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

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2020

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.

	Group 1H 2020 RMB'000	Group 1H 2019 RMB'000 (Restated)	+ / (-) %
Revenue	12,724	9,353	36.0
Cost of sales	(12,514)	(10,373)	20.6
Gross profit	210	(1,020)	n.m.
Other operating income	967	1,272	(24.0)
Administrative expenses	(1,299)	(4,079)	(68.2)
Selling and distribution expenses	(90)	(426)	n.m.
share of profit of associate	561	-	n.m.
Profit (loss) before income tax	349	(4,253)	n.m.
Income tax	(122)	(86)	42.0
Profit (loss) for the period representing total comprehensive income for the period and attributable to owners of the company	227	(4,339)	n.m.

1(a)(ii)

Other Credits/(Charges)

Staff costs	(528)	(1,490)	(64.6)
Depreciation	(15)	(913)	(98.4)
Amortisation	(136)	(136)	-
Exchange gain (loss)	36	(86)	n.m.
Interest income	840	1,230	(31.7)

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.

	Group 30/06/2020 RMB'000	Group 31/12/2019 RMB'000	Company 30/06/2020 RMB'000	Company 31/12/2019 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	23,426	80,946	295	278
Structured deposits	37,450	-	-	-
Trade receivables	6,116	5,142	-	-
Other receivables and prepayments	1,523	7,884	33	7
Completed properties held for sale	11,650	11,732	-	-
Inventories	51	93	-	-
Total current assets	80,216	105,797	328	285
Non-current assets				
Right-of-use asset	14,154	14,290	-	-
Property, plant and equipment	188	64	-	-
Subsidiaries	-	-	131,406	131,406
Associates	21,821	-	-	-
Total non-current assets	36,163	14,354	131,406	131,406
Total assets	116,379	120,151	131,734	131,691
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	9,293	6,826	-	-
Other payables and accruals	16,049	22,122	12,334	11,793
Income tax payable	1,479	1,872	-	-
Total current liabilities	26,821	30,820	12,334	11,793
Capital and reserves				
Share capital	162,713	162,713	162,713	162,713
Statutory reserves	776	776	-	-
Accumulated losses	(73,931)	(74,158)	(43,313)	(42,815)
Net equity	89,558	89,331	119,400	119,898
Total liabilities and equity	116,379	120,151	131,734	131,691

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

Amount repayable in one year or less, or on demand

As at 30/06/2020		As at 31/12/2019	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	11,425	Nil	10,167

Amount repayable after one year

As at 30/06/2020		As at 31/12/2019	
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	
	1H 2020 RMB'000	**1H 2019 RMB'000**
Operating activities:		
Profit (loss) before income tax	349	(4,253)
Adjustments for:		
Depreciation of property, plant and equipment	15	913
Amortisation on prepaid lease premium	136	136
Interest income	(840)	(1,230)
share of profit of associate	(561)	-
Unrealised exchange loss (gain)	3	65
Operating loss before working capital changes	(898)	(4,369)
Trade receivables	(974)	7,451
Other receivables and prepayments	6,361	(30)
Inventories	42	1,757
Completed properties held for sale	82	(0)
Trade payables	2,467	(7,606)
Other payables	(7,331)	(797)
Cash used in operations	(251)	(3,594)
Interest received	840	1,230
Income tax paid	(515)	(211)
Net cash generated from (used in) operating activities	74	(2,575)
Investing activities:		
Increase in structured deposits	(37,450)	(69,040)
Purchase of property, plant and equipment	(139)	(142)
Investment in associate	(21,260)	-
Net cash used in investing activities	(58,849)	(69,182)
Financing activities		
Receipt of advances from a director,representing net cash generated from financing activity	1,258	1,045
Net decrease in cash and cash equivalents	(57,517)	(70,712)
Cash and cash equivalents at beginning of financial period	80,946	75,019
Effect of exchange rate changes on the balance of cash held in foreign currencies	(3)	2
Cash and cash equivalents at end of financial period	23,426	4,309

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.

	Share capital RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Group				
Balance as at 1 January 2020	162,713	776	(74,158)	89,331
Loss for the period, representing total comprehensive loss for the period	-	-	227	227
Balance as at 31 June 2020	162,713	776	(73,931)	89,558
Balance as at 1 January 2019	162,713	577	(73,985)	89,305
Loss for the period, representing total comprehensive loss for the period	-	-	(4,339)	(4,339)
Balance as at 30 June 2019	162,713	577	(78,324)	84,966
Company				
Balance as at 1 January 2020	162,713	-	(42,815)	119,898
Loss for the period, representing total comprehensive loss for the period	-	-	(498)	(498)
Balance as at 31 June 2020	162,713	-	(43,313)	119,400
Balance as at 1 January 2019	162,713	-	(41,198)	121,515
Loss for the period, representing total comprehensive loss for the period	-	-	(623)	(623)
Balance as at 30 June 2019	162,713	-	(41,821)	120,892

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 2020	As at 31 December 2019
Total number of issued shares	62,759,999	62,759,999

There are no treasury shares as at 31 December 2019 and 30 June 2020.

