Total	3,849	9,506	–	–

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

Receivable for sale of technology know-how is interest free, unsecured and is fully settled subsequent to year end via payment and offsetting against outstanding liabilities.

11 PREPAID LEASE PREMIUM

	Group	
	2014	2013
	RMB'000	RMB'000
Cost:		
At beginning of year	17,430	17,430
Grant received from government	(51)	–
At end of year	17,379	17,430
Accumulated amortisation:		
At beginning of year	1,774	1,417
Amortisation	357	357
At end of year	2,131	1,774
Carrying amount:		
At end of year	15,248	15,656
Presented in the Statement of Financial Position:		
Current asset	357	357
Non-current asset	14,891	15,299
Total	15,248	15,656

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

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

12 PROPERTIES UNDER DEVELOPMENT

	Group	
	2014 RMB'000	2013 RMB'000
Deposit placed for land costs	20,000	20,000
Land use rights	13,400	–
Development costs	6,312	3,401
Total	39,712	23,401
Presented in the Statement of Financial Position:		
Current asset	15,278	–
Non-current asset	24,434	23,401
Total	39,712	23,401

Suntar Eco-city

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

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

In 2012, the Group paid an additional RMB2 million to the government authorities of Wuping County as specified in the revised agreement. In 2013, the Group received a RMB5 million refund from the government authorities of Wuping County as a result of decrease in the scale of land.

Residential Project

During the year, the Group paid RMB13.4 million to the government authorities of Wuping County for the acquisition of land use rights and incurred development costs of RMB1.878 million in connection with a new residential property development. As at the end of the reporting period, the entity has obtained the certificate for land use rights, and relevant licenses for the commencement of the development. Management is of the view that the pre-sale certificate would be obtained and selling of the project would start within 12 months from the end of reporting period.

Notes To Financial Statements

December 31, 2014

13 INVENTORIES

	Group 2014 RMB'000	Group 2013 RMB'000
At cost:		
Raw materials	2,855	537
Work in progress	15,113	4,613
Finished goods	1,898	1,502
	19,866	6,652
Less: Allowance for inventories	–	(331)
Net	19,866	6,321

The cost of inventories recognised as an expense includes RMBNil (2013: RMB331,000) in respect of write-down of inventories to net realisable value, and has been reduced by RMB331,000 (2013: RMBNil) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of the inventories being sold during the financial year.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group						
Cost:						
At January 1, 2013	10,292	12,771	253	272	1,630	25,218
Additions	20	90	37	–	–	147
Disposal	–	(12)	–	–	–	(12)
At December 31, 2013	10,312	12,849	290	272	1,630	25,353
Additions	290	804	230	534	692	2,550
Reclassification	40	2,282	–	–	(2,322)	–
At December 31, 2014	10,642	15,935	520	806	–	27,903
Accumulated depreciation:						
At January 1, 2013	1,403	5,118	135	259	–	6,915
Depreciation	307	1,089	59	13	–	1,468
Disposal	–	(5)	–	–	–	(5)
At December 31, 2013	1,710	6,202	194	272	–	8,378
Depreciation	309	1,093	28	30	–	1,460
At December 31, 2014	2,019	7,295	222	302	–	9,838
Carrying amount:						
At December 31, 2014	8,623	8,640	298	504	–	18,065
At December 31, 2013	8,602	6,647	96	–	1,630	16,975

15 DEFERRED TAX ASSETS

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

	Tax losses RMB'000	Provisions RMB'000	Other RMB'000	Total RMB'000
Balance at January 1, 2013	452	74	13	539
Charge to profit or loss	(452)	(74)	(13)	(539)
Balance at December 31, 2013 and 2014	–	–	–	–

16 SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Unquoted equity shares, at cost	51,614	51,614
Amount due from a subsidiary	79,792	79,792
Total	131,406	131,406

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

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

Name of subsidiaries	Country of registration and operation	Effective equity interest and voting power held		Principal activity
		2014 %	2013 %	
Held by the Company				
China Green Eco-Holdings Pte Ltd (1)	Singapore	100	100	Investment holding company
Xi'an Reyphon Pharmaceutical Co., Ltd (2)	PRC	100	100	Manufacture and sale of hormone-type pharmaceutical products
Held by a subsidiary				
Wuping Suntar Eco-city Development Co., Ltd (2)	PRC	100	100	Eco-tourism development
Wuping Lan County Real Estate Development Co., Ltd (2)	PRC	100#	–	Property development

Incorporated during the year.

Notes on auditors

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

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

17 INTANGIBLE ASSET

	Group	
	2014	2013
	RMB'000	RMB'000
Cost		
Additions and balance at December 31, 2014	400	–
Accumulated amortisation		
At December 31, 2014	–	–
Carrying amount		
At December 31, 2014	400	–

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.

18 TRADE PAYABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Outside parties	11,397	1,587

The average credit period on purchases of goods is 60 days (2013 : 60 days).

