

SUNTAR ECO-CITY LIMITED

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

CLARIFICATION ON THE ANNOUNCEMENT OF SECOND QUARTER ENDED 30 JUNE 2017

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 2017 (“**Announcement**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 14 August 2017 (Announcement Reference: SG170814OTHRP2LO).

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

Query 1:

Please provide a breakdown of “Other payables” amounting to RMB10.43 million.

Company’s Response to Query 1:

A breakdown of “Other payables” is as follows:-

	30/06/2017	31/12/2016
	RMB’000	RMB’000
Accrued expenses	1,908	1,989
Advances from a director	6,322	5,399
Third parties	2,199	2,236
Total	10,429	9,624

Query 2:

On page 7 of the Announcement, it was disclosed that “revenue from pharmaceutical ingredient product segment” increased RMB3.7 million from the comparative quarter. Please provide a discussion and background of the underlying factors that have contributed to this increase in revenue.

Company’s Response to Query 2:

The higher revenue from the pharmaceutical ingredient product segment was due to higher sales volume and higher revenue from a product named Dexamethasone Sodium Phosphate. The higher sales volume of Dexamethasone Sodium Phosphate was due to higher market demand in Q2 2017 for the product as compared to Q2 2016, resulting in larger order volume of the product from existing customers.

Query 3:

On page 8 of the Announcement, it was disclosed that “Property held for sale decreased... due to the additional sales of Lan County project”. The Company had also previously stated that sales of the Lan County was “expected to continue to contribute to the Group’s revenue for the year ending 31 December 2017”. However, on page 7, it was disclosed that there was “no revenue from property development segment in 2Q 2017”. Please reconcile the above disclosures.

Company’s Response to Query 3:

There was no revenue recognized from the property development segment in 2Q 2017 due to pending receipt of confirmation of loan applications by customers from the banks. However, the disclosure concerning the decrease in property held for sale as at 30 June 2017 as compared to FY 2016 included movement resulting from sales that were recognized in 1Q 2017.

The Company expects additional revenue from the Lan County project for the year ending 31 December 2017. Additional sales are already in process and the Company expects to recognize revenue once the Company receives confirmation of loan applications by customers from the banks in 2H 2017.

Query 4:

It was disclosed that “Trade payables increased... mainly due to increase in advance payment from customers”. Please provide a breakdown of “Trade Payables”, and the distribution between the pharmaceutical product and property development segments.

Company’s Response to Query 4:

A breakdown of trade payables is as follows:

	30/06/2017	<u>Pharmaceutical ingredients products</u>	<u>Property development</u>
	RMB’000	RMB’000	RMB’000
Third parties	10,594	10,474	120
Advance payment from customers	12,287	3,187	9,100
Total	22,881	13,661	9,220

	31/12/2016	<u>Pharmaceutical ingredients products</u>	<u>Property development</u>
	RMB’000	RMB’000	RMB’000
Third parties	12,448	7,628	4,820
Advance payment from customers	5,234	3,636	1,598
Total	17,682	11,264	6,418

Query 5:

Please provide an update on the status of the Company's construction projects, as well as the take-up rate for completed projects, including but not limited to the Lan County project.

Company's Response to Query 5:

Take-up rates for the Lan County project continues to improve steadily. Of the 69 residential units of the Lan County Project, 49 units had been sold as of Q2 2017, with more sales expected throughout the year. Only 29 units have been recognized for sales in 2016, and 10 units recognized for sales in 1Q 2017, and no units recognized for sale in Q2 2017. Hence, we expect the Lan County project to continue to contribute to the Group's revenue in the year 2017.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

15 September 2017