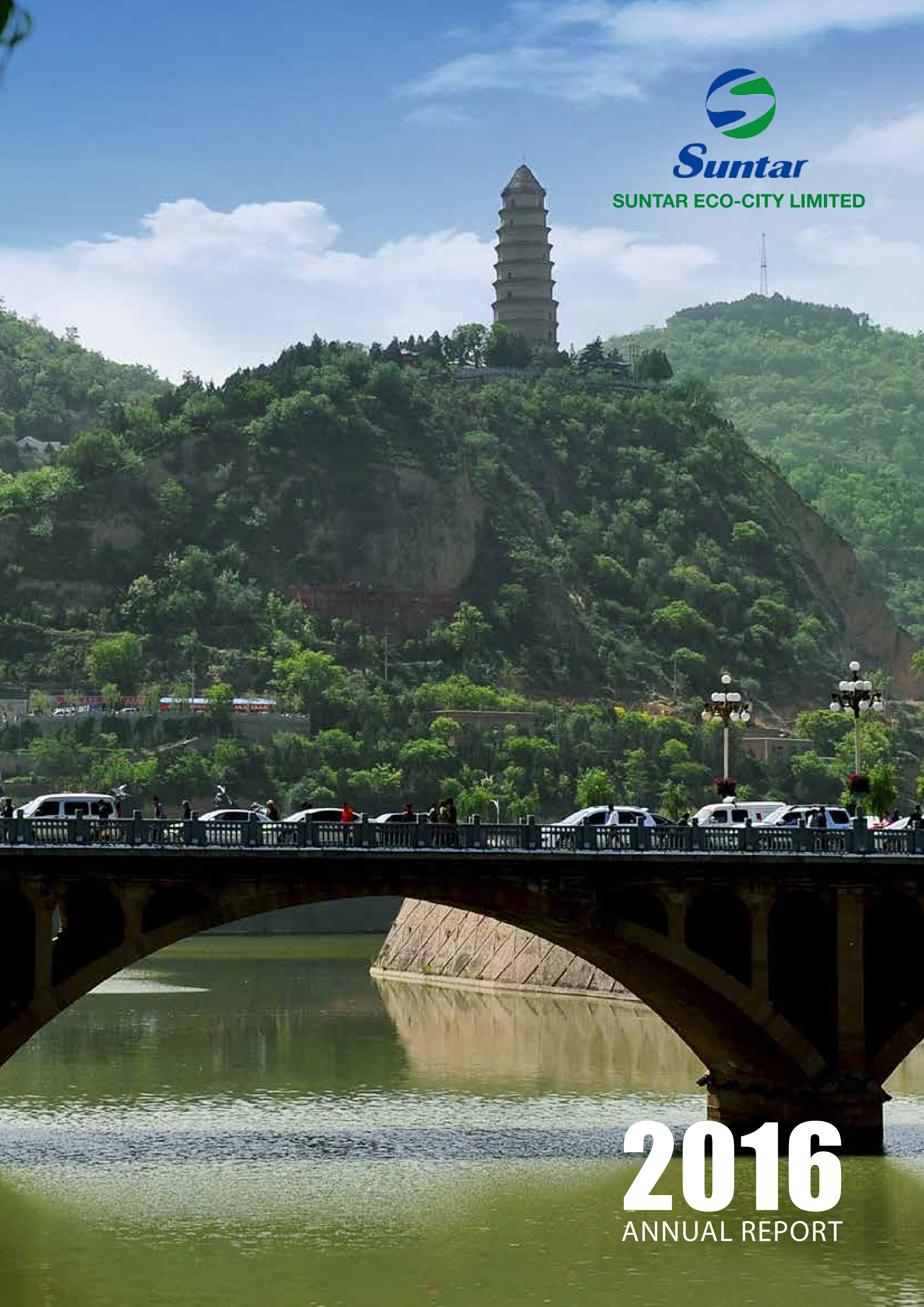

Suntar

SUNTAR ECO-CITY LIMITED

# 2016 ANNUAL REPORT

# 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 ("SGX-ST") on 1 August 2007. The Company currently has two divisions: the pharmaceutical ingredients products segment and the property development segment.

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

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

Lan Yihong
(Executive Director and Finance Director)

Chen Guansheng
(Non-Independent Non-Executive Director)

Foong Daw Ching
(Lead Independent Director)

He Kaijun
(Independent Non-Executive Director)

## AUDIT COMMITTEE

Foong Daw Ching
(Chairman)

Dr Lan Weiguang

He Kaijun

## REMUNERATION COMMITTEE

He Kaijun
(Chairman)

Dr Lan Weiguang

Foong Daw Ching

## NOMINATING COMMITTEE

He Kaijun
(Chairman)

Dr Lan Weiguang

Foong Daw Ching

## COMPANY SECRETARY

Chew Kok Liang

## REGISTERED OFFICE

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

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

## AUDITORS

Deloitte & Touche LLP
Public Accountants and Chartered 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

# CHAIRMAN'S STATEMENT

# CHAIRMAN'S STATEMENT

## Dear Shareholders,

### 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 had been approved by the SGX-ST. 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. The pharmaceutical ingredients products segment was established in the People's Republic of China ("PRC") in 2007 for the expansion into human hormone production business. The property development segment was established as part of the Group's entry into the eco-tourism and real estate development and management business. The segment completed development of the Lan County residential project in 2016.

In FY2016, driven by the contribution from new property development segment, the group achieved a total revenue of RMB34.9 million, an increase of 9.5% or RMB3.0 million from RMB31.9 million in the corresponding period in 2015. The contribution from new property development segment, together with better performance from the pharmaceutical ingredients products segment, also helped the Company derive higher gross profit margins of 23.8% in FY2016 compared to 7.1% in FY 2015, which resulted in a RMB6.0 million increase in gross profit from RMB2.3 million in FY2015 to RMB8.3 million in FY 2016.

### FY2017 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. The entry into this business will also enable the Group to reduce reliance on existing pharmaceutical ingredients products segment. The Company has obtained the land use right of parcel of land for residential property development of Lan County project in Wuping, Fujian, PRC and development of the said parcel of land commenced on 30 June 2014. The development of the Lan County project was very successful and the Management is currently in talks with the local government for other potential projects.

In FY2016 Xi'an Reyphon Pharmaceutical Co Ltd met the State Food and Drug Administration (SFDA) Good Manufacturing Practices (GMP) standards（国家食品药品监督管理局）. These guidelines provide minimum requirements that a pharmaceutical or a food product manufacturer must meet to ensure that the products are of high quality and do not pose any risk to the consumer or general public.

The new official GMP license has allowed the Company to produce and sell pharmaceutical end products instead of pharmaceutical intermediates. The shift to sales of end products is expected continue to improve gross profit margins for the pharmaceutical ingredients products segment in the future.


### Acknowledgment

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


DR LAN WEIGUANG
Non-Independent Non-Executive Chairman

# BOARD OF DIRECTORS

## Dr Lan Weiguang
Non-Independent
Non-Executive Chairman

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

## Foong Daw Ching
Lead Independent Director

Mr Foong was appointed on 19 June 2007. He was formerly a senior partner of Baker Tilly TFW LLP and the former Chairman of Baker Tilly International, Asia Pacific Region. Mr Foong has more than 30 years of audit experience. Mr Foong is a Fellow of The Institute Of Chartered Accountants in England and Wales, a Fellow of the Institute of Singapore Chartered Accountants and a Fellow member of CPA Australia. He is also an independent director and the Chairman of the audit committee of Travelite Holdings Ltd 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.

