SUNTAR ECO-CITY LIMITED (REGISTRATION NO: 200613997H)

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2018

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i)
UNAUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

	Group 12M 2018 RMB'000	Group 12M 2017 RMB'000	+ / (-) %
Revenue	35,801	44,281	(19.2)
Cost of sales	(36,560)	(40,036)	(8.7)
Gross (loss) profit	(759)	4,245	n.m.
Other operating income	2,390	1,773	34.8
Administrative expenses	(10,947)	(11,117)	(1.5)
Selling and distribution cost	(601)	(537)	11.9
Other operating expenses	(2,985)	(11,226)	(73.4)
Loss before income tax	(12,902)	(16,862)	(23.5).
Income tax credit (expense)	285	(612)	n.m.
Loss for the year, representing total comprehensive loss for the year, attributable to owners of the Company	(12,617)	(17,474)	(27.8)

1(a)(ii)
Other Credits/(Charges):

Staff costs	(4,833)	(3,031)	59.5
Depreciation	(2,331)	(1,832)	27.2
Amortisation	(405)	(405)	-
Exchange differences	(299)	(101)	n.m.
Interest income	2,379	1,523	56.2
Research expenses	(1,139)	(3,802)	n.m.
Allowance for inventory obsolescence	(1,365)	(932)	46.5
Allowance for doubtful debts	(27)	-	n.m.
Impairment loss on property, plant and equipment	(2,958)	(11,226)	n.m.

n.m.= not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

1(b)(i)

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Group 31/12/2018 RMB'000	Group 31/12/2017 RMB'000	Company 31/12/2018 RMB'000	Company 31/12/2017 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	75,019	66,363	281	365
Trade receivables	10,301	9,203	-	-
Other receivables and prepayments	2,544	2,910	-	8
Prepaid lease premium	355	355	-	-
Property held for sale	13,795	22,595	-	-
Inventories	20,921	19,171	-	-
Total current assets	122,935	120,597	281	373
Non-current assets				
Prepaid lease premium	13,473	13,828	-	-
Properties under development	-	838	-	-
Property, plant and equipment	1,717	5,944	-	-
Intangible assets	164	214	-	-
Subsidiaries	-	-	131,406	131,406
Total non-current assets	15,354	20,824	131,406	131,406
Total assets	138,289	141,421	131,687	131,779
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	34,033	25,299	-	-
Other payables	13,158	12,141	10,172	8,232
Tax payable	1,650	1,916	-	-
Total current liabilities	48,841	39,356	10,172	8,232
Capital and reserves				
Share capital	162,713	162,713	162,713	162,713
Statutory reserves	577	434	-	-
Accumulated losses	(73,842)	(61,082)	(41,198)	(39,166)
Net equity	89,448	102,065	121,515	123,547
Total liabilities and equity	138,289	141,421	131,687	131,779

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31/12/2018		As at 31/12/2017	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	8,822	Nil	7,014

Amount repayable after one year

As at 31/12/2018		As at 31/12/2017	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	Nil	Nil	Nil

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	12M 2018 RMB'000	**12M 2017 RMB'000**
Operating activities:		
Loss before income tax	(12,902)	(16,862)
Adjustments for:		
Depreciation of property, plant and equipment	2,331	1,832
Amortisation on prepaid lease premium	355	355
Amortisation of intangible assets	50	50
Allowance for inventory obsolescence	1,365	932
Allowance for doubtful debts	27	-
Write off of property under development	838	-
Impairment loss on property, plant and equipment	2,958	11,226
Interest income	(2,379)	(1,523)
Unrealised exchange loss	(13)	(3)
Operating cash flow before movements in working capital	(7,370)	(3,993)
Trade receivables	(1,098)	(6,224)
Other receivables and prepayments	339	1,011
Inventories	(3,115)	(383)
Property for sale	8,800	6,589
Property under development	-	18,500
Trade payables	8,734	7,617
Other payables	(791)	902
Cash from operations	5,499	24,019
Interest received	2,379	1,523
Income tax refund (paid)	19	(527)
Net cash from operating activities	7,897	25,015
Investing activities:		
Decrease in structured deposits	-	10,500
Purchase of property, plant and equipment	(1,141)	(1,410)
Proceeds from disposal of property,plant and equipment	79	35
Net cash (used in) from investing activities	(1,062)	9,125
Financing activities		
Receipt of advances from a director,representing cash flow from financing activity	1,808	1,615
Net increase in cash and cash equivalents	8,643	35,755
Cash and cash equivalents at beginning of year	66,363	30,605
Effect of exchange rate changes on the balance of cash held in foreign currencies	13	3
Cash and cash equivalents at end of year	75,019	66,363

