

SUNTAR ECO-CITY LIMITED

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

SUBSCRIPTION OF 26% EQUITY INTEREST IN NORTH CHINA PHARMACEUTICAL HEBEI HUAWEI HEALTH INDUSTRY CO., LTD (华北制药河北华维健康产业有限公司)

The Board of Directors (the “**Board**”) of Suntar Eco-City Limited (the “**Company**” or together with its subsidiary, the “**Group**”) wishes to announce that Xi’an Suntar Eco-city Co., Ltd (formerly known as Xi’an Reyphon Pharmaceutical Co., Ltd), a wholly-owned subsidiary of the Company (“**Xi’an Suntar**”) have on 22 April 2020 entered into a capital increase agreement (“**Agreement**”) with North China Pharmaceutical Company (华北制药股份有限公司) (“**NCPC**”) to subscribe 26% of equity interest in 华北制药河北华维健康产业有限公司 (“**Huawei**”), a wholly-owned subsidiary of NCPC, with a total consideration of RMB21.3 million (equivalent to SGD4.3 million, based on an exchange rate of SGD1 : RMB0.2018 as at 22 April 2020) (the “**Consideration**”), upon the terms and conditions as stipulated in the Agreement (thereinafter referred to as the “**Proposed Investment**”).

1. INFORMATION ON NCPC AND HUAWEI

NCPC is a publicly traded company on the Shanghai Stock Exchange with 52.66% of shares held by Jizhong Energy and its subsidiaries (冀中能源集团). Jizhong Energy Group Company Limited is a state-owned company under the administration of the State-owned Assets Supervision and Administration Commission (SASAC) of the Hebei government.

NCPC traces its beginnings to China’s First Five-Year Plan in 1953 and has since grown into a pharmaceutical company that employs more than 10,000 people with over RMB18 billion in assets and close to RMB10 billion in revenue. NCPC’s main business is in the R&D, manufacturing, and sales and distribution of its portfolio of chemical drugs, biological medicine, and health and nutrition products. This portfolio of over 700 products includes antibiotics, semi-synthetic antibiotics, pharmaceutical intermediates, synthetic vitamins, biotechnology products, veterinary and nutraceuticals, etc.

Huawei is a wholly-owned subsidiary of NCPC. The principal activity of Huawei is to manufacture and distribute health and nutrition products.

2. RATIONALE FOR THE PROPOSED INVESTMENT

The Proposed Investment is part of the Group’s strategic plans for the purpose of expanding into the manufacturing and distribution of health and nutrition products.

3. CONDITIONS PRECEDENT

The obligation of the parties to complete the transaction is subject to the fulfilment of, *inter alia*, the following conditions:

- (a) the approval from the board of directors of the Company being obtained for the Proposed Investment;

4. CONSIDERATION

The Consideration was arrived at after arm's length negotiations and on a willing buyer willing seller basis after taking into account the valuation report on the equity interest dated 25 September 2019 and issued by 北京中企华资产评估有限责任公司 (the "**Valuation Report**"), which has been appointed by the Company as the independent property valuer to value the said equity interest.

The Consideration shall be satisfied by a refundable deposit placed with the Beijing Equity Exchange (北京产权交易所有限公司) as well as internal sources and bank financing.

5. FINANCIAL EFFECTS OF THE PROPOSED INVESTMENT

The Proposed Investment will be funded entirely through internal sources and bank financing. The financial effects of the Proposed Investment are set out below. The financial effects set out below are only for illustrative purposes, they do not represent the actual financial position and/or results of the Group's operations after the completion of the Proposed Investment and are not indicative of the future financial position and earnings of the Group.

(a) Net Tangible Asset ("NTA") Per Share

Assuming that the Proposed Investment was completed on 31 December 2019 and based on the consolidated financial statements of the Group for the financial year ended 31 December 2019, the Proposed Investment would have the following *pro forma* impact on the consolidated NTA of the Group:

	As at 31 December 2019	
	NTA of the Group RMB '000	NTA per Share ¹ China cents
Before the Proposed Investment	89,331	142.34
After the Proposed Investment	89,331	142.34

Notes:

- (1) Computed based on NTA of the Group and the total number of ordinary shares issued (excluding treasury shares) as at 31 December 2019.
- (2) NTA didn't change before and after proposed investment as cash decreased and investment increased by the same amount. There is no impact on NTA.

(b) Consolidated Earnings Per Share ("EPS")

Assuming that the Proposed Investment was completed on 1 January 2019 and based on the consolidated financial statements of the Group for the financial year ended 31 December 2019, the Proposed Investment would have the following *pro forma* impact on the consolidated EPS of the Group:

	Financial Year ended 31 December 2019	
	Net Profit after Tax attributable to owners of the Company RMB '000	EPS – Basic ¹ China cents
Before the Proposed Investment	26	0.04
After the Proposed Investment ²	157	0.25

Notes:

- (1) Computed based on net profit after tax attributable to owners of the Company and the weighted average number of shares issued for the year ended 31 December 2019.
- (2) Assuming the Proposed Investment was completed on 1 January 2019, it would generate an estimated profit after tax attributable to owners of the Company of RMB 131,000.

The relative figures computed on the basis set out in Rule 1006 of the SGX-ST Listing Manual for the Proposed Investment are as follows:

Rule 1006

		Relative Figures in %
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not Applicable
Rule 1006(b)	Net profit / (loss) ¹ attributable to the assets acquired or disposed of, compared with the Group's net profits	40.9 ²
Rule 1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	18.0 ³
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount	Not Applicable

Notes:

- (1) "Net profits" means profit before income tax, minority interests and extraordinary items.
- (2) The net profit attributable to the assets acquired is determined based on 26% equity interest of audited net profit of the Huawei of approximately RMB976,000 for the year ended 31 December 2019, and net profit of the Group of approximately RMB595,000 for the year ended 31 December 2019.
- (3) The Company's market capitalisation was approximately S\$23.8 million, determined by multiplying the 62,759,999 Company's shares in issue as at the date of signing of the closing memorandum being 22 April 2020, by the volume weighted average price of the Company's shares of S\$0.38 per share based on trades done on Mainboard of the Singapore Exchange Securities Trading ("SGX-ST") on 22 April 2020, being the last market day preceding the date of the closing memorandum.

As the relative figure under Rule 1006(b) of the SGX-ST Listing Manual exceeds 20%, the Proposed Investment constitutes a "major transaction" for the purposes of Chapter 10 of the SGX-ST Listing Manual.

According to Rule 1014(2), a major transaction must be made conditional upon approval by shareholders in general meeting. However, this rule does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b).

6. DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST

None of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Investment, save for their respective shareholdings in the Company.

7. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Investment. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. DOCUMENTS FOR INSPECTION

Copies of the Agreement and Valuation Report are available for inspection during normal business hours at the Company's registered office at 10 Ang Mo Kio Street 65, #06-10 Techpoint, Singapore 569059, for a period of three (3) months from the date of this announcement.

By Order of the Board

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

23 April 2020