

SUNTAR ECO-CITY LIMITED

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

CLARIFICATION ON THE ANNOUNCEMENT OF CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 Condensed Interim Financial Statements for the six months ended 30 June 2022 (“**Results Announcement**” or “**1H 2022 financial statements**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 12 August 2022 (Announcement Reference: SG220812OTHR9CMA).

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

Query 1:

On page 12 of the Company's 1H 2022 financial statements, the Company disclosed the Group's revenue has decreased by RMB 4.88 million to RMB 3.96 million compared to the corresponding period in 2021.

Please elaborate further on the reason for the decline in revenue of 55.2%, in particular the revenue from the health and nutrition segment.

Company's Response to Query 1:

Due to the frequent outbreaks of COVID-19 in the first half of the year, local governments in China implemented preventive measures. Logistics in many cities was halted, even those located in transportation hubs. Therefore, supplier delivery and customer receipt have been delayed.

Apart from logistics issue, sales staff are unable to travel to carry out marketing and sales activities due to the pandemic. Development of sales channel and overall arrangement of sales outlets are impacted.

Query 2:

The Company recorded other receivables of RMB 57.086m as at 30 June 2022. Please disclose:

- i. the nature and breakdown of the Group's other receivables; and
- ii. the underlying transactions and the terms of the transactions (including the contract sum) and payment terms of the underlying contracts.

Company's Response to Query 2:

i.

| | The Group |
|-----------------------------|-------------------|
| | 30/06/2022 |
| | RMB'000 |
| Prepayments | - |
| Advances to suppliers | 102 |
| Advances to an associate | 56,007 |
| Advances to staff | 178 |
| Value added tax recoverable | 701 |
| Others | 98 |
| Other receivables | 57,086 |

ii.

Advances to an associate relates to the investment the Group increased to Wuping Hailan Real Estate Development Co., Ltd (“**Wuping Hailan**”) for its share of the latter’s cost of acquisition of a land plot and pre-construction cost for property development. Such cost is funded with advances from the Group and the other shareholders in proportion to their subscription to the registered capital. Advances to an associate is unsecured, interest-free and repayable on demand.

Query 3:

Please disclose the breakdown of the Group’s other payables amounting to RMB 19.525m as at 30 June 2022. Please also disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company’s Response to Query 3:

| | The Group |
|---------------------------------|-------------------|
| | 30/06/2022 |
| | RMB’000 |
| Accrued expenses | 1,420 |
| Advances from a director | 15,194 |
| Advances payment from customers | 2,527 |
| Others | 384 |
| Other payables | 19,525 |

Other payables are mainly contributed by advances from a director. The advances are unsecured, interest-free and repayable on demand.

Query 4:

On page 6 of the Company’s 1H 2022 financial statements, the Company had received advances of RMB 1.3 million from a director who is considered an interested person of the Company under Listing Rule 904(4).

- a) Please identify the director involved;
- b) Please disclose whether the advances are secured or unsecured. Please also disclose the key terms of the advances, including interest rate, tenure and any other key conditions; and
- c) Please explain how the Company has complied with Listing Rule 905 or 906 with respect to obtaining advances from the director.

Company’s Response to Query 4:

The advances of RMB 1.3 million were received from the Non-Independent Non-Executive Chairman of the Company, Dr Lan Weiguang (“**Dr Lan**”), who is also the ultimate controlling shareholder of the Company. The advances are unsecured, interest-free and repayable on demand.

Pursuant to Rule 909 of the Listing Manual of the SGX-ST, in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In this respect, as the advances of RMB 1.3 million from Dr Lan were interest free, the value of the transaction is nil. Therefore, Rules 905 and 906 of the Listing Manual of the SGX-ST does not apply to the advances of RMB 1.3 million from Dr Lan.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

26 August 2022