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

## FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

| | Group 3Q 2018 RMB'000 | Group 3Q 2017 RMB'000 | + / (-) % | Group 9M 2018 RMB'000 | Group 9M 2017 RMB'000 | + / (-) % |
|---|---|---|---|---|---|---|
| **Revenue** | 9,676 | 6,599 | 46.6 | 31,278 | 30,506 | 2.5 |
| Cost of sales | (8,838) | (5,851) | 51.1 | (28,585) | (26,216) | 9.0 |
| Gross profit | 838 | 748 | 12.0 | 2,693 | 4,290 | (37.2) |
| Other operating income | 690 | 544 | 26.8 | 1,674 | 1,189 | 40.8 |
| Administrative expenses | (2,592) | (1,896) | 36.7 | (7,336) | (4,949) | 48.2 |
| Selling and distribution expenses | (287) | (109) | 163.3 | (465) | (424) | 9.7 |
| **(Loss) Profit before income tax** | (1,351) | (713) | 89.5 | (3,434) | 106 | n.m. |
| Income tax | (90) | - | n.m. | (232) | (22) | n.m. |
| **(Loss) Profit for the period, representing total comprehensive (loss )income for the period attributable to owners of the company** | (1,441) | (713) | 102.1 | (3,666) | 84 | n.m. |

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

| | | | | | | |
|---|---|---|---|---|---|---|
| Staff costs | (1,286) | (744) | 72.8. | (2,878) | (2,174) | 32.4 |
| Depreciation | (530) | (524) | 1.1 | (1,707) | (1,512) | 12.9 |
| Amortisation | (109) | (109) | 0.0 | (327) | (327) | 0.0 |
| Exchange differences | (291) | 42 | n.m. | (288) | (121) | 138.0. |
| Interest income | 665 | 274 | 142.7 | 1,650 | 917 | 80.0 |
| Research expenses | (124) | (135) | (8.0) | (998) | (282) | 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 30/09/2018 RMB'000 | Group 31/12/2017 RMB'000 | Company 30/09/2018 RMB'000 | Company 31/12/2017 RMB'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 3,596 | 66,363 | 315 | 365 |
| Structured deposits | 68,200 | - | - | - |
| Trade receivables | 7,248 | 9,203 | - | - |
| Other receivables and prepayments | 3,134 | 2,910 | - | 8 |
| Prepaid lease premium | 355 | 355 | - | - |
| Property held for sale | 14,636 | 22,595 | - | - |
| Inventories | 25,345 | 19,171 | - | - |
| Total current assets | 122,514 | 120,597 | 315 | 373 |
| **Non-current assets** | | | | |
| Prepaid lease premium | 13,561 | 13,828 | - | - |
| Properties under development | 838 | 838 | - | - |
| Property, plant and equipment | 4,988 | 5,944 | - | - |
| Intangible assets | 154 | 214 | - | - |
| Subsidiaries | - | - | 131,406 | 131,406 |
| Total non-current assets | 19,541 | 20,824 | 131,406 | 131,406 |
| **Total assets** | 142,055 | 141,421 | 131,721 | 131,779 |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities** | | | | |
| Trade payables | 29,966 | 25,299 | - | - |
| Other payables | 11,934 | 12,141 | 9,513 | 8,232 |
| Tax payable | 1,756 | 1,916 | - | - |
| Total current liabilities | 43,656 | 39,356 | 9,513 | 8,232 |
| **Capital and reserves** | | | | |
| Share capital | 162,713 | 162,713 | 162,713 | 162,713 |
| Statutory reserves | 434 | 434 | - | - |
| Accumulated losses | (64,748) | (61,082) | (40,505) | (39,166) |
| Net equity | 98,399 | 102,065 | 122,208 | 123,547 |
| **Total liabilities and equity** | 142,055 | 141,421 | 131,721 | 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 30/09/2018 | | As at 31/12/2017 | |
|---|---|---|---|
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| Nil | 8,713 | Nil | 7,014 |

**Amount repayable after one year**

| As at 30/09/2018 | | 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.