# BOARD OF DIRECTORS

**He Kaijun**
Independent
Non-Executive Director

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

**Chen Guansheng**
Non-independent
Non-Executive Director

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

**Lan Yihong**
Executive Director
and Finance Director

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

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

# FINANCIAL HIGHLIGHTS

| | 2012<br>RMB '000 | 2013<br>RMB '000 | 2014<br>RMB '000 | 2015<br>RMB '000 | 2016<br>RMB '000 |
|---|---|---|---|---|---|
| Revenue | 49,909 | 41,133 | 10,174 | 31,878 | 34,899 |
| Gross profit (loss) | 3,328 | (2,145) | (137) | 2,263 | 8,299 |
| (Loss) / Profit before tax | (1,225) | 922 | (8,396) | (4,526) | 3,099 |
| (Loss) / Profit after tax | (1,233) | (450) | (8,420) | (4,568) | 2,541 |
| Current assets | 79,812 | 87,032 | 82,715 | 85,572 | 97,264 |
| Non-current assets | 61,430 | 55,675 | 57,790 | 55,598 | 53,177 |
| Total assets | 141,242 | 142,707 | 140,505 | 141,170 | 150,441 |
| Current liabilities | 9,041 | 10,956 | 17,174 | 22,407 | 29,137 |
| Total liabilities | 9,041 | 10,956 | 17,174 | 22,407 | 29,137 |
| Net current assets | 70,771 | 76,076 | 65,541 | 63,165 | 68,127 |
| Equity or Net assets | 132,201 | 131,751 | 123,331 | 118,763 | 121,304 |
| Basic and diluted earnings per share (RMB cents) (1) | (1.96) | (0.72) | (13.42) | (7.28) | 4.05 |

**Notes:**

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

# CORPORATE GOVERNANCE REPORT & FINANCIAL CONTENTS

# CORPORATE GOVERANCE 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 2016 ("FY2016"), the Group has adhered to the principles and guidelines as set out in the Code, except where otherwise indicated.

## A. BOARD MATTERS

### The Board's Conduct of Affairs

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

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

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

- provide entrepreneurial leadership, set strategic objectives, and ensure that necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
- review of management performance;
- identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;
- set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;
- approve announcements, annual report 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.

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

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

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

There was no new Director appointed in the financial year ended 31 December 2016. The Company has and will continue to provide incoming Directors (if and when appointed) with information relating to corporate conduct and governance including continuing disclosure requirements as required by the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), disclosure of interests in securities, restrictions on disclosure of confidential or price sensitive information and etc. Orientation programmes were also provided to the newly appointed Directors to familiarise themselves with the role and responsibilities of a Director and the Group's business and operations, including site visits. The costs of arranging and funding the training of the Directors will be borne by the Company.

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

The number of Board and Board Committees meetings held during the FY2016 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 Yihong | 4 | N/A | N/A | N/A |
| ***Independent Directors:*** | | | | |
| Foong Daw Ching | 4 | 4 | 1 | 1 |
| He Kaijun | 3 | 3 | 1 | 1 |
| ***Non-Independent Non-Executive Director:*** | | | | |
| Chen Guansheng | 3 | N/A | N/A | N/A |

Notes:

(1) Include meetings via teleconference.

**Board Composition and Guidance**

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

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

**EXECUTIVE DIRECTOR**

- Mr Lan Yihong (Executive Director and Finance Director)

**NON-EXECUTIVE DIRECTORS**

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

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

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

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

In view that the Chairman is not an Independent Director, the Board noted that the Company is required to comply with the requirement for Independent Directors to make up at least half of the Board at the annual general meeting ("AGM") following the end of financial year commencing on or after 1 May 2016, and is in the midst of making arrangements to change the board composition by the AGM for the financial year ending 31 December 2017.

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 4 and 5 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.

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

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

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

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

**Chairman and Chief Executive Officer**

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

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

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

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

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

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

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

## B. BOARD COMMITTEES

**Nominating Committee**
**Board Membership**

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

**Board Performance**

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

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

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

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

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

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

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

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

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

(f) developing a process for evaluation of the performance of the Board, its Board Committees and Directors;

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

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

**PARTICULARS OF DIRECTORS AS AT 31 DECEMBER 2016**

| Name of Director | Date of first Appointment | Date of last re-election | Relationships with directors, the Company or its 10% shareholders | Nature of appointment | Membership of Board Committees | Directorship/ chairmanship both present and those held over the preceding three years in other listed company and other major appointments |
|---|---|---|---|---|---|---|
| Dr Lan Weiguang | 22 September 2006 | 30 April 2015 | Father of Lan Yihong, who is a Director of the Company | Non-Independent Non-Executive Chairman | Member of AC, NC and RC | Sinomem Technology Limited |
| Chen Guansheng | 9 May 2008 | 22 April 2014 (to be re-elected at the forthcoming AGM) | – | Non-Independent Non-Executive Director | None | None |
| Foong Daw Ching | 19 June 2007 | 22 April 2014 (to be re-elected at the forthcoming AGM) | – | Lead Independent Director | Chairman of AC, Member of NC and RC | • Travelites Holdings Ltd<br>• Starland Holdings Ltd |
| He Kaijun | 19 July 2013 | 28 April 2016 | – | Independent Non-Executive Director | Chairman of NC and RC, and Member of AC | None |
| Lan Yihong | 8 May 2015 | 28 April 2016 | Son of Dr Lan Weiguang, who is a Director of the Company | Executive Director and Finance Director | None | None |

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

All Directors are subject to retirement pursuant to the provisions of the Company's Constitution whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM.

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

The NC recommended to the Board that Mr Chen Guansheng and Mr Foong Daw Ching be nominated for re-election pursuant to the Company's Constitution 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.

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, without the engagement of an external facilitator, 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 FY2016. 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.

**Access to Information**

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

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

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

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

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

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

**Remuneration Committee**
**Procedures for Developing Remuneration Policies**

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

**Level and Mix of Remuneration**

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

**Disclosure on Remuneration**

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

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

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

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

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

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

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

(d) considering various disclosure requirements for remuneration of Directors, the CEO and at least the top five key management personnel (who are not the Directors and the CEO), and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;

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

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

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

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

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 FY2016 is set out below:

| Board of Directors | Salary RMB | Bonus RMB | Directors' Fees RMB | Incentive and other benefits RMB | Total RMB |
|---|---|---|---|---|---|
| ***Below RMB1,211,875 or approximately S$250,000*** | | | | | |
| Dr Lan Weiguang | – | – | 5 | – | 5 |
| Mr Lan Yihong | 240,199 | – | – | 40,834 | 281,033 |
| Mr Chen Guansheng[(1)] | – | – | – | – | – |
| Mr Foong Daw Ching | – | – | 231,713 | – | 231,713 |
| Mr He Kaijun | – | – | 36,000 | – | 36,000 |

Note:

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

| Key Management Personnel | Salary % | Bonus % | Incentive and other benefits % | Total % |
|---|---|---|---|---|
| ***Below RMB1,211,875 or approximately S$250,000*** | | | | |
| Lan Chunguang | 100 | – | – | 100 |
| Ping Zhicun | 100 | – | – | 100 |
| Zhang Shengli | 100 | – | – | 100 |
| Mi Zhenrui | 100 | – | – | 100 |
| Wang Peiwen | 100 | – | – | 100 |

The aggregate total remuneration paid to the top five key management personnel (who are not Directors) for the FY2016 is RMB356,000.

None of the Directors, CEO and the top five key management personnel (who are not Directors or the CEO) of the Company has received any termination, retirement, post-employment benefits for FY2016.

For FY2016, the Company does not have any employees who are immediate family members of a Director or the CEO, whose remuneration exceeded S$50,000.

The Company has a share option scheme known as Suntar Eco-City Employee Share Option Scheme ("ESOS") which was approved by shareholders of the Company on 10 July 2007. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. No options were granted under the ESOS during FY2016.The principal terms of the Scheme is set out in the pages 123 to 129 of the IPO Prospectus dated 24 July 2007.