19 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	1,594	1,348	1,118	1,091
Advances from a non-related party	–	1,346	–	–
Advances from a director	1,626	–	1,626	
Outside parties	1,321	2,292	–	–
Related company (Note 5)	–	–	60	72
Total	4,541	4,986	2,804	1,163

The amount due to a related company and advances from a director are unsecured, interest-free and repayable on demand.

In 2013, the advances from a non-related party are unsecured, bear fixed interest rate of 6% per annum and have been fully repaid in 2014.

20 BANK LOANS

	Group 2014 RMB'000	Group 2013 RMB'000
Bank loans	–	3,137

The bank loans represented note receivables discounted to bank with full recourse. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the note receivables (Note 9) and had recognised the cash received on the transfer as a secured borrowing.

In 2013, the loan period ranged from approximately 4 to 5 months with an average fixed interest rate of 7.2% per annum. The loan amount has been offset against the same amount of note receivables upon maturity in 2014.

21 SHARE CAPITAL

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares		RMB'000	RMB'000
Issued and paid up:				
At beginning of year and at end of year	313,800,000	313,800,000	162,713	162,713

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.

22 REVENUE

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

23 OTHER OPERATING INCOME

	Group 2014 RMB'000	Group 2013 RMB'000
Sales of technological know-how	–	11,398
Bank interest income	1,291	602
Others	184	–
Total	1,475	12,000

Notes To Financial Statements

December 31, 2014

24 FINANCE COST

	Group	
	2014 RMB'000	2013 RMB'000
Interest expense on:		
Advances from a non-related party	–	141
Bank loans	–	249
Total	–	390

25 (LOSS) PROFIT BEFORE INCOME TAX

This has been arrived at after charging (crediting):

	Group	
	2014 RMB'000	2013 RMB'000
Amortisation on prepaid lease premium	357	357
Bad debts written off	370	–
Audit fee		
- paid to the Company's auditor	425	425
- paid to other auditor	285	270
Cost of inventories recognised as an expense	10,311	43,278
Depreciation of property, plant and equipment	1,460	1,468
Directors' fees	268	230
Foreign exchange (gain) loss	(1,092)	1,795
Non-audit fee paid to auditors of the Company	–	16
Research expenses	1,608	75
Retirement benefit scheme contributions	405	364
Staff costs	4,421	4,219

26 INCOME TAX EXPENSE

	Group	
	2014 RMB'000	2013 RMB'000
Current tax	24	833
Deferred tax (Note 15)	–	539
Income tax expense	24	1,372

26 INCOME TAX EXPENSE (cont'd)

Income tax is calculated by applying the PRC statutory tax rate at 25% (2013 : 25%) of the estimated assessable loss for the year. The total charge for the year can be reconciled to the accounting (loss) profit as follows:

	Group	
	2014 RMB'000	2013 RMB'000
(Loss) Profit before income tax	(8,396)	922
Income tax (benefit) expense at tax rate of 25%	(2,099)	231
Non-deductible items	110	1,361
Effect of unused tax losses not recognised as deferred tax assets	2,013	–
Utilisation of deferred tax benefits not recognised previously	–	(220)
Total income tax expense	24	1,372

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

	Group	
	2014 RMB'000	2013 RMB'000
At beginning of year	1,400	2,280
Arising	8,051	–
Utilised	–	(880)
At end of year	9,451	1,400
Deferred tax benefit not recognised	2,363	350

Subject to the agreement by the tax authorities, at the end of reporting period, the Group has unutilised tax losses of RMB9,451,000 (2013: RMB1,400,000) available for offset against future profits that has expiry dates of up to 2020. No deferred tax asset has been recognised in respect of tax losses due to unpredictability of future profit streams.

27 LOSS PER SHARE

	Group	
	2014	2013
Loss:		
Loss attributable to equity holders of the Company (RMB'000)	(8,420)	(450)
Number of shares:		
Weighted average number of ordinary shares ('000)	313,800	313,800
Loss per share (RMB cents)	(2.68)	(0.14)

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

Notes To Financial Statements

December 31, 2014

28 STATUTORY RESERVE

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

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

29 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.

As the property development segment, as disclosed in Note 12 to the financial statements, has not completed any property development, the Group's revenue and loss for the year are mainly from the pharmaceutical ingredients products segment, which is the manufacturing and sale of hormone-type pharmaceutical products.

