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

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER FIRST HALF YEAR ENDED 30 JUNE 2019

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 SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2019

	Group 2Q 2019 RMB'000	Group 2Q 2018 RMB'000	+ / (-) %	Group 1H 2019 RMB'000	Group 1H 2018 RMB'000	+ / (-) %
Revenue	5,410	12,066	(55.2)	9,353	21,602	(56.7)
Cost of sales	(6,504)	(11,091)	(41.4)	(10,373)	(19,747)	(47.5)
Gross profit	(1,094)	975	n.m.	(1,020)	1,855	n.m.
Other operating income	589	566	4.1	1,272	984	29.3
Administrative expenses	(2,313)	(2,568)	(9.9)	(4,121)	(4,744)	(13.1)
Selling and distribution expenses	(215)	(102)	n.m.	(426)	(178)	n.m.
Loss before income tax	(3,033)	(1,129)	n.m.	(4,295)	(2,083)	n.m.
Income tax	(87)	(142)	(38.8)	(87)	(142)	(38.8)
Loss for the period representing total comprehensive income for the period and attributable to owners of the company	(3,120)	(1,271)	n.m.	(4,382)	(2,225)	96.9

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

Staff costs	(958)	(816)	17.5	(1,490)	(1,592)	(6.4)
Depreciation	(457)	(528)	(13.5)	(913)	(1,177)	(22.4)
Amortisation	(89)	(109)	(18.3)	(178)	(218)	(18.4)
Exchange differences	(241)	(159)	51.8	(86)	3	n.m.
Interest income	558	566	(1.4)	1,230	985	24.9
Research expenses	-	(287)	n.m.	-	(874)	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

	Group 30/06/2019 RMB'000	Group 31/12/2018 RMB'000	Company 30/06/2019 RMB'000	Company 31/12/2018 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	4,309	75,019	388	281
Structured deposits	69,040	-	-	-
Trade receivables	2,850	10,301	-	-
Other receivables and prepayments	2,574	2,544	-	-
Prepaid lease premium	355	355	-	-
Property held for sale	13,795	13,795	-	-
Inventories	18,451	20,208	-	-
Total current assets	111,374	122,222	388	281
Non-current assets				
Prepaid lease premium	13,295	13,473	-	-
Property, plant and equipment	946	1,717	-	-
Subsidiaries	-	-	131,406	131,406
Total non-current assets	14,241	15,190	131,406	131,406
Total assets	125,615	137,412	131,794	131,687
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	13,299	20,905	-	-
Other payables and accruals	26,601	26,286	10,902	10,172
Income tax payable	1,526	1,650	-	-
Total current liabilities	41,426	48,841	10,902	10,172
Capital and reserves				
Share capital	162,713	162,713	162,713	162,713
Statutory reserves	577	577	-	-
Accumulated losses	(79,101)	(74,719)	(41,821)	(41,198)
Net equity	84,189	88,571	120,892	121,515
Total liabilities and equity	125,615	137,412	131,794	131,687

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

Amount repayable in one year or less, or on demand

As at 30/06/2019		As at 31/12/2018	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	9,934	Nil	8,822

Amount repayable after one year

As at 30/06/2019		As at 31/12/2018	
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.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2019

	Group		Group	
	2Q 2019 RMB'000	**2Q 2018 RMB'000**	**1H 2019 RMB'000**	**1H 2018 RMB'000**
Operating activities:				
Loss before income tax	(3,033)	(1,129)	(4,295)	(2,083)
Adjustments for:				
Depreciation of property, plant and equipment	457	528	913	1,177
Amortisation on prepaid lease premium	89	89	178	178
Amortisation of intangible assets	-	20	-	40
Interest income	(558)	(566)	(1,230)	(985)
Unrealised exchange loss (gain)	197	121	65	(12)
Operating loss before working capital changes	(2,848)	(936)	(4,369)	(1,685)
Trade receivables	1,732	(1,728)	7,451	(104)
Other receivables and prepayments	631	447	(30)	217
Inventories	1,437	3,605	1,757	(3,083)
Property for sale	-	5,046	-	6,675
Trade payables	(1,401)	(5,858)	(7,606)	1,643
Other payables	(2)	(184)	(797)	(1,463)
Cash generated from(used in) operations	(451)	392	(3,594)	2,200
Interest received	558	566	1,230	985
Income tax paid	(88)	(369)	(211)	(502)
Net cash generated from (used in) operating activities	19	589	(2,575)	2,683
Investing activities:				
Increase in structured deposits	(600)	(21,000)	(69,040)	(27,000)
Purchase of property, plant and equipment	(142)	(264)	(142)	(527)
Net cash generated from(used in) investing activities	(742)	(21,264)	(69,182)	(27,527)
Financing activities				
Receipt of advances from a director, representing net cash generated from financing activity	301	1,225	1,045	1,469
Net decrease in cash and cash equivalents	(422)	(19,450)	(70,712)	(23,375)
Cash and cash equivalents at beginning of financial period	4,721	62,426	75,019	66,363
Effect of exchange rate changes on the balance of cash held in foreign currencies	10	15	2	3
Cash and cash equivalents at end of financial period	4,309	42,991	4,309	42,991