## C. ACCOUNTABILITY AND AUDIT

### Accountability

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

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

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

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

In discharge of its duties to the shareholders, the Board, when presenting annual financial statements and announcements, seek to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with Rule 705(5) of the Listing Manual of SGX-ST. The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. In addition, all Directors and key management personnel of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the Listing Manual.

**Risk Management and Internal Controls**

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

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

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

For FY2016, the Board has received assurance from the CEO and Finance Director that (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Group's risk management and internal control systems are sufficiently effective.

At present, the AC and Board rely on reports from the Finance Director to identify material non-compliance or internal control weaknesses. There were no major internal control weaknesses highlighted for the attention of AC for FY2016. The AC and Board also review the management letter, if any, prepared by the external auditors on control weakness relevant for the preparation of financial statements.

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

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

**Audit Committee**

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

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

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

The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities. None of the AC members was a former partner or director of the Company's existing auditing firm within a period of 12 months nor has any financial interest in the auditing firm. The Board is of the view that the AC has sufficient financial management expertise and experience to discharge the AC's functions.

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

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

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

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

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

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

(e) reviewing and discussing with the auditors any suspected fraud or improprieties or irregularities, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

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

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

(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 FY2016 are as follows:-

| **Services** | **Amount (RMB)** |
|---|---|
| Audit service | 505,000 |
| Non-audit service | – |
| Total | 505,000 |

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, if any, 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.

In July 2010, the Singapore Exchange Limited ("SGX") and Accounting and Corporate Regulatory Authority ("ACRA") launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

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

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

The AC also considered the key audit matter ("KAM") reported by the external auditors. The KAM relates to the estimation of valuation of properties under development in particular to the recoverability of the deposit amounting to RMB18,000,000 placed with the government authorities in Wuping County. The AC reviewed management's approach to the ongoing negotiations with the government authorities in Wuping County regarding the parcel of land for development into an Eco City. The management has obtained written confirmation from the Wuping County acknowledging that the deposit placed with the government authorities is refundable. The AC and the external auditors discussed this KAM, their reason for justifying it as KAM and the approach they took in their audit of this account balance.

In addition to the above matters, the AC has also considered the two issues that are subject to audit qualifications as follows:

1. Related Parties Transactions

   The auditors raised the uncertainties over the relationship of the Group's subsidiary, Xi'an Reyphon Pharmaceutical Co., Ltd (Xian Reyphon) in PRC with Customer C due to an employee who has represented himself as a general manager of Xian Reyphon and approved transactions in that capacity. This employee is a shareholder and a legal representative of Customer C. He is also the son of the major shareholder of Customer C.

   The management represented to the AC that this employee is not a key employee of Xian Reyphon. Xian Reyphon did not appoint him as a general manager of the company. The general manager is Mr Lan Chunguang who is also the Group CEO. Mr Lan's appointment as General Manager of Xian Reyphon has been formally approved by the Board of Directors of Xian Reyphon. This employee's role in Xian Reyphon is that of a technical adviser to the manufacturing of products for sales to Customer C. In this respect, the management does not consider Customer C as a related party to Xian Reyphon.

2. Impairment of inventories and property, plant and equipment

   The Group's inventories and property, plant and equipment as at 31 December 2016 of RMB19,720,000 and RMB19,392,000 respectively, included inventory aged between one to two years of RMB3,456,000, inventory aged more than two years of about RMB7,074,000 and plant and equipment not in use of about RMB1.8 million. The auditors were unable to obtain sufficient appropriate audit evidence on the key assumptions used in the estimation of future cash flows, including the feasibility of the Group's future production plans. Consequently, they were unable to determine whether any adjustments to the carrying amounts of inventories and property, plant and equipment were necessary.

   The management presented to AC that all inventories including those aged from one to more than two years were all valued at the lower of cost and net realisable values. The inventories in question are not obsolete and they are still saleable as they are or used as raw materials for manufacturing into final products. Xian Reyphon has just obtained the Good Manufacturing Practices (GMP) Licence in March 2016. As a result, Xian Reyphon has changed its manufacturing strategy from the manufacturing of intermediates to finished products. The sales of finished products have yielded a higher gross profit margin as shown in the income statement. This change in strategy only commenced from April 2016 due to the delay in obtaining the GMP Licence. This resulted in the delay in the production plans. The management is confident that Xian Reyphon will be able to fully utilise the plant and equipment including those currently not in use. The inventories in question will be used in the manufacturing of the final products. Therefore, the management maintains that provision for impairment of inventories and property, plant and equipment is not necessary.

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

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

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

**Internal Audit**

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

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

The AC will review the adequacy of the internal audit function at least annually and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company. The AC has met with the internal auditors, without the presence of Management, once during FY2016.

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

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

## C. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

**Shareholders Rights**

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

**Communication with Shareholders**

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

**Conduct of Shareholder Meetings**

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

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

The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. All shareholders of the Company will receive the annual report and notice of the AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairman of each of the Board Committees. The Chairman of the AC, NC and RC together with the external auditors would be present at the AGM to address all queries that the shareholders may have. In the event that the Company wishes to obtain shareholders' approval for any major transaction, the Board will disseminate such information via SGXNet, prepare and send notice of general meeting and circular to shareholders within the mandatory period.

Shareholders are highly encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the AGM through proxy forms sent in advance. A Relevant Intermediary[1] may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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

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

The Company does not have a policy on payment of dividends. The issue of dividend is deliberated by the Board having regard to various factors, including but not limited to the Group's actual and projected financial performance; projected levels of capital expenditure and other investment plans; working capital requirements and general financial conditions; and the level of the Group's cash and retained earnings. Taking into account the above factors, the Board has not recommended dividends to be paid in respect of FY2016.

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

## D. ADDITIONAL INFORMATION

**Dealings in Securities**

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

(a) The Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;

(b) Officers of the Company did not deal in the Company's securities on short-term considerations; and

(c) The Company and its officers did not deal in the Company's shares (i) during the periods commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

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

**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 FY2016.

1 A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**Interested Person Transactions**
(Listing Manual Rule 907)

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

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

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) |
|---|---|---|
| Lan Weiguang | $400,939<br>(equivalent to RMB2,077,000) | Nil |

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

**Use of Initial Public Offering proceeds**
(Listing Manual Rule 1207(20))

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

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

| Use of net proceeds as stated in the Prospectus | Amount allocated as stated in the Prospectus (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 the Group | 7,447,000 | |
| - Purchase of raw materials | | 6,162,000 |
| - Employee salary expenses | | 1,012,000 |
| - Tax expenses | | 76,000 |
| - Miscellaneous expenses | | 232,000 |
| Total | 26,447,000 | 19,854,000 |

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

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

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

# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of change in equity of the Company for the financial year ended December 31, 2016.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 35 to 83 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

## 1 DIRECTORS

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

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

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

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

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

| Name of directors and companies in which interests are held | Shareholdings registered in the name of directors | | Shareholdings in which directors are deemed to have an interest | |
|---|---|---|---|---|
| | At beginning of year | At end of year | At beginning of year | At end of year |
| Ultimate holding company - Clean Water Investment 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 | 63,800 | 63,800 | 47,213,600 | 47,213,600 |
| Foong Daw Ching | 2,000 | 2,000 | - | - |
| Lan Chunguang | 117,000 | 117,000 | - | - |

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, 2017 were the same as at December 31, 2016.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

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

4 SHARE OPTIONS (cont'd)

*(b) Options exercised*

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

*(c) Unissued shares under options*

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

5 AUDIT COMMITTEE

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

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

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

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

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

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

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

5 AUDIT COMMITTEE (cont'd)

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

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

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

……………………………………………
Lan Weiguang

……………………………………………
Lan Yihong

April 7, 2017

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Qualified Opinion

We have audited the consolidated financial statements of Suntar Eco-City Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 83.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Qualified Opinion

*Related parties*

An employee of Xi'an Reyphon Pharmaceutical Co., Ltd ("Xi'an Reyphon"), a subsidiary of the Group, is a shareholder and a legal representative of Customer C referred to in note 26 to the consolidated financial statements for the year 2016. The employee is also the son of the major shareholder of Customer C. The employee presented himself as the general manager and approved transactions using that designation in Xi'an Reyphon in 2016. Transactions between Xi'an Reyphon, Customer C and another Entity in which the major shareholder of Customer C has investments in are described in note 6 to the consolidated financial statements. We were unable to determine if Customer C and the Entity referred to above are related parties of the Group and whether the financial statements, insofar as they are affected by the relationships and transactions, achieve fair presentation.

