

CLARIFICATION ON THE ANNOUNCEMENT OF THIRD QUARTER ENDED 30 SEPTEMBER 2017

The Board of Directors (the “**Board**”) of Suntar Eco-City Limited (the “**Company**” or together with its subsidiary, the “**Group**”) refers to the announcement made by the Company of its Third Quarter ended 30 September 2017 (“**Results Announcement**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 14 November 2017 (Announcement Reference: SG171114OTHRXR4I).

The Board wishes to provide the additional information in response to the SGX-ST’s queries as follows: -

Query 1:

Please explain why “cost of sales” had increased 119% or RMB3.18 million, when “revenue” had increased only by 44.6% or RMB2.04 million. Please disclose what were the main costs that resulted in the significant increase in “cost of sales”.

Company’s Response to Query 1:

The relatively significant increase in cost of sales compared to revenue in 3Q2017 compared to 3Q2016 was due to a combination of the following factors:

- 1) An increase in revenue for a lower gross margin product Dexamethasone Sodium Phosphate, which in turn contributed a disproportionate increase in cost of sales.
- 2) A reduction in gross profit margin of another main product Dexamethasone Acetate due to market conditions.

Query 2:

Please explain the reasons for the significant increase in “structured deposit” to RMB45.6 million from RMB10.5 million. Please disclose what are the features of these structured deposit(s) and the risks that are tied to the deposit(s).

Company’s Response to Query 2:

The significant increase in structured deposit was mainly due to an accumulation of excess cash balance for the quarter mainly due to positive cashflow generated from the RMB18.0 million refund of deposit placed for land use from the government authorities of Wuping County as well as increase of trade payables to RMB25.0 million from RMB17.7 million due to the increase in advance payment from customers in the property development segment.

The structured deposits on the balance sheet refer to:-

- 1) Two short term 62-day structured deposit products with the Agricultural Bank of China amounting to RMB32.6 million which has been fully redeemed as of 27 November 2017.
- 2) One short term 30-day structured deposit product with China Construction Bank amounting to RMB13.0 million which has been fully redeemed as of 9 October 2017.

Query 3:

On page 7 of the 3Q2017 Results, the Company disclosed that “There was no revenue from property development segment in 3Q2017.” Please disclose the reasons why there was no revenue, and if there have been any delays in the construction or progress of the development projects.

Company’s Response to Query 3:

There has been no revenue recognized from the property development segment in 3Q2017 despite ongoing sales activity due to the lag time pertaining to the application and processing of loan applications by the customers and their banks respectively.

The Lan County project has already completed construction and commenced sales since 2016 and there have been no delays in the construction or progress of the development projects.

Query 4:

On page 8 of the 3Q2017 Results, the Company disclosed that “Properties under development decreased...due to the refund of deposit placed for land use from the government authorities of Wuping County”. Please disclose the reasons for the refund and explain why the project is not proceeding.

Company’s Response to Query 4:

The deposit placed for land use was initially part of a planned development project for Wuping. However, due to adjustments in government policies and changes in macroeconomic conditions, the Company no longer viewed the development project as consistent with the Company’s overall financial and strategic objectives. Hence, the company has negotiated with the government for a refund of the deposit.

Query 5:

On page 9 of the 3Q2017 Results, the Company disclosed that “the sales of Lan County project...is expected to continue to contribute to the Group’s revenue for the year ending 31 December 2017.” Please disclose what is the take-up rate of the Lan County project, and provide reasons why the Company has yet to receive any “confirmations of loan applications by customers from the banks in 2H 2017” as disclosed in its earlier announcement dated 15 September 2017.

Company’s Response to Query 5:

The company has yet to receive confirmation of loan applications by customers in 2H2017 as these loan applications are still in process. The Lan County project expects to receive confirmation for these loan applications by the end of 2H2017. Upon confirmation of these loan applications, the take-up rate of the residential units of the Lan County project will be over 70%.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

30 November 2017