

**SUNTAR ECO-CITY LIMITED**

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

**CLARIFICATION ON THE ANNOUNCEMENT OF SECOND QUARTER ENDED 30 JUNE 2018**

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 Second Quarter ended 30 June 2018 (“**Announcement**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 14 August 2018 (Announcement Reference: SG180814OTHR4NVL).

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

**Query 1:**

On page 1 of the 2Q 2018 Results, the Company disclosed that Revenue increased by 19.9%, from RMB10 million to RMB12 million but Cost of Sales increased by 32%, from RMB8.3 million to RMB11 million. Please explain why and provide a breakdown of the Cost of Sales and explain the material increases.

**Company’s Response to Query 1:**

Segmented revenue and cost of sales is detailed below:-

	<b>2Q 2018</b>	<b>2Q 2017</b>	<b>+ / (-)</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b><u>Revenue</u></b>			
Pharmaceutical ingredients products	7,551	10,067	(25.0)
Property development	4,515	-	n.m.
Total revenue	12,066	10,067	19.9
	<b>2Q 2018</b>	<b>2Q 2017</b>	<b>+ / (-)</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b><u>Cost of sales</u></b>			
Pharmaceutical ingredients products	7,658	8,398	(8.8)
Property development	3,433	-	n.m.
Total cost of sales	11,091	8,398	32.1

Revenue from pharmaceutical ingredients products segment decreased by 25.0% while cost of sales decreased by 8.8%. The main reason was the unit selling price for our main pharmaceutical ingredients product named Dexamethasone sodium phosphate dropped in 2Q 2018 due to the intense market competition.

**Query 2:**

On page 8 of the 2Q 2018 Results, the Company disclosed that “Administrative expenses were higher by 49.3% or RMB0.8 million in 2Q 2018 compared to 2Q 2017 mainly due to higher research expenses, staff cost and depreciation.” Please provide:

- i. A breakdown of the Administrative expenses and elaborate on the increase of material items against the comparison period; and
- ii. Details of these “higher research expenses” and what these costs comprise.

**Company’s Response to Query 2:**

- i. A breakdown of the Administrative expenses is as follows:-

	<b>2Q 2018</b>	<b>2Q 2017</b>	<b>+ / (-)</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Staff costs	816	789	3.5
Depreciation	73	67	10.0
Amortisation	109	109	-
Exchange differences	158	135	17.5
Research expenses	287	65	342.4
Others	1,125	556	102.3
Administrative expenses	<u>2,568</u>	<u>1,720</u>	49.3

Others comprised of professional fee, listing maintenance expense, directors’ fee, travelling and transportation expense, entertainment expense and other general expense. Other administrative expenses increased by 102.3% in 2Q 2018 compared to 2Q 2017 mainly due to startup cost related to two new offices which were established in FY2017 to seek more property development project and new business opportunities in bottle water segment.

- ii. Higher research expenses comprised cost relating to research activities undertaken by the pharmaceutical ingredients segment. In particular, consumables relating to lab experiments for quality control and research purposes for each pharmaceutical ingredient product, as well as testing costs relating to ingredient products under development.

**BY ORDER OF THE BOARD**

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

**18 September 2018**