*Impairment of inventories and property, plant and equipment*

The Group's inventories and property, plant and equipment as at 31 December 2016 of RMB19,720,000 and RMB19,392,000 respectively, included inventory aged between one to two years of RMB3,456,000, inventory aged more than two years of about RMB7,074,000 and plant and equipment not in use of about RMB1.8 million. We were unable to obtain sufficient appropriate audit evidence on the key assumptions used in the estimation of future cash flows, including the feasibility of the Group's future production plans. Consequently, we were unable to determine whether any adjustments to the carrying amounts of inventories and property, plant and equipment were necessary.

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

**Other Information**

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis of Qualified Opinion Section above, we are unable to obtain sufficient appropriate evidence on the disclosure of related parties transactions and the impairment of inventories and property, plant and equipment. Accordingly, we are unable to conclude whether or not the other information is materiality misstated with respect to these matters.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| ***Property Held for Sale/Property Under Development - Valuation of property under development***<br>(Refer to Note 12 to the consolidated financial statements) | |
|---|---|
| As at 31 December 2016, the Group has a property under development of RMB19,338,000 which included a deposit placed for acquisition of land use right of RMB18,000,000 for the development of Suntar Eco-city. The deposit represented about 12% of the Group's total assets. The deposit has been placed with the government authorities in Wuping County since 2011 and the Group has not obtained the land use rights for the development of Suntar Eco-city as the Group is still negotiating with the government authorities on the development project. If it is concluded that the development project does not proceed, the deposit is expected to be refunded by the government. However, the timing of the refund and interest on the deposit is subject to negotiation with the government. | We performed procedures to understand management's bases and considerations to determine that the recoverability of for the deposit.<br><br>The procedures include obtaining confirmation from the Wuping government authority with regard to the deposit placed and meeting representatives of the authority to understand the possible arrangement for the Group to recover the deposits. We understand that there continues to be ongoing negotiations between management and the authorities. |

**Responsibilities of Management and Directors for the Financial Statements**

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)**

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

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

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

**Report on Other Legal and Regulatory Requirements**

In our opinion, except for matters as described in the Basis of Qualified Opinion Section, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

Public Accountants and
Chartered Accountants
Singapore

April 7, 2017

| | Note | Group 2016 RMB'000 | Group 2015 RMB'000 | Company 2016 RMB'000 | Company 2015 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 7 | 30,605 | 28,032 | 195 | 164 |
| Structured deposits | 8 | 10,500 | - | - | - |
| Trade receivables | 9 | 2,979 | 1,490 | - | - |
| Other receivables and prepayments | 10 | 3,921 | 2,745 | - | - |
| Prepaid lease premium | 11 | 355 | 355 | - | - |
| Property under development | 12 | - | 35,842 | - | - |
| Property held for sale | 12 | 29,184 | - | - | - |
| Inventories | 13 | 19,720 | 17,108 | - | - |
| Total current assets | | 97,264 | 85,572 | 195 | 164 |
| **Non-current assets** | | | | | |
| Prepaid lease premium | 11 | 14,183 | 14,538 | - | - |
| Property, plant and equipment | 14 | 19,392 | 19,492 | - | - |
| Property under development | 12 | 19,338 | 21,224 | - | - |
| Subsidiaries | 15 | - | - | 131,406 | 131,406 |
| Intangible asset | 16 | 264 | 344 | - | - |
| Total non-current assets | | 53,177 | 55,598 | 131,406 | 131,406 |
| **Total assets** | | 150,441 | 141,170 | 131,601 | 131,570 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables | 17 | 17,682 | 15,106 | - | - |
| Other payables and accruals | 18 | 9,624 | 6,065 | 6,449 | 4,455 |
| Income tax payable | | 1,831 | 1,236 | - | - |
| Total current liabilities | | 29,137 | 22,407 | 6,449 | 4,455 |
| **Capital and reserve** | | | | | |
| Share capital | 19 | 162,713 | 162,713 | 162,713 | 162,713 |
| Statutory reserves | 25 | 235 | - | - | - |
| Accumulated losses | | (41,644) | (43,950) | (37,561) | (35,598) |
| Net equity | | 121,304 | 118,763 | 125,152 | 127,115 |
| **Total liabilities and equity** | | 150,441 | 141,170 | 131,601 | 131,570 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2016

| | Note | Group 2016 RMB'000 | Group 2015 RMB'000 |
|---|---|---|---|
| **Revenue** | 20 | 34,899 | 31,878 |
| Cost of sales | | (26,600) | (29,615) |
| **Gross profit** | | 8,299 | 2,263 |
| Other operating income | 21 | 2,690 | 1,367 |
| Administrative expenses | | (7,600) | (7,429) |
| Selling and distribution cost | | (290) | (727) |
| **Profit (loss) before income tax** | 22 | 3,099 | (4,526) |
| Income tax expense | 23 | (558) | (42) |
| **Profit (loss) for the year, representing total comprehensive income for the year, attributable to owners of the Company** | | 2,541 | (4,568) |
| **Profit (loss) per share**: | | | |
| Basic and diluted profit (loss) per share (RMB cents) | 24 | 4.05 | (7.28) |

See accompanying notes to financial statements.

| | Share capital | Statutory reserves | Accumulated losses | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Group** | | | | |
| **Balance at January 1, 2014** | 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 |
| Loss for the year, representing total comprehensive income for the year | - | - | (4,568) | (4,568) |
| **Balance at December 31, 2015** | 162,713 | - | (43,950) | 118,763 |
| Transfer to statutory reserves | - | 235 | (235) | - |
| Profit for the year, representing total comprehensive income for the year | - | - | 2,541 | 2,541 |
| **Balance at December 31, 2016** | 162,713 | 235 | (41,644) | 121,304 |
| **Company** | | | | |
| **Balance at January 1, 2014** | 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 |
| Loss for the year, representing total comprehensive income for the year | - | - | (1,691) | (1,691) |
| **Balance at December 31, 2015** | 162,713 | - | (35,598) | 127,115 |
| Loss for the year, representing total comprehensive income for the year | - | - | (1,963) | (1,963) |
| **Balance at December 31, 2016** | 162,713 | - | (37,561) | 125,152 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| **Operating activities** | | |
| Profit (loss) before income tax | 3,099 | (4,526) |
| Adjustments for: | | |
| Depreciation expense | 2,197 | 1,640 |
| Interest income | (772) | (1,049) |
| Amortisation of intangible asset | 80 | 56 |
| Amortisation on prepaid lease premium | 355 | 355 |
| Allowance for doubtful debts | - | 149 |
| Allowance for (Reversal of) inventories | - | 671 |
| Unrealised exchange loss | (12) | 5 |
| Operating cash flows before movements in working capital | 4,947 | (2,699) |
| Trade receivables | (1,489) | (395) |
| Inventories | (2,612) | 2,087 |
| Other receivables and prepayments | (1,176) | 1,104 |
| Property under development/property held for sale | 8,544 | (17,354) |
| Trade payables | 2,576 | 3,709 |
| Other payables and accruals | 1,482 | (172) |
| Cash from (used in) operations | 12,272 | (13,720) |
| Interest received | 772 | 1,049 |
| Income tax paid | 37 | (42) |
| Net cash from (used in) operating activities | 13,081 | (12,713) |
| **Investing activities** | | |
| (Increase) Decrease in structured deposits | (10,500) | 33,830 |
| Purchase of property, plant and equipment | (2,249) | (3,067) |
| Proceeds from disposal of property, plant and equipment | 152 | - |
| Net cash (used in) from investing activities | (12,597) | 30,763 |

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| **Financing activity** | | |
| Receipt of advances from a director, representing net cash from financing activity | 2,077 | 1,696 |
| Net increase in cash and cash equivalents | 2,561 | 19,746 |
| Cash and cash equivalents at beginning of year | 28,032 | 8,291 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | 12 | (5) |
| **Cash and cash equivalents at end of year** | 30,605 | 28,032 |

See accompanying notes to financial statements.

