

SUNTAR ECO-CITY LIMITED

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

CLARIFICATION ON THE ANNOUNCEMENT OF FULL YEARLY RESULTS ENDED 31 DECEMBER 2020

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 full yearly results ended 31 December 2020 (“**FY2020**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 26 February 2021 (Announcement Reference: SG210226OTHR6BQZ).

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

Query 1:

On page 1 of the Company’s FY2020 results, the Company disclosed Cost of sales amounting to RMB 21.6 million for FY2020. Please provide the reasons for the 818% increase in Cost of sales which led to a decline in gross profit when revenue increased by only 583%.

Company’s Response to Query 1:

	FY2020			FY2019		
	Revenue	Cost of Sales	GP margin	Revenue	Cost of Sales	GP margin
Health & Nutrition	22,109	(21,575)	2.42%	-	-	-
Property development	95	(82)	13.68%	3,250	(2,359)	27.42%
Total	22,204	(21,657)	2.46%	3,250	(2,359)	27.42%

In 2020, the Group started its transition into the health and nutrition business. In order to quickly access the health and nutrition market, the Group started from sales and trading businesses with lower initial margins.

The gross profit margin of property development segment dropped in 2020 as only 1 parking lot was sold in 2020 while more high margin residential units was sold in the prior year.

Query 2:

On page 9 of the Company’s FY2020 results, the Company disclosed that “The Group’s revenue for FY2020 increased by 583.2% or RMB 18.95 million, to RMB 22.20 million, mainly due to the revenue generated from the health and nutrition segment.” Please elaborate what in the health and nutrition segment resulted in the significant increase and elaborate on the factors leading to the strong performance.

Company’s Response to Query 2:

The revenue generated from the health and nutrition segment is a new income stream for the Group. This new business is a result of the Group’s investment into Huawei, thereby gaining access to Huawei’s extensive line of health and nutrition products. In light of the Covid-19 crisis, the health consciousness and awareness has surged amongst the general population. This has resulted in a strong demand for Huawei’s health and nutrition products due to the long history and strong brand name of its parent company, NCPC. As such, there had been opportunities arising for the Group to ride this growth in demand through the trading and distribution of Huawei’s health and nutrition products.

Query 3:

On page 9 of the Company's FY2020 results, the Company disclosed that "Other receivables increased to RMB 13.6 million from RMB 7.9 million. The increase is mainly attributed to a RMB 12.0 million loan to third party". Please disclose who is the third party and why is the Company lending to this third party which is not in the ordinary course of business. Please provide details under Listing Rule 1010.

Company's Response to Query 3:

Following the successful investment of Huawei, a subsidiary of North China Pharmaceutical, the Company has gained access to a range of health and nutrition products, antibiotics and vaccines. This product portfolio includes products that are relevant to the animal farming industry. The Company believes these products will be critical in helping the hog farming industry in battling disease outbreaks and improve the health levels of its livestock. We also anticipate growing demand for these products due to increasing awareness amongst farmers after the African swine fever wiped out more than 100 million pigs in 2019.

The Company had entered into the loan agreement with the lender due to the lender's strong regional presence in the hog farming industry in Henan, China, a major pig-producing province in China. This loan agreement will help the Company access the hog farming industry in Henan, allowing the Company to quickly establish a foothold as a regional supplier of feed supplements, animal drugs and vaccines.

The Company will continue to explore market opportunities that can leverage on Huawei's extensive product portfolio.

Listing Rule 1010:

- 1) Particulars of the transaction, including the name of any company or business, where applicable;

Lender: Xiamen Dalan Technology Co., Ltd. (A subsidiary of the Group)

Borrower: Henan Yujia Agricultural Development Co., Ltd. (河南裕嘉农业发展有限公司)

Interest: 18% per annum

Total principal: RMB 12,000,000

Total loan collateral:

- a) 8000 gilt pig under Zhumadian Yujia Agricultural Development Co., Ltd. (a subsidiary of Henan Yujia Agricultural Development Co., Ltd.)
- b) 2000 gilt pig under Pingdingshan Yujia Agricultural Development Co., Ltd. (a subsidiary of Henan Yujia Agricultural Development Co., Ltd.)

- 2) A description of the trade carried on, if any;

N.A

- 3) The aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment. In the case of financial assistance, the aggregate value of the financial assistance and any interest payable on the financial assistance;

The aggregate value of the consideration as of 31 December 2020 is RMB 12.87 million, including a principal of RMB 12 million and interest receivable of RMB 873,863.01. The summary of the terms is disclosed above in Part 1 above.

- 4) Whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof;

N.A.

- 5) The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation;

N.A.

- 6) In the case of a disposal, the excess or deficit of the proceeds over the book value, and the intended use of the sale proceeds. In the case of an acquisition, the source(s) of funds for the acquisition;

N.A.

- 7) The net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal;

N.A.

- 8) The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year;

N.A.

- 9) The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year;

N.A.

- 10) The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction;

Please see explanation above.

- 11) Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests; and

N.A.

- 12) Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction.

N.A.

13) The relative figures that were computed on the bases set out in Rule 1006.

		Relative Figures in %
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	13.37
Rule 1006(b)	Net profit / (loss) attributable to the assets acquired or disposed of, compared with the Group's net profits	N.A.
Rule 1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	5.57
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A.
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount	N.A.

Query 4:

On page 9 of the Company's FY2020 results, the Company disclosed that "Other payables and accruals have decrease by RMB 7.4 million to RMB 16.8 million from RMB 22.1 million mainly due to advance payments from customers." Please disclose for which segment and explain why there is a decline in other payables and accruals.

Company's Response to Query 4:

The decline of advance payments from customers was attributable to Pharmaceutical ingredients products segment. The Group has discontinued this segment during the financial year ended 31 December 2019, hence there were no longer any more incoming advance payments for the segment, resulting in the decline.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

12 March 2021