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(1)(d)(i)
UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Group				
Balance as at 1 January 2017	162,713	235	(43,409)	119,539
Transfer to statutory reserves	-	199	(199)	-
Loss for the year, representing total comprehensive loss for the year	-	-	(17,474)	(17,474)
Balance as at 31 December 2017	162,713	434	(61,082)	102,065
Transfer to statutory reserves	-	143	(143)	-
Loss for the year, representing total comprehensive loss for the year	-	-	(12,617)	(12,617)
Balance as at 31 December 2018	162,713	577	(73,842)	89,448
Company				
Balance as at 1 January 2017	162,713	-	(37,561)	125,152
Loss for the year, representing total comprehensive loss for the year	-	-	(1,605)	(1,605)
Balance as at 31 December 2017	162,713	-	(39,166)	123,547
Loss for the year, representing total comprehensive loss for the year	-	-	(2,032)	(2,032)
Balance as at 31 December 2018	162,713	-	(41,198)	121,515

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

1(d)(iii) To show the total number of issued shares excuding treasury share as at the end of the immediate preceding year.

	As at 31 December 2018	As at 31 December 2017
Total number of issued shares	62,759,999	62,759,999

There are no treasury shares as at 31 December 2017 and 31 December 2018.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period report on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current period as those of the audited financial statements as of 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time. The application of SFRS(I) 9 and SFRS(I) 15 does not have significant impact to the Group's and the Company's accounting policies, except that additional disclosures are made.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings Per Share

	Group 12M 2018 RMB Cents	Group 12M 2017 RMB Cents
Loss per ordinary share were:		
(a) Based on the weighted average number of ordinary shares on issue; and	(20.10)	(27.84)
(b) On a fully diluted basis	(20.10)	(27.84)

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

Net Asset Value

	Group 31/12/2018 RMB Cents	Group 31/12/2017 RMB Cents	Company 31/12/2018 RMB Cents	Company 31/12/2017 RMB Cents
Net asset value per ordinary share based on total number of issued shares excluding treasury shares	142.52	162.63	193.62	196.86

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Income Statement

The Group's revenue for the financial year ended 31 December 2018 ("FY2018") decreased by 19.2% or RMB8.5 million, to RMB35.8 million. This was due to lower contributions from pharmaceutical ingredients products segment and property development segment. The unit selling price and sales volume of our main pharmaceutical ingredients product named

Dexamethasone Acetate dropped due to the intense market competition. In FY2018, the Group sold 13 residential units of Lan County residential project and 6 car park lots compared to 20 residential units in prior year. The Group did not sell any commercial units in both financial years. There were 9 residential units, 10 commercial units and 37 parking lots available for sale as at 31 December 2018.

The Group recorded gross loss of RMB0.8 million for FY2018 as compared to gross profit of RMB4.2 million for FY2017. The pharmaceutical ingredients product segment recorded gross loss of RMB1.6 million for FY2018 as compared to gross profit of RMB2.4 million for FY2017. The gross loss was attributable to decreased selling price of two main products Dexamethasone Acetate and Dexamethasone Sodium phosphate, and allowance for inventory obsolescence of RMB1.4 million. The property development segment contributed gross profit of RMB0.8 million.

Other operating income increased by RMB0.6million against the corresponding year mainly due to higher interest income generated from structure deposits due before the financial year ended.

Administrative expenses decreased by 1.5% or RMB0.2 million in FY2018 compared to FY2017 mainly due to lower research expenses partially offset by the increase in staff cost and depreciation. Selling and distribution expenses were higher by 11.9% to RMB0.6 million as a result of more marketing expense incurred for exploring new business opportunities in bottle water segment.

The Group recorded impairment loss on property, plant and equipment of RMB3.0 million and RMB11.2 million respectively in FY2018 and FY2017 based on the recoverable value of asset.

Statement of Financial Position

Trade receivables increased by RMB1.1 million to RMB10.3 million as at 31 December 2018 mainly due to slower collection from customers in the pharmaceutical ingredients products segment.

Property held for sale decreased by RMB8.8 million from RMB22.6 million in FY2017 to RMB13.8 million as at 31 December 2018 due to the sales of 13 residential units of Lan County residential project and 6 car park lots.

Inventories increased to RMB20.9 million from RMB19.2 million mainly because of the increase in finished goods of pharmaceutical ingredients products.

As the Suntar Eco-city tourism project was cancelled in FY2017, the remaining development cost of RMB0.8 million could not be recovered from the government authorities of Wuping County and was charged to profit and loss in FY2018.

Trade payables increased to RMB34.0 million from RMB25.3 million mainly due to an increase in advance payment from customers relating to sales of pharmaceutical ingredients products.

Other payables increased to RMB13.2 million in FY2018 from RMB12.1 million in FY2017 mainly due to receipt of advances from a director.