1 GENERAL

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

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2016 were authorised for issue by the Board of Directors on April 7, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2016, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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

- FRS 109 *Financial Instruments* [2]
- FRS 115 *Revenue from Contracts with Customers* (with clarifications issued) [2]
- FRS 116 *Leases* [3]
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative* [1]
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* [1]

[1] Applies prospectively to annual periods beginning on or after January 1, 2017, with early application permitted.

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

[3] Applies to annual periods beginning on or after January 1, 2019, with early application permitted if FRS 115 is adopted.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The 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 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 of 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 such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, 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.

Management anticipates that the initial application of the new FRS 109 may result in changes to the accounting policies relating to the impairment of financial assets. Additional disclosure will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimate impact to the Group's financial statement in the period of initial application as the management has yet to complete its detailed assessment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**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. Further clarification to FRS 115 were also issued in June 2016.

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.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of management's judgment. Application of the standard is mandatory for annual reporting periods starting from January 1, 2018 onwards. Earlier application is permitted.

Management anticipates that the initial application of the new FRS 115 may result in changes to the accounting policies relating to revenue recognition. Additional disclosure will also be made with respect of trade receivables and revenue, including any significant judgement and estimation made. The Group is currently in the process of assessing the full impact of the application of FRS 115 on the Group's financial statements and it is not practical to provide a reasonable financial estimate or the impact of the effect until management completes the details review.

IFRS CONVERFENCE IN 2018

Singapore-incorporate companies listed on the Singapore Exchange (SGX) will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards (IFRS) for annual period beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending December 31, 2018, with retrospective application to the comparative financial year ending December 31, 2017 and the opening Statement of Financial Position as at January 2017 (date of transition). Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1, including financial effects on transition to the new framework.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and

Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the group's ownership interests in existing subsidiaries

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

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period.  Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

**Financial assets**

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

A financial asset is classified as held for trading if:

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Loan and receivables

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

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

**Financial liabilities and equity instruments**

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

Offsetting arrangements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

| | | |
|---|---|---|
| Leasehold buildings | - | 30 years |
| Plant and machinery | - | 12 years |
| Office equipment | - | 5 years to 10 years |
| Motor vehicles | - | 5 years |

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of property

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

Interest income

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

***Critical judgements in applying the entity's accounting policies***

There are no critical judgements except on allowances for inventories and impairment of property, plant and equipment, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Allowances for inventories

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

Management performed an analysis and assessment of raw materials, work in progress, and finished goods as at end of financial year and has identified certain inventory items that may be realised at below cost. As at 31 December 2016, inventories of about RMB19,720,000 included inventory items aged between one to two years of about RMB3,456,000 and inventory items aged more than 2 years of about RMB7,074,000. Management assessed the future production plans for these aged inventory items and forecasted demand for these items which they plan to put into further production in 2017. Management has assessed and determined that the estimated selling prices of finished goods will be in excess of the estimated cost of finished goods on completion of production. Accordingly, management has written down the carrying value of inventory by RMB Nil (2015: RMB671,000). The carrying amount of inventories is disclosed in Note 13 to the financial statements.

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

***Critical judgements in applying the entity's accounting policies (cont'd)***

(ii) Impairment of property, plant and equipment

As at 31 December 2016, the Group's property, plant and equipment of about RB19,392,000 included idle plant and machinery not in use ("idle assets") carried at net book value of about RMB1.8 million.

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 Group to estimate the future cash flows expected from the cash-generating unit and an appropriate discount rate in order to calculate the present value of the future cash flows.

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 2017 to 2021 (2015 : 5% from 2016 to 2020) and 1%(2015 : 1%) as the long term growth rate from 2022 (2015 : 2021) onwards;
- Discounted rate: 10% (2015 : 10%); and
- Annual capital expenditure of RMB1,500,000 (2015 :RMB1,200,000).

Management has evaluated the carrying amount of property, plant and equipment based on such estimates. Management has also assessed and determined that the Group's idle assets will be put in use for production of inventories based on the Group's future production plan. Management 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.

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

***Key sources of estimation uncertainty***

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

(i) Allowances for recovery of debts

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

(ii) 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 15 to the financial statements.

(iii) Impairment of costs incurred for property 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.

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

(iv) Allowance for property held for sale

The carrying amount of property held for sale is approximately RMB29 million as at December 31, 2016 (2015: Nil).

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

4 FINANCIAL RISKS AND CAPITAL MANAGEMENT

***(a) Categories of financial instruments***

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Financial assets** | | | | |
| Loans and receivables (including cash and cash equivalents) | 36,411 | 30,218 | 195 | 164 |
| Structured deposits | 10,500 | - | - | - |
| **Financial liabilities** | | | | |
| Payables at amortised cost | 22,072 | 19,078 | 6,449 | 4,455 |

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

The Group and the Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements in 2016 and 2015.

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

***(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 various currencies including RMB, SGD and USD and therefore is exposed to foreign exchange risk. The Group does not enter into derivative foreign exchange contracts and foreign currency borrowings to hedge its foreign exchange risk.

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

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | SGD | USD | SGD | USD |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Group | | | | |
| Cash and bank balances | 126 | 120 | 101 | 112 |
| Other payables and accruals | (6,430) | - | (4,409) | - |
| Company | | | | |
| Cash and bank balances | 75 | 119 | 52 | 111 |
| Other payables and accruals | (6,406) | - | (4,419) | - |

*Foreign currency sensitivity*

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

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)

A positive number below indicates a decrease in loss 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 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Profit or loss | | | | |
| Group | (630) | (431) | 12 | 11 |
| Company | (633) | (437) | 12 | 11 |

(ii) Interest rate risk management

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

(iii) Credit risk management

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

The Group is not exposed to significant concentration of credit risk. The five largest customers accounted for less than 1% (2015 : 86%) of the Group's total trade receivables as at December 31, 2016. Apart from delegating a team for determining the credit limits, credit approvals and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

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

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

(iii) Credit risk management (cont'd)

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

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

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and both internally and externally generated cash flows to finance its activities. 99.2% (2015 :99.2%) of the Group's cash are in the PRC. The remittance of funds out of the PRC is subject to restrictions imposed by State Administration of Foreign Exchange of China in PRC.

As at December 31, 2016, the Company's current liabilities exceed its current assets by RMB 6,254,000 (2015: RMB4,291,000). 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.

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

The Group determines fair values of various financial assets and financial liabilities in the following manner:

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

Group

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

| Financial assets/ financial liabilities | Fair value as at (RMB'000) | | | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | | |
| | Assets | Liabilities | Assets | Liabilities | | |
| **Financial assets at fair value through profit or loss (see Note 8)** | | | | | | |
| Structured deposits | 10,500 | - | - | - | Level 2 | Discounted cash flow. Future cash flows are estimated based on the expected return over the principal of the structured deposit, discounted at a rate that reflects the credit risk of underlying assets of the structured deposit being PRC government bonds and treasury notes. |

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.

