

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 2021

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 2021 (“**Results Announcement**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 12 August 2021 (Announcement Reference: SG210812OTHRX1WU).

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

Query 1:

On page 4 of the Company’s 1H2021 financial statements for the period ended 30 June 2021, the Company disclosed Other payables and accruals amounting to RMB17.7 million as at 30 June 2021.

Please provide a breakdown and details of these other payable and accruals and elaborate on the reason why these payables are so material.

Company’s Response to Query 1:

The breakdown of other payables and accruals are as follows:

	30 June 2021	31 December 2020	Change	
	RMB’000	RMB’000	RMB’000	%
Accrued expenses	1,687	1,671	16	1%
Advances from a director	13,063	12,192	871	7%
Advance payments from customers	2,527	2,527	-	-
Other Payables	446	464	-18	-4%
	17,723	16,854	868	5%

The significant portion of the other payables and accruals is from advances from a director which are unsecured interest-free and repayable on demand.

Query 2:

On page 13 of the Company’s 1H2021 financial statements for the period ended 30 June 2021, the Company disclosed that “The Group’s revenue has decreased by RMB3.88 million to RMB8.84 million for the six months ended 30 June 2021 (“1H 2021”) compared to the corresponding period in 2020.”

Please elaborate on the reason for the 30% decline in revenue, in particular from the health and nutrition segment.

Company's Response to Query 2:

The decrease in revenue was mainly due to the company seeking higher margin opportunities in the sales and trading activities with the health and nutrition segment. Despite the decrease in revenue figure, the transition into sales and trading of higher margin products have resulted in an increase in gross profit of RMB 54,000 compared to the corresponding period. The gross profit margin for the health and nutrition segment has increased in 1H 2021 compared to the corresponding period.

Query 3:

On page 13 of the Company's 1H2021 financial statements, the Company disclosed that "The Group has recorded share of profit of associates of RMB1.1 million from Hebei Huawei Health Industry Co. Ltd ("Huawei") with North China Pharmaceutical Company (NCPC) for 1H 2021."

Please elaborate on the factors that affected the performance of Hebei Huawei which contributed a share of profit of RMB1.1 million for the 1H2021, which is material when compared to the Company's Profit before income tax of RMB118k.

Company's Response to Query 3:

Following the Group's successful investment into Huawei in 2020, a subsidiary of North China Pharmaceutical, the Group's share of Huawei's profits has been consolidated to the Group through equity method accounting starting May 2020 as share of profit from associates. In 1H 2021, the Group has recorded the full 6 month share of profit of associates compared to the 2 months in the corresponding period which resulted in the increase in the share of profit of associate. We expect this contribution to increase for 2021 when we consolidate the Group's full year share of Huawei's profit.

As the main product area of Hebei Huawei focus on the health and nutrition sector, Hebei Huawei's performance is closely tied with the overall growth of the market. Factors such as growing prevalence of various diseases due to unhealthy eating, rising demand of fortified food products, rising disposable income, and growing health consciousness and demand for nutritional supplements are driving the growth of the global Health and Nutrition industry. In China, an ageing population and increased spending on health is expected to further propel the industry forward.

Query 4:

On page 13 of the Company's 1H2021 financial statements, the Company disclosed that "Trade receivables has increased from RMB0.12 million by RMB4.88 million to RMB5 million as at 30 June 2021. This is greatly contributed by the Health & Nutrition segment."

Please elaborate on the reason why trade receivables from Health and Nutrition segment resulted in an increase in trade receivables by RMB4.88 million to RMB5 million as at 30 June 2021 when the Group's revenue has decreased by RMB3.88 million to RMB8.84 million mainly contributed by the Health and Nutrition segment.

Company's Response to Query 4:

The RMB4.88 million increase in trade receivables as at 30 June 2021, as compared to 31 December 2020 was mainly due to a sales proceeding of RMB4.08 million on 27 May 2021.

BY ORDER OF THE BOARD

**Dr Lan Weiguang
Non-Independent Non-Executive Chairman**

25 August 2021