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

| | Group | | Group | |
|---|---|---|---|---|
| | **3Q 2018 RMB'000** | **3Q 2017 RMB'000** | **9M 2018 RMB'000** | **9M 2017 RMB'000** |
| **Operating activities:** | | | | |
| (Loss) Profit before income tax | (1,351) | (713) | (3,434) | 106 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 530 | 524 | 1,707 | 1,512 |
| Amortisation on prepaid lease premium | 89 | 89 | 267 | 267 |
| Amortisation of intangible assets | 20 | 20 | 60 | 60 |
| Interest income | (665) | (274) | (1,650) | (917) |
| Unrealised exchange loss (gain) | 291 | (42) | 288 | 121 |
| **Operating cash flow before movements in working capital** | (1,086) | (395) | (2,762) | 1,150 |
| Trade receivables | 2,059 | (586) | 1,955 | (1,185) |
| Other receivables and prepayments | (441) | (125) | (224) | (206) |
| Inventories | (3,091) | (1,766) | (6,174) | (4,261) |
| Property for sale | 1,284 | 17,999 | 7,959 | 21,524 |
| Trade payables | 3,024 | 2,097 | 4,667 | 7,296 |
| Other payables | (443) | (58) | (1,906) | (176) |
| **Cash used in operations** | 1,306 | 17,166 | 3,515 | 24,142 |
| Interest received | 665 | 274 | 1,650 | 917 |
| Income tax paid | 110 | (70) | (392) | (210) |
| **Net cash generated from operating activities** | 2,081 | 17,370 | 4,773 | 24,848 |
| **Investing activities:** | | | | |
| Increase in structured deposits | (41,200) | (30,900) | (68,200) | (35,100) |
| Purchase of property, plant and equipment | (303) | (581) | (830) | (1,267) |
| Proceeds from disposal of property, plant and equipment | 79 | - | 79 | - |
| **Net cash used in investing activities** | (41,424) | (31,481) | (68,951) | (36,367) |
| **Financing activities** | | | | |
| Receipt of advances from a director, representing net cash generated from financing activity | 239 | 468 | 1,699 | 1,391 |
| Net decrease in cash and cash equivalents | (39,104) | (13,643) | (62,479) | (10,128) |
| Cash and cash equivalents at beginning of the period | 42,991 | 33,958 | 66,363 | 30,605 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | (291) | 42 | (288) | (121) |
| **Cash and cash equivalents at end of the period** | 3,596 | 20,356 | 3,596 | 20,356 |

**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 2018 | 162,713 | 434 | (61,082) | 102,065 |
| Loss for the period, representing total comprehensive loss for the period | - | - | (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 |
| Loss for the period, representing total comprehensive loss for the period | - | - | (1,441) | (1,441) |
| Balance as at 30 September 2018 | 162,713 | 434 | (64,748) | 98,399 |
| Balance as at 1 January 2017（Restated) | 162,713 | 235 | (43,409) | 119,539 |
| Profit for the period, representing total comprehensive income for the period | - | - | 780 | 780 |
| Balance as at 31 March 2017 | 162,713 | 235 | (42,629) | 120,319 |
| Profit for the period, representing total comprehensive income for the period | - | - | 17 | 17 |
| Balance as at 30 June 2017 | 162,713 | 235 | (42,612) | 120,336 |
| Loss for the period, representing total comprehensive loss for the period | - | - | (713) | (713) |
| Balance as at 30 September 2017 | 162,713 | 235 | (43,325) | 119,623 |
| **Company** | | | | |
| Balance as at 1 January 2018 | 162,713 | - | (39,166) | 123,547 |
| Loss for the period, representing total comprehensive loss for the period | - | - | (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 |
| Loss for the period, representing total comprehensive loss for the period | - | - | (783) | (783) |
| Balance as at 30 September 2018 | 162,713 | - | (40,505) | 122,208 |
| Balance as at 1 January 2017 | 162,713 | - | (37,561) | 125,152 |
| Loss for the period, representing total comprehensive loss for the period | - | - | (170) | (170) |
| Balance as at 31 March 2017 | 162,713 | - | (37,731) | 124,982 |
| Loss for the period, representing total comprehensive loss for the period | - | - | (410) | (410) |
| Balance as at 30 June 2017 | 162,713 | - | (38,141) | 124,572 |
| Total comprehensive income for the period | - | - | (458) | (458) |
| Balance as at 30 September 2017 | 162,713 | - | (38,599) | 124,114 |

**(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 30 September 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 30 September 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's financial statements for the year ending 31 December 2018 is prepared in accordance with the Singapore Financial Standards (International) ("SFRS(I)"). The Group has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that the adoption of SFRS(I) 9 resulted in changes in the accounting policies relating to the recognition and measurement of its receivables, and additional disclosures be made with respect to the expected credit loss model. The adoption of SFRS(I) 15 resulted in the changes in to the accounting policies relating to revenue recognition and revenue will be recognised when (or as) a performance obligation is satisfied. Additional disclosures be made, including any significant judgement and estimation made. Other than the adoption of the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited financial statements.