Company

The company had no financial assets or liabilities carried at fair value in 2016 and 2015.

There were no transfers between the different levels of the fair value hierarchy in 2016 and 2015.

***(d) Capital management policies and objectives***

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

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

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

The Group is not subject to any 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 Investment Pte Ltd, incorporated in the Republic of Singapore. The intermediate holding company is Sinomem Technology Pte Ltd, also incorporated in the Republic of Singapore. The Company's ultimate holding company is Clean Water Investment Limited, incorporated in the Cayman Islands. As at the end of the reporting periods, the Company is deemed to be ultimately controlled by Dr Lan Weiguang and his spouse, Ms Chen Ni. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

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

6 RELATED PARTY TRANSACTIONS

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

***Compensation of directors and key management personnel***

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Short-term benefits | 864 | 1,019 |
| Post-employment benefits | 41 | 38 |
| Total | 905 | 1,057 |

During the year, Xi'an Reyphon Pharmaceutical Co., Ltd ("Xi'an Reyphon"), a subsidiary of the Group, recorded the following transactions involving a major customer of the Group that has been referred to as Customer C referred to in the year of 2016 in note 26 to the financial statements:

a) Sales to Customer C of about RMB3,970,000;
b) Payments by Customer C to Xi'an Reyphon of about RMB6,213,000. These receipts were recorded as advance payments from customers. Part of the payment were utilised to settle billing from Xi'an Reyphon in (a);
c) Advance payments from Customer C as of 31 December 2016 of about RMB1,569,000 classified as part of Trade Payables in note 17 to the financial statements; and
d) Receipt by Xi'an Reyphon of about RMB4,500,000 from an Entity in which the major shareholder of Customer C has equity interest and payment of RMB4,500,000 by Xi'an Reyphon to Customer C.

An employee of Xi'an Reyphon is a shareholder and the legal representative of Customer C. The employee is also the son of the major shareholder of Customer C. However, the employee has not been appointed as the general manager of Xi'an Reyphon and therefore is not a key management personnel of Xi'an Reyphon or the Group. The major shareholder of Customer C does not control or exercise significant influence over Xi'an Reyphon or the Group. Management has assessed and determined that Customer C and the Entity are not related parties of the Group.

## 7 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash at bank | 30,605 | 28,032 | 195 | 164 |

## 8 STRUCTURED DEPOSITS

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Structured deposits with bank | 10,500 | - |

During the year, the Group entered into a contract of structured deposits with bank. Structured deposits amounting to RMB10,500,000 were principal guaranteed, with no maturity period and with a return up to a maximum of 3.3% per annum. The structured deposits were fully redeemed subsequent to the reporting period. Management was 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 is no such financial asset as at December 31, 2015.

9 TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Outside parties | 197 | 1,515 |
| Less: Allowance for doubtful debts | (149) | (149) |
| Subtotal | 48 | 1,366 |
| Notes receivable | 2,931 | 124 |
| Total | 2,979 | 1,490 |

Movement in the allowance for doubtful debts

| | | |
|---|---|---|
| Balance at beginning of the year | 149 | - |
| Increase in allowance recognised in profit and loss | - | 149 |
| Balance at end of year | 149 | 149 |

The average credit period on sale of goods is 60 days (2015 : 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 | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Not past due and not impaired | 2,961 | 213 |
| Past due but not impaired: | | |
| 2 months to 6 months | 18 | 1,277 |
| 6 months to 12 months | - | - |
| 12 months to 24 months | - | - |
| | 2,979 | 1,490 |
| Impaired receivables - collectively assessed [(i)] | 149 | 149 |
| Less: Allowance for impairment | (149) | (149) |
| | - | - |
| Total trade receivables, net | 2,979 | 1,490 |

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

9 TRADE RECEIVABLES (cont'd)

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 RMB 18,000 (2015 : RMB1,277,000) which are past due at the end of reporting period for which the Group has not made any provision as there has not been a significant change in the credit quality and the amounts are still considered receivable. The Group does not hold any collateral over these balances.

At the end of reporting period, management considers all trade receivables as recoverable and hence no further credit allowances required in excess of the allowance for doubtful debts.

10 OTHER RECEIVABLES AND PREPAYMENTS

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Receivable for sale of sapling | 1,944 | - |
| Prepayments | 10 | 16 |
| Advances to suppliers | 733 | 1,447 |
| Advances to staffs | 501 | 346 |
| Value added tax recoverable | 351 | 586 |
| Others | 382 | 350 |
| Total | 3,921 | 2,745 |

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

## 11 PREPAID LEASE PREMIUM

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Cost: | | |
| At beginning and end of year | 17,379 | 17,379 |
| Accumulated amortisation: | | |
| At beginning of year | 2,486 | 2,131 |
| Amortisation | 355 | 355 |
| At end of year | 2,841 | 2,486 |
| Carrying amount: | | |
| At end of year | 14,538 | 14,893 |

Presented in the Statement of Financial Position:

| | | |
|---|---|---|
| Current asset | 355 | 355 |
| Non-current asset | 14,183 | 14,538 |
| Total | 14,538 | 14,893 |

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 PROPERTY HELD FOR SALE/PROPERTY UNDER DEVELOPMENT

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| At cost: | | |
| Completed property held for sale | 29,184 | - |
| Property under development (i) | 19,338 | 57,066 |
| | 48,522 | 57,066 |

(i) The cost of property under development included the following cost:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Deposit placed for land use | 18,000 | 18,000 |
| Land use rights | - | 12,950 |
| Development costs | 1,338 | 26,116 |
| Total | 19,338 | 57,066 |

Presented in the Statement of Financial Position:

| | | |
|---|---|---|
| Current asset | - | 35,842 |
| Non-current asset | 19,338 | 21,224 |
| Total | 19,338 | 57,066 |

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 refund of RMB5 million from the government authorities of Wuping County for the deposit placed for the land.

In 2015, the Group received refund of the deposit of RMB2 million from the government authorities of Wuping Country as there has been a change in government's plans for the use of a part of the land.

The Group is negotiation with the government authorities over the procurement of the land use rights for which RMB18 million deposit has been placed if it is concluded that the development project does not proceed, the deposit is expected to be refunded by the government. However, the timing of the refund and interest on the deposit is subject to negotiation with the government.

12 PROPERTIES UNDER DEVELOPMENT (cont'd)

Residential project

In 2014, the Group paid RMB12.95 million to the government authorities of Wuping County for the acquisition of land use rights in connection with a new residential and commercial property development. The Group has obtained the certificate for land use rights, and relevant licenses for the commencement of the development in 2014.

In 2015, the Group has obtained the pre-sale certificate for the residential and commercial property and has also commenced its selling of the project. The project is not funded from any external bank financing.

During the year, this project has been completed and relevant cost has been transferred to Property Held for Sale.

Particulars of the property under development and property held for sale are set out below:

| Description | Location | Approximate saleable area (Sq. metres) | Approximate percentage of completion (%) | Date of completion | Tenure | Site area (Sq. Metres) |
|---|---|---|---|---|---|---|
| Suntar Eco-City | Xiadong | * | * | * | * | * |
| Lan County (Residential project) | Pingchuan Chengnan | 10,435 | 100% | December 2016 | Leasehold (70 years from May 29, 2014) | 3,810 |

* Development plan has not been finalised.

13 INVENTORIES

| | Group 2016 RMB'000 | Group 2015 RMB'000 |
|---|---|---|
| Work in progress | 12,093 | 11,309 |
| Less: Allowance for inventories | (671) | (671) |
| Subtotal | 11,422 | 10,638 |
| Raw materials | 3,656 | 1,866 |
| Finished goods | 4,642 | 4,604 |
| Total | 19,720 | 17,108 |

The cost of inventories recognised as an expense includes RMB 671,000 (2015 :RMB671,000) in respect of write-down of inventories to net realisable value.