29 SEGMENT INFORMATION (cont'd)

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

	Pharmaceutical ingredients products RMB'000	Property development RMB'000	Unallocated RMB'000	Total RMB'000
Statement of Financial position				
2014				
Assets:				
Segment assets	60,442	79,811	–	140,253
Unallocated assets			252	252
Total assets				140,505
Liabilities:				
Segment liabilities	12,913	1,263	–	14,176
Unallocated liabilities			2,998	2,998
Total liabilities				17,174
2013				
Assets:				
Segment assets	64,870	77,569	–	142,439
Unallocated assets			268	268
Total assets				142,707
Liabilities:				
Segment liabilities	9,607	242	–	9,849
Unallocated liabilities			1,107	1,107
Total liabilities				10,956

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:

	2014 RMB'000	2013 RMB'000
Customer A	3,910	21,240
Customer B	3,282	8,793
Customer C	1,286	3,774

30 OPERATING LEASE ARRANGEMENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	5	–

At the end of the reporting period, the Group has outstanding commitment under non-cancellable operating leases, which due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within a year	55	–

Operating lease payments represented rentals payable by the Group for its office premises. Lease is negotiated for a term of a year with fixed monthly rental.

Statistics Of Shareholdings

As at 25 March 2015

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.15	1	0.00
100 – 1,000	57	8.47	56,999	0.02
1,001 – 10,000	340	50.52	1,741,000	0.55
10,001 – 1,000,000	264	39.23	27,142,000	8.65
1,000,001 and above	11	1.63	284,860,000	90.78
TOTAL	673	100.00	313,800,000	100.00

TWENTY LARGEST SHAREHOLDERS

	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1	SUNTAR INVESTMENT PTE LTD	236,068,000	75.23
2	CIMB SECURITIES (SINGAPORE) PTE LTD	14,940,000	4.76
3	UOB KAY HIAN PTE LTD	12,278,000	3.91
4	PHILLIP SECURITIES PTE LTD	10,032,000	3.20
5	CHENG YE	3,160,000	1.01
6	LIU TIANRONG	2,003,000	0.64
7	YE JIAHONG	1,710,000	0.54
8	WAN HUAYIN	1,340,000	0.43
9	HOE JUAN JOK	1,150,000	0.37
10	LEE LENG KEONG	1,105,000	0.35
11	LIAO LIANGDONG	1,074,000	0.34
12	CHONG PAULINE	994,000	0.32
13	TANG JIA JING	871,000	0.28
14	CHEN YAN FENG	850,000	0.27
15	LIU XINHONG	835,000	0.27
16	RAFFLES NOMINEES (PTE) LTD	818,000	0.26
17	MAYBANK NOMINEES (SINGAPORE) PTE LTD	800,000	0.25
18	ZOU XIN	700,000	0.22
19	ZHONG WENDE	690,000	0.22
20	UNITED OVERSEAS BANK NOMINEES PTE LTD	663,000	0.21
	TOTAL	292,081,000	93.08

Statistics Of Shareholdings

As at 25 March 2015

SHAREHOLDERS' INFORMATION AS AT 25 MARCH 2015

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

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 25 March 2015

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

Notes:

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

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

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

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

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

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

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

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

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

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

Statistics Of Shareholdings

As at 25 March 2015

FREE FLOAT

As at 25 March 2015, 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 Thursday, 30 April 2015 at 10 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

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

   Dr Lan Weiguang **(Resolution 2)**
   Mr Lan Chunguang **(Resolution 3)**

   [See Explanatory Note (i)]

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

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

4. To approve the payment of Directors' fees of S$48,001.00 and RMB36,000.00 respectively (2013: S$48,001.00) for the financial year ended 31 December 2014. **(Resolution 5)**

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

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

SPECIAL BUSINESS

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

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

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

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

Notice Of Annual General Meeting

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

provided that:

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

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

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

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

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

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore, 15 April 2015

Notice Of Annual General Meeting

Explanatory Notes:

(i) Dr Lan Weiguang will, upon the re-election as a Director of the Company, remain as a Non-Independent Non-Executive Chairman of the Company and will be considered non-independent.

Mr Lan Chunguang will, upon the re-election as a Director of the Company, remain as an Executive Director / Chief Executive Officer of the Company and will be considered non-independent.

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

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

Notes:

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

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

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

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

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) 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), 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) 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 Number 200613997H)
(the "Company")
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT: FOR CPF INVESTOR ONLY
1. This Annual Report 2014 is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We ____ (Name)

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both the persons, referred to the above, the Chairman of the Annual General Meeting (the "Meeting") as my/our* proxy/proxies* to vote for me/us* on my/our behalf*, at the Meeting to be held at 10 Ang Mo Kio Street 65, #06-10 Techpoint, Singapore 569059 on Thursday, 30 April 2015 at 10 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions Relating to:	For	Against
1.	Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014		
2.	Re-election of Dr Lan Weiguang as Director		
3.	Re-election of Mr Lan Chunguang as Director		
4.	Re-appointment of Mr He Kaijun as Director		
5.	Approval for payment of Directors' fees amounting to S$48,001/-		
6.	Re-appointment of Messrs Deloitte & Touche LLP as Auditors		
7.	Authority to allot and issue shares up to fifty percent (50%) of Company's total number of issued shares excluding treasury shares		

Dated this __________ day of __________________ 2015.

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

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

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

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

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

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

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

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

GENERAL:

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

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 15 April 2015.

Suntar

SUNTAR ECO-CITY LIMITED