Statement of Cash Flows

The overall net cash increase in cash and cash equivalent of $8.6 million for FY2018 was mainly attributable to cash generated from operating activities amounting to RMB7.9 million and receipt of interest-free advances from a Director for the daily working cash flow requirements in Singapore amounting to RMB1.8 million, offset by cash used for purchase of fixed asset of RMB1.1 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The current results for 4Q2018 are in line with the general prospect commentary previously disclosed in the results announcement for the financial period ended 30 September 2018.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The area around the scenic Wei river where our pharmaceutical manufacturing facility was located has long been an area of focus for environmental regulatory bodies. Recent events in 2018 in Xi'an relating to possible environmental damages caused by unauthorized development in Qin mountains, as well as the resignation of Xi'an mayor Shangguan Jiqing, has led to a further tightening of environmental controls. As such, the Group has taken steps to shut down the manufacturing operations in its Xi'an facility, and is considering disposing the remaining assets, including inventory and property, plant and equipment to prepare the land for further development into residential properties in due course.

In the meantime, sales of pharmaceutical ingredients products will be challenging. We expect continued market volatility for the two main products, Dexamethasone Acetate and Dexamethasone Sodium phosphate in terms of average sales price and volume, which could have impact on our revenue and gross profit in the next financial year.

Sales of the units in the Lan County project will contribute to the Group's revenue.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

None.

(b) (i) Amount per share ….. cents

Nil.

(ii) Previous corresponding period ….. cents

Nil.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividends have been declared or recommended as there was no operating profit.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for Interested Person Transaction.

14. Use of initial public offering proceeds

Please refer to the Company's announcements through SGXnet on 14 November 2013, 19 May 2015 and 3 May 2016 for the use of IPO proceeds.

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

	Pharmaceutical ingredients products RMB'000	Property development RMB'000	Unallocated RMB'000	Total RMB'000
2018				
Revenue				
External customers	26,778	9,023	-	35,801
Result				
Segment result	(11,465)	1,300	(2,737)	(12,902)
Income tax credit				285
Loss for the year				(12,617)
Assets				
Segment assets	50,262	86,243	-	136,505
Unallocated assets			1,784	1,784
Total assets				138,289
Liabilities				
Segment liabilities	35,514	1,887	-	37,401
Unallocated liabilities			11,440	11,440
Total liabilities				48,841

	Pharmaceutical ingredients products RMB'000	Property development RMB'000	Unallocated RMB'000	Total RMB'000
2017				
Revenue				
External customers	32,914	11,367	-	44,281
Result				
Segment result	(17,470)	2,442	(1,834)	(16,862)
Income tax expense				(612)
Profit for the year				(17,474)
Assets				
Segment assets	51,421	87,875	-	139,296
Unallocated assets			2,125	2,125
Total assets				141,421
Liabilities				
Segment liabilities	25,407	4,642	-	30,049
Unallocated liabilities			9,307	9,307
Total liabilities				39,356

As the Group's main assets and revenue are in People's Republic of China. Accordingly, no geographical segment information is presented.

Information about major customers

The Group's revenue derived from customers who individually account for 10% or more of the Group's revenue is detailed below:

	2018 RMB'000	2017 RMB'000
Customer A	-	5,220
Customer B	-	4,274
Customer C	-	3,993
Customer D	3,892	-
Customer E	2,496	-
Customer F	2,030	-

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to section 8.

17. A breakdown of sales as follow:-

		Group RMB'000 31/12/2018	Group RMB'000 31/12/2017	Increase / (decrease) %
(a)	Sales reported for first half year	21,602	23,907	(9.6)
(b)	Operating profit (loss) after tax reported for first half year	(2,225)	797	n.m
(c)	Sales reported for second half year	14,199	20,374	(30.3)
(d)	Operating profit (loss) after tax before reported for second half year	(10,392)	(18,271)	(43.0)

n.m. – not meaningful

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

		Latest full year RMB'000 31/12/2018	Previous full year RMB'000 31/12/2017
(a)	Ordinary	-	-
(b)	Preference	-	-
	Total	-	-

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lan Weiguang	55	Brother of Lan Chunguang, Chief Executive Officer	Non-Independent Non-Executive Chairman, 2006	Nil
Lan Chunguang	51	Brother of Lan Weiguang, Non-Independent Non-Executive Chairman	Chief Executive Officer, 2010	Nil
Lan Yihong	32	Son of Lan Weiguang, Non-Independent Non-Executive Chairman	Executive Director and Finance Director, 2015	Nil

20. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720 (1).

The Company confirms that undertakings have been procured from all Directors and Executive Officers under Rule 720 (1).

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive chairman

1 March 2019