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold buildings | Plant and machinery | Office equipment | Motor vehicles | Construction-in-progress | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Group | | | | | | |
| Cost: | | | | | | |
| At January 1, 2015 | 10,642 | 15,935 | 520 | 806 | - | 27,903 |
| Additions | 9 | 1,136 | 80 | - | 1,842 | 3,067 |
| At December 31, 2015 | 10,651 | 17,071 | 600 | 806 | 1,842 | 30,970 |
| Additions | | 903 | 299 | - | 1,047 | 2,249 |
| Transfer | - | 162 | - | - | (162) | - |
| Disposal | - | - | (254) | - | - | (254) |
| At December 31, 2016 | 10,651 | 18,136 | 645 | 806 | 2,727 | 32,965 |
| Accumulated depreciation: | | | | | | |
| At January 1, 2015 | 2,019 | 7,295 | 222 | 302 | - | 9,838 |
| Depreciation | 362 | 1,137 | 111 | 30 | - | 1,640 |
| At December 31, 2015 | 2,381 | 8,432 | 333 | 332 | - | 11,478 |
| Depreciation | 485 | 1,441 | 164 | 107 | | 2,197 |
| Disposal | - | - | (102) | - | - | (102) |
| At December 31, 2016 | 2,866 | 9,873 | 395 | 439 | - | 13,573 |
| Carrying amount: | | | | | | |
| At December 31, 2016 | 7,785 | 8,263 | 250 | 367 | 2,727 | 19,392 |
| At December 31,2015 | 8,270 | 8,639 | 267 | 474 | 1,842 | 19,492 |

15 SUBSIDIARIES

| | Company 2016 RMB'000 | Company 2015 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 2016 % | 2015 % | Principal activities |
|---|---|---|---|---|
| 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 ingredient 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 | 100 | Property development |
| Xiamen DaLan Technology Co., Ltd [(3)] | PRC | 100 | 100 | Medical research and development, sale of healthcare product and investment consulting |

15 SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Country of registration and operation | Effective equity interest and voting power held 2016 % | 2015 % | Principal activities |
|---|---|---|---|---|
| Suzhou DaLan Technology Co., Ltd [(3)] | PRC | 100[#] | - | Medical research and development, sale of Nanophase materials and technical consulting |
| Yan'an Water Ecological Town Development Co., Ltd [(3)] | PRC | 100[#] | - | Development and management of ecological small town, conference and exhibition management service |

[#] Incorporated during the year.

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

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

(3) No audit is required.

16 INTANGIBLE ASSET

| | Group 2016 RMB'000 | Group 2015 RMB'000 |
|---|---|---|
| Cost: | | |
| At beginning and end of year | 400 | 400 |
| Accumulated amortisation: | | |
| At beginning of year | 56 | - |
| Amortisation | 80 | 56 |
| At end of year | 136 | 56 |
| Carrying amount: | | |
| At end of year | 264 | 344 |

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.

## 17 TRADE PAYABLES

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Outside parties | 12,448 | 13,013 |
| Advance payment from customers | 5,234 | 2,093 |
| | 17,682 | 15,106 |

The average credit period on purchases of goods is 60 days (2015 : 60 days).

## 18 OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Accrued expenses | 1,989 | 1,702 | 1,043 | 1,100 |
| Advances from a director | 5,399 | 3,322 | 5,399 | 3,322 |
| Outside parties | 2,236 | 1,041 | - | - |
| Related company (Note 5) | - | - | 7 | 33 |
| Total | 9,624 | 6,065 | 6,449 | 4,455 |

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

## 19 SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | Number of ordinary shares | | RMB'000 | RMB'000 |
| Issued and paid up: | | | | |
| At beginning of the year | 62,759,999 | 313,800,000 | 162,713 | 162,713 |
| Share consolidation * | - | (251,040,001) | - | - |
| At end of year | 62,759,999 | 62,759,999 | 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.

* Following the shareholders' approval obtained at an extraordinary general meeting on November 13, 2015, the Company had consolidated its five existing issued ordinary shares into one ordinary share with effect from November 24, 2015.

## 20 REVENUE

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Revenue from sale of pharmaceutical products | 20,901 | 31,878 |
| Revenue from sale of property | 13,998 | - |
| | 34,899 | 31,878 |

## 21 OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Bank interest income | 772 | 1,049 |
| Gain from disposal of saplings | 1,915 | - |
| Others | 3 | 318 |
| Total | 2,690 | 1,367 |

## 22 PROFIT (LOSS) BEFORE INCOME TAX

This has been arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Allowance for doubtful debts | - | 149 |
| Amortisation of intangible assets | 80 | 56 |
| Amortisation on prepaid lease premium | 355 | 355 |
| Audit fee | | |
| - paid to the Company's auditor | 505 | 428 |
| - paid to other auditor | 375 | 300 |
| Cost of inventories recognised as an expense | 15,530 | 29,615 |
| Depreciation of property, plant and equipment | 2,196 | 1,640 |
| Directors' fees | 268 | 253 |
| Foreign exchange gain | 180 | (14) |
| Research expenses | 325 | 587 |
| Retirement benefit scheme contributions | 792 | 533 |
| Staff costs | 3,406 | 3,308 |

## 23 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Current tax | 558 | 42 |

23 INCOME TAX EXPENSE (cont'd)

Income tax is calculated by applying the PRC statutory tax rate at 25% (2015 : 25%) of the estimated assessable loss for the year. The total charge for the year can be reconciled to the accounting loss as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Loss before income tax | 3,099 | (4,526) |
| Income tax expense(benefit) at tax rate of 25% | 775 | (1,132) |
| Non-deductible items | 237 | 534 |
| Effect of unused tax losses and tax offsets not recognised as deferred tax assets | (162) | 640 |
| Tax exemption | (295) | - |
| Underprovision of prior year's tax expense | 3 | - |
| Total income tax expense | 558 | 42 |

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| At beginning of year | 11,597 | 9,451 |
| Arising | - | 2,560 |
| Utilised | (648) | - |
| Expired | (520) | (414) |
| At end of year | 10,429 | 11,597 |
| Deferred tax benefit not recognised | 2,607 | 2,899 |

Subject to the agreement by the tax authorities, at the end of reporting period, the Group has unutilised tax losses of RMB9,239,000 (2015 : RMB11,407,000) available for offset against future profits that has expiry dates of up to 2021. No deferred tax asset has been recognised in respect of tax losses due to unpredictability of future profit streams.

## 24 PROFIT (LOSS) PER SHARE

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| **Profit (Loss):** | | |
| Profit (Loss) attributable to equity holders of the Company (RMB'000) | 2,541 | (4,568) |
| **Number of shares:** | | |
| Weighted average number of ordinary shares ('000) | 62,760 | 62,760 |
| Profit (Loss) per share (RMB cents) | 4.05 | (7.28) |

On November 24, 2015, the Company completed a share consolidation of every five existing issued ordinary shares of the Company into one ordinary share. The weighted average number of shares used for the calculation of earnings per share for the comparative period had been adjusted for the effects of the share consolidation.