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.

3A. Where the latest financial statements are subject an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.
(b) Confirmation from the Board that the impact of all outstanding audit issue on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

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 Singapore Financial Reporting Standard (International) ("SFRS(I)") 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 SFRS(I) 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 1H 2020 RMB Cents	Group 1H 2019 RMB Cents
Loss per ordinary share were:		
Based on the weighted average number of ordinary shares on issue; and	0.36	6.91
On a fully diluted basis	0.36	6.91

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 30/06/2020 RMB Cents	Group 31/12/2019 RMB Cents	Company 30/06/2020 RMB Cents	Company 31/12/2019 RMB Cents
Net asset value per ordinary share based on total number of issued shares	142.70	142.34	190.25	191.04

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 has increased by RMB3.4 million or 36.0% to RMB12.7 million for the six months ended 30 June 2020 ("1H 2020") compared to the corresponding period in 2019. The revenue in 1H 2020 has RMB 12.6 million from the new Health and Nutrition segment compared to the RMB 9.4 million wholly from Pharmaceutical Ingredients Products segment in 1H 2019. The Group has recorded revenue of RMB 0.09 million from the Property Development segment from the sales of 1 parking lot in 1H 2020 compared to no record in the corresponding period.

The Group has recorded gross profit of RMB0.21 million in 1H 2020 as compared to the gross loss of RMB1.0 million in the corresponding period. The improvements of revenue for 1H 2020 has been mainly contributed by the new Health and Nutrition segment.

Other operating income has been decreased 24.0% to RMB0.97 million in 1H 2020 from RMB1.3 million in 1H 2019 due to the reduction in interest income. Administrative expenses have had a reduction of 68.2% to RMB1.3 million in 1H 2020 from RMB4 million in the corresponding period. The contribution towards the administrative cost reduction was mainly contributed by the reduction in staff and depreciation costs associated with the close down of the Pharmaceutical Ingredients Products segment.

The Group has recorded share of profit of associates of RMB0.56 million from the new joint venture company Hebei Huawei Health Industry Co., Ltd ("Huawei") with North China Pharmaceutical Company (NCPC) for 1H 2020. The joint venture investment has completed its set-up in April 2020 and the sharing of profit has started since May 2020.

Statement of Financial Position

The Group had entered into structured deposits of RMB37.5 million in 1H 2020 compared to no entry as at 31 December 2019.

Trade receivables increased from RMB5.1 million by RMB0.97 million to RMB6.1 million as at 30 June 2020. The primary increase in receivables are attributable to the new Health and Nutrition segment. Other receivables and prepayment have decreased from RMB7.9 million to RMB1.5 million as at 30 June 2020. The reduction was primarily due to the deposit in respect of a proposed investment in the latter's Health and Nutrition related business converting to investment in associate.

The RMB21.3 million in investment in associate entry has been added to reflect the investment into Huawei as a revenue generating asset.

Trade payables has increased from RMB6.8 million by 2.5 million to RMB9.3 million as at 30 June 2020. The primary increase in payables are attributable to the new Health and Nutrition segment. Other payables and accruals have decreased from RMB22.1 million by RMB6.1 million to RMB16 million. The main reduction is a result of decreased advance payments from customers.

Statement of Cash Flows

The overall net cash decrease in cash and cash equivalent of RMB 57.5 million for six months period ended 30 June 2020 was mainly attributable to net cash outflow of RMB37.5 million in increase in structured deposits and RMB21.3 million in investment in associate.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

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 shut down the manufacturing operations in its Xi'an facility, and completely disposed of the remaining assets, including inventory and property, plant and equipment to prepare the land for further development into mainly residential properties in due course.

The Group has entered into a capital increase agreement with North China Pharmaceutical Co., Ltd ("NCPC") to subscribe 26% of equity interest in Hebei Huawei Health Industry Co., Ltd ("Huawei"), a wholly-owned subsidiary of NCPC, with a total consideration of RMB21.3 million. NCPC is a well-established Pharmaceutical SOE based in Shijiazhuang, Hebei, that was the first pharmaceutical factory set up during China's First Five Year Plan. The investment is part of the Group's strategic plans for the purpose of expanding into the manufacturing and distribution of health and nutritional products. Huawei was established by NCPC in 1997, with core business segments in bottled water, vitamin water, vitamin supplements and other supplements production and distribution. In light of the Covid-19 crisis, the health consciousness and awareness has surged amongst the general population. To capture the rapidly growing market, Huawei has strengthened its footstep in exploring the business opportunities in the health and nutritional products segment by producing and distributing the highly in-demand immunity boosting products such as vitamin C and small peptides.

The Group is also exploring new business opportunities in the bottled water market. The Group is in the process of searching for a suitable regional market in China to launch its product as well as set up manufacturing and distribution operations.

Sales of the remaining units in the Lan County project will be expected to continue to 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 1H 2020 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

13 August 2020