SUNTAR ECO-CITY LIMITED
(Company Registration No. 200613997H)
(Incorporated in the Republic of Singapore)

CLARIFICATION ON THE ANNUAL REPORT 2016

The Board of Directors (the "Board") of Suntar Eco-City Limited (the "Company") refers to the query raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") in its email of 12 May 2017 relating to the Company's Annual Report 2016.

The Board wishes to provide clarification in response to the SGX-ST's queries as follows:-

Query 1:

On page 22 of the Annual Report, it was disclosed that "an employee had represented himself as a general manager of Xian Reyphon and approved transactions in that capacity". However, the "employee's role in Xian Reyphon is that of a technical adviser" to the manufacturing of products for sales to Customer C".

a. Please explain why this employee has so much power and is able to approve transactions on behalf of Xian Reyphon as technical adviser.

b. Please disclose if the terms of transactions between the Company and Customer C were transacted on an arm's length basis, and whether there are any repayment issues with Customer C.

c. Please provide the Board's assessment on whether there are any internal control issues in this regard, and whether management and the Audit Committee have taken steps to rectify this.

Company's Response to Query 1:

a. The transaction approvals in question were made in the role of a technical advisor which related to the suitability and availability of the raw materials, products and resources from a technical standpoint. However, the transactions were still required to be formally approved by the General Manager, Mr Lan Chunguang.

b. The terms of transactions between the Company and Customer C were transacted on an arm's length basis and there were no repayment issues with Customer C.

c. The Board had delegated to the General Manager, Mr. Lan Chunguang, to formally review and approve all transactions that had previously involved the said employee. The employee had also been instructed to provide technical opinions through written format as opposed to signing off on transactions.

Query 2:

On page 82 pf the Annual Report, Customer C is a major customer of the Group, contributing RMB 3,970,000. However, no transactions with Customer C were disclosed in the Group's unaudited full year results announced on 1 March 2017. Please explain the discrepancy.

Company's Response to Query 2:

The unaudited sales transaction with Customer C was less than 10% of total unaudited Group's revenue. Therefore no transactions with Customer C were disclosed in the Group's unaudited full year results announced on 1 March 2017.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

15 May 2017