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

## 25 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.

## 26 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.

26 SEGMENT INFORMATION (cont'd)

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

| | Pharmaceutical ingredients products | Property development | Unallocated | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **2016** | | | | |
| **Revenue:** | | | | |
| External customers | 20,901 | 13,998 | - | 34,899 |
| **Result** | | | | |
| Segment result | 384 | 4,705 | (1,990) | 3,099 |
| Income tax expense | | | | (558) |
| **Profit for the year** | | | | 2,541 |
| **Assets:** | | | | |
| Segment assets | 59,858 | 88,545 | - | 148,403 |
| Unallocated assets | | | 2,038 | 2,038 |
| Total assets | | | | 150,441 |
| **Liabilities:** | | | | |
| Segment liabilities | 14,608 | 7,031 | - | 21,639 |
| Unallocated liabilities | | | 7,498 | 7,498 |
| Total liabilities | | | | 29,137 |

26 SEGMENT INFORMATION (cont'd)

In 2015, as the property development segment 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.

| | Pharmaceutical ingredients products | Property development | Unallocated | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| ***Statement of Financial Position*** | | | | |
| **2015** | | | | |
| **Assets:** | | | | |
| Segment assets | 55,707 | 84,253 | - | 139,960 |
| Unallocated assets | | | 1,210 | 1,210 |
| Total assets | | | | 141,170 |
| **Liabilities:** | | | | |
| Segment liabilities | 10,842 | 6,887 | - | 17,729 |
| Unallocated liabilities | | | 4,678 | 4,678 |
| Total liabilities | | | | 22,407 |

*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:

| | 2016 | 2015 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Customer A | 8,202 | 12,229 |
| Customer B | 4,103 | 7,268 |
| Customer C | 3,970 | 4,355 |

27 OPERATING LEASE ARRANGEMENTS

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Minimum lease payments under operating leases recognised as an expense in the year | 48 | 63 |

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Within a year | - | 10 |

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.

28 CONTINGENCIES AND GUARANTEES

As at December 31, 2016, the Group has provided guarantees of approximately RMB 10,824,000 (2015 : RMB Nil) to banks for the benefit of its customers in respect of mortgage loans provided by the banks to these customers for the purchase of the Group's development properties. Should such guarantees be called upon, there would be an outflow of cash (previously collected by the Group) from the Group to the banks to discharge the obligations. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security for the mortgage loan granted.

# STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2017

## SHAREHOLDERS' INFORMATION AS AT 22 MARCH 2017

### DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 0 | 0.00 | 0 | 0.00 |
| 100 – 1,000 | 289 | 45.16 | 166,199 | 0.26 |
| 1,001 – 10,000 | 254 | 39.69 | 1,076,800 | 1.72 |
| 10,001 – 1,000,000 | 93 | 14.53 | 6,888,600 | 10.98 |
| 1,000,001 and above | 4 | 0.62 | 54,628,400 | 87.04 |
| TOTAL | 640 | 100.00 | 62,759,999 | 100.00 |

### TWENTY LARGEST SHAREHOLDERS

| | NAME OF SHAREHOLDERS | NO. OF SHARES | % OF SHARES |
|---|---|---|---|
| 1 | SUNTAR INVESTMENT PTE LTD | 47,213,600 | 75.23 |
| 2 | CIMB SECURITIES (SINGAPORE) PTE LTD | 2,736,000 | 4.36 |
| 3 | UOB KAY HIAN PTE LTD | 2,672,400 | 4.26 |
| 4 | PHILLIP SECURITIES PTE LTD | 2,006,400 | 3.20 |
| 5 | CHENG YE | 622,600 | 0.99 |
| 6 | LIU TIANRONG | 400,600 | 0.64 |
| 7 | YE JIAHONG | 342,000 | 0.54 |
| 8 | WAN HUAYIN | 268,000 | 0.43 |
| 9 | RAFFLES NOMINEES (PTE) LTD | 265,800 | 0.42 |
| 10 | LIAO LIANGDONG | 263,200 | 0.42 |
| 11 | HOE JUAN JOK | 230,000 | 0.37 |
| 12 | CHONG PAULINE MRS PAULINE BASS | 198,800 | 0.32 |
| 13 | TANG JIA JING | 194,200 | 0.31 |
| 14 | CHEN YAN FENG | 170,000 | 0.27 |
| 15 | LIU XINHONG | 167,000 | 0.27 |
| 16 | ONEEQUITY SG PRIVATE LIMITED | 160,000 | 0.25 |
| 17 | HUANG BAOJIA | 146,000 | 0.23 |
| 18 | SIM LAI HEE | 140,000 | 0.22 |
| 19 | ZOU XIN | 140,000 | 0.22 |
| 20 | ZHONG WENDE | 138,000 | 0.22 |
| | TOTAL | 58,474,600 | 93.17 |

| | | |
|---|---|---|
| Total number of issued shares excluding treasury shares and subsidiary holdings | : | 62,759,999 |
| Total number of treasury shares | : | Nil |
| Class of shares | : | Ordinary shares |
| Voting rights | : | One vote per share |

## SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 22 March 2017

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

**Notes:**

1. Sinomem Technology Pte. Ltd. ("Sinomem"), holds not less than 20% interests in Suntar Investment Pte. Ltd. ("Suntar Investment"), is deemed to be interested in the shares held by Suntar Investment.

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

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

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

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

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

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

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

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

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

## FREE FLOAT

As at 22 March 2017, 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, 27 April 2017 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Regulation 93 of the Company's Constitution:

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

   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of SGD55,493.00 for the financial year ended 31 December 2016. (2015: SGD48,001.00 and RMB36,000.00 respectively)
   **(Resolution 4)**

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

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

## AS SPECIAL BUSINESS

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

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

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

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

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

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

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

   provided that:

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

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

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

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

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (ii)] **(Resolution 6)**

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore, 12 April 2017

**Explanatory Notes:**

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

Mr Chen Guansheng will, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director and will be considered non-independent.

(ii) Ordinary Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may issue under this Resolution, up to a number not exceeding, in total, fifty per centum (50%) of the Company's total number of issued shares excluding treasury shares and subsidiary holdings. For issues of shares other than on a *pro rata* basis to shareholders, the aggregate number of shares to be issued up to twenty per centum (20%) of Company's total number of issued shares excluding treasury shares and subsidiary holdings. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.

**Notes:**

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

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

3. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

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

5. An investor who buys shares using Central Provident Fund Investment Scheme ("CPF Investor") and/or Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting

6. The instrument appointing a proxy or proxies must be deposited at the Share Registrar business office at 80 Robinson Road, #11-02, Singapore 068898, not less than 48 hours before the time appointed for holding the Meeting.

   *A Relevant Intermediary is:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**PERSONAL DATA PRIVACY**

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

# SUNTAR ECO-CITY LIMITED

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

**IMPORTANT**:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

*(Please see notes overleaf before completing this Form)*

I/We, ____________________________ (Name) ____________________ (NRIC/Passport No.)

of ____________________________________________________________

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

| Name | Address | NRIC/Passport Number | Proportion of Shareholding | |
|---|---|---|---|---|
| | | | No. of Shares | (%) |
| | | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport Number | Proportion of Shareholding | |
|---|---|---|---|---|
| | | | No. of Shares | (%) |
| | | | | |

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 10 Ang Mo Kio Street 65, #06-10 Techpoint, Singapore 569059 on Thursday, 27 April 2017 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

| No. | Resolutions relating to: | No. of votes 'For'* | No. of votes 'Against'* |
|---|---|---|---|
| 1 | Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 | | |
| 2 | Re-election of Mr Foong Daw Ching as a Director | | |
| 3 | Re-election of Mr Chen Guansheng as a Director | | |
| 4 | Approval of Directors' fees for the financial year ended 31 December 2016 | | |
| 5 | Re-appointment of Messrs Deloitte & Touche LLP as Auditors and authority to Directors to fix remuneration | | |
| 6 | Authority to issue shares | | |

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

Dated this ________ day of ________________ 2017

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________________

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

*Delete where inapplicable

**Notes**:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the Share Registrar business office at 80 Robinson Road, #11-02, Singapore 068898 not less than 48 hours before the time appointed for the Meeting.

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

8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who buys shares using Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

   * A Relevant Intermediary is:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2017.

**General:**

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





鲁迅艺术文学院

南泥湾

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Suntar

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