**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 3Q 2018 RMB Cents | Group 3Q 2017 RMB Cents | Group 9M 2018 RMB Cents | Group 9M 2017 RMB Cents |
|---|---|---|---|---|
| Loss per ordinary share were: | | | | |
| Based on the weighted average number of ordinary shares on issue; and | (2.30) | (1.14) | (5.84) | 0.13 |
| On a fully diluted basis | (2.30) | (1.14) | (5.84) | 0.13 |

**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 30/09/2018 RMB Cents | Group 31/12/2017 RMB Cents | Company 30/09/2018 RMB Cents | Company 31/12/2017 RMB Cents |
|---|---|---|---|---|
| Net asset value per ordinary share based on total number of issued shares | 156.79 | 162.63 | 194.72 | 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 increased by RMB3.1 million or 46.6% to RMB9.7 million for the third quarter ended 30 September 2018 ("3Q 2018") as compared to the corresponding period in 2017. Revenue from pharmaceutical ingredient product segment was RMB7.9 million in 3Q 2018. This was an increase of RMB1.3 million from RMB6.6 million in 3Q 2017. Revenue from property development segment was RMB1.8 million. In 3Q 2018, the Group sold 2 residential units and 4 car park lot of Lan County residential project. The Group did not record revenue from property development segment in 3Q 2017.

The Group recorded the gross profit of RMB0.8 million in 3Q 2018. Both property development segment and property segment contributed a gross profit of RMB0.4 million each. The gross profit margin of pharmaceutical ingredients product segment decreased by 5% in 3Q 2018 as compared to 3Q 2017. The unit selling price for our main product named Dexamethasone sodium phosphate dropped during the period due to the intense market competition. The gross profit margin for property development is 22% in Q3 2018.

Other operating income for 3Q 2018 increased by 26.8% to RMB0.7 million as compared to the corresponding period for 3Q 2017 mainly due to higher interest income generated from structured deposits placed with the bank.

Administrative expenses were higher by 36.7% or RMB0.7 million in 3Q 2018 as compared to 3Q 2017 mainly due to higher staff cost and foreign exchange loss of RMB0.3 million in 3Q 2018 compared to foreign exchange gain of RMB42,000 in 3Q 2017. Selling and distribution expenses doubled in 3Q 2018 as against 3Q 2017 mainly due to higher packing and distribution expenses as the result of the increase in sales of pharmaceutical ingredients product and marketing expense incurred for exploring new business opportunities in bottle water segment.

**Statement of Financial Position**

As at 30 September 2018, trade receivables decreased by RMB2.0 million to RMB7.2 million mainly due more prompt collection of trade receivables during the period.

Property held for sale decreased to RMB14.6 million from RMB22.6 million due to the sales of 12 residential units and 5 car park lots of Lan County residential project during the period.

Inventories increased to RMB25.3 million from RMB19.2 million mainly because of the increase in finished goods of pharmaceutical ingredients products.

Trade payables increased to RMB30.0 million from RMB25.2 million mainly due to an increase in advance payment from customers relating to sales of pharmaceutical ingredients products.

**Statement of Cash Flows**

The overall net cash decrease in cash and cash equivalent of $39.1 million for three months period ended 30 September 2018 was mainly attributable to placement of structured deposits of RMB41.2 million and purchase of fixed asset of RMB0.3 million, offset by cash generated from operating activities amounting to RMB2.1 million and 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 3Q 2018 are in line with the general prospect commentary previously disclosed in the results announcement for the financial period ended 30 June 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 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 is considering its options on the use of PP&E and inventory, including the possibility of a sale.

In the meantime, sales operations for the pharmaceutical segment will continue to sell our pharmaceutical ingredients products. We expect continued market volatility for the two main products, Dexamethasone Acetate and Dexamethasone Sodium phosphate in terms of average sales price, volume as well as raw material cost, which could lead into continued volatility for the pharmaceutical ingredients segment in terms of revenue and gross profit.

The Group is also actively seeking to develop new pharmaceutical products with a seller of forest chemicals such as polymerized rosin and turpentine oil.

The Group continued sales of Lan County project is expected to continue to contribute to the Group's revenue for this financial year.

**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.**

No dividends have been declared or recommended.

**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 3Q 2018 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 November 2018**