

Issuer: Suntar Eco-City Limited

Security: Suntar Eco-City Limited

Meeting details:

Date: 30 April 2018

Time: 10.00 a.m.

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

Company Description

Suntar Eco-City Limited, an investment holding company, manufactures and sells hormone-type pharmaceutical products in the People's Republic of China. It operates through two segments, Pharmaceutical Ingredients Products and Property development. The company is also involved in eco-tourism and real estate development activities; medical research and development, and sale of healthcare product; and management business and investment consulting activities. In addition, it develops and manages ecological small towns, as well as provides conference and exhibition management services. The company was formerly known as Reyphon Agriceutical Limited and changed its name to Suntar Eco-City Limited in June 2012. Suntar Eco-City Limited was founded in 2006 and is based in Singapore. Suntar Eco-City Limited is a subsidiary of Suntar Investment Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BKZ)

1. Would the board/management provide shareholders with better clarity on the following matters? Specifically:

- (i) Pharmaceutical ingredients products segment: For the benefit of both new and old shareholders, can the management state the pharmaceutical ingredients products that the group manufactures and sell? Who are the end-users and what are the key drivers for this segment? What was the reason for the jump in revenue in FY2017 to RMB32.9 million? What was the gross profit margin achieved for this segment?**
- (ii) Property development segment: What is the gross development value of the group's Lan County project? Can management also disclose the stage of the construction, the sales progress, the total sales proceeds and the expected handover schedule?**
- (iii) Bottled water segment: Other than the technical aspect of producing bottled water, what is the level of commercial due diligence carried out to understand the market? What are the experience and track record of the management team to launch and sell a high volume, low margin FMCG product?**

2. In the Corporate Governance Report, the following disclosure was provided by the company with regard to the board's composition (page 12).

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

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

(Source: Company annual report)

Guideline 2.2 of the 2012 Code of Corporate Governance states that, inter alia, where the the chairman of the part of the management team or is not an independent director, independent directors should make up at least half of the board.

- (i) What were the deliberations the board and the nominating committee (NC) had with regard to Guideline 2.2?**
- (ii) Do the board and the NC recognise the value of having strong(er) independent element on the board?**
- (iii) Would the board and the NC consider how it would make changes to the board composition so that it would comply with the Code?**
- (iv) If not, would the board explain why it is necessary for the company to deviate from the Code?**

3. On 11 April 2018, the company announced that there were material discrepancies between the audited financial statements and the unaudited financial statements for the financial year ended 31 December 2017.

Reasons given for the discrepancies include:

- adjustments of loss on disposal of and depreciation of property, plant and equipment recorded in 2017, restated as an impairment loss relating to 2016
- other adjustment to administrative expenses of RMB777k
- Impairment of property, plant and equipment due to loss incurred in pharmaceutical ingredient products segment in the current financial year
- re-gross of notes receivable not yet mature (RMB2,901k)
- reclassification to "Property under development", "Property held for sale" and "Inventory"
- accrual of expenses of RMB431k

The company has now announced material discrepancies between the audited and unaudited financial statements for two consecutive financial years.

The audit committee comprises Mr Foong Daw Ching (as chairman), Mr He Kaijun and Dr Lan Weiguang.

- (i) **Can the AC members help shareholders understand their individual relevant and recent accounting expertise and/or experience?**
- (ii) **As the directors have responsibilities to oversee the group's financial reporting process, can the directors, especially the directors in the audit committee, help shareholders understand their individual and collective efforts in the preparation of the group's financial statements to give a true and fair view in accordance with the provisions of the Act and FRSs?**
- (iii) **Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iv) **What changes has the AC made to the group's systems and processes to improve the quality and accuracy of the financial statements?**