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 2019	162,713	577	(74,719)	88,571
Loss for the period, representing total comprehensive loss for the period	-	-	(1,262)	(1,262)
Balance as at 31 March 2019	162,713	577	(75,981)	87,309
Loss for the period, representing total comprehensive loss for the period	-	-	(3,120)	(3,120)
Balance as at 30 June 2019	162,713	577	(79,101)	84,189
Balance as at 1 January 2018	162,713	434	(61,082)	102,065
Total comprehensive income for the year	-	-	(954)	(954)
Balance as at 31 March 2018	162,713	434	(62,036)	101,111
Loss for the period, representing total comprehensive loss for the period	-	-	(1,271)	(1,271)
Balance as at 30 June 2018	162,713	434	(63,307)	99,840
Company				
Balance as at 1 January 2019	162,713	-	(41,198)	121,515
Total comprehensive income for the year	-	-	(51)	(51)
Balance as at 31 March 2019	162,713	-	(41,249)	121,464
Loss for the period, representing total comprehensive loss for the period	-	-	(572)	(572)
Balance as at 30 June 2019	162,713	-	(41,821)	120,892
Balance as at 1 January 2018	162,713	-	(39,166)	123,547
Total comprehensive income for the year	-	-	(31)	(31)
Balance as at 31 March 2018	162,713	-	(39,197)	123,516
Loss for the period, representing total comprehensive loss for the period	-	-	(525)	(525)
Balance as at 30 June 2018	162,713	-	(39,722)	122,991

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 shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 June 2019	As at 31 December 2018
Total number of issued shares	62,759,999	62,759,999

There are no treasury shares as at 31 December 2018 and 30 June 2019.

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 2018.

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 all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2019. The adoption of the new and revised FRSs does not have significant impact to the Group's and the Company's accounting policies.

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 2Q 2019 RMB Cents	Group 2Q 2018 RMB Cents	Group 1H 2019 RMB Cents	Group 1H 2018 RMB Cents
Loss per ordinary share were:				
Based on the weighted average number of ordinary shares on issue; and	(4.97)	(2.03)	(6.98)	(3.55)
On a fully diluted basis	(4.97)	(2.03)	(6.98)	(3.55)

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 30/06/2019 RMB Cents	Group 31/12/2018 RMB Cents	Company 30/06/2019 RMB Cents	Company 31/12/2018 RMB Cents
Net asset value per ordinary share based on total number of issued shares	134.14	141.13	192.63	193.62

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 decreased by RMB6.7 million or 55.2% to RMB5.4 million for the three months ended 30 June 2019 ("2Q 2019") compared to the corresponding period in 2018. The Group did not record revenue from property development segment in 2Q 2019 compared to 7 residential units and 1 car park lot sold in prior year. The contribution from pharmaceutical ingredients products segment dropped in 2Q 2019 as the Group is taking steps to shut down the manufacturing operations in its Xi'an facility due to the tightening of environment controls.

The Group recorded gross loss of RMB1.1 million for 2Q 2019 as compared to gross profit of RMB1.0 million for 2Q 2018. The gross loss in 2Q 2019 was attributable to negative gross profit margin of our main pharmaceutical ingredients product named Dexamethasone sodium phosphate. The unit selling price for this product dropped in 2Q 2019 due to the intense market competition.

Administrative expenses decreased by 9.9% or RMB0.3 million in 2Q 2019 compared to 2Q 2018 mainly due to lower expenses incurred from the pharmaceutical ingredients products segment due to the facility shutdown. Selling and distribution expenses increased by RMB0.1 million in 2Q 2019 as against 2Q 2018 mainly due to as a result of higher marketing expense incurred in relation to the exploration of new business opportunities in property development segment and bottle water segment.

Statement of Financial Position

The Group had structured deposits of RMB69.0 million which were principal guaranteed as at 30 June 2019.

Trade receivables decreased by RMB7.5 million to RMB2.9 million as at 30 June 2019 due to lower sales in 2Q 2019.

Inventories decreased by RMB1.8 million to RMB18.5 million as at 30 June 2019 as lesser amounts of finished goods of pharmaceutical ingredients products were maintained.

Trade payables decreased to RMB13.3 million from RMB20.9 million with the settlement of payables to raw material suppliers relating to pharmaceutical ingredients products.

Statement of Cash Flows

The overall net cash decrease in cash and cash equivalent of RMB0.4 million for three months period ended 30 June 2019 was mainly attributable to placement of structured deposits of RMB0.6 million, offset by receipt of interest-free advances from a Director for the daily working cash flow requirements in Singapore amounting to RMB0.3 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 2Q 2019 are in line with the general prospect commentary previously disclosed in the results announcement for the financial period ended 31 March 2019.

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 this financial year.

Sales of the remaining 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. Negative confirmation pursuant to Rule 705(5) of the Listing Manual.

The Directors hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Company for 2Q 2019 to be false or misleading in any material aspect.

16. 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

14 August 2019