

**SUNTAR ECO-CITY LIMITED**

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

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**CLARIFICATION ON THE ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2014**

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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 Unaudited Consolidated Results for the full year ended 31 December 2014 (“**Results Announcement**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 27 February 2015 (Announcement Reference: SG150227OTHR9S8O).

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

**SGX-ST’s Query:**

It is noted that the revenue for the year decreased by 75.3% to RMB10.2 million and cost of sales decreased by 76.2% to RMB 10.3 million compared to the corresponding period. In paragraph 8 of the Announcement, the Company disclosed that “Other receivables and prepayment decreased to RMB5.5 million from RMB9.5 million in FY2013 mainly due to collection of RMB8.3 million from the sale of technology know-how. The higher advance to suppliers offset the decrease partially. Trade payables increased to RMB13.1 million from RMB1.6 million mainly due to higher volume of purchases from suppliers.”

- (a) Noting that cost of sales amounted to only RMB10.3 million for the full year FY2014, please provide more details on the nature and reasons for the higher advance to suppliers. Please also elaborate on the impact of such higher advance to supplier on the Gross Profit Margin of the Company in the next reporting period and the next 12 months; and
- (b) Please disclose reasons for the increase in trade payables and explain for trade payables of RMB 13.1 million outstanding as at 31 Dec 2014 which exceeded total cost of sales for FY2014.

**Company’s Response:**

- (a) The higher advance to suppliers was due to advances to suppliers who provided raw material, equipment and services relating to research and development, production, inspection and quality control in relation to the production and sales of the new products. Based on the information stated in the Results Announcement where the sales of new products generated higher gross profit margin to the Company, the Company was of the view that the new products would continue to contribute to the gross profit to some extent in the next reporting period and the next 12 months. This is despite the fact that the Company still expects some downward pressure on the profit margin for the pharmaceutical industry in China in view of the current competitive market environment.
- (b) The Company received sales orders of new products and thus more raw material was purchased for the production of new products. Less payment were made to the suppliers under the period of review which accounted for the increase of trade payables. In January 2015, the Company has delivered/confirmed approximately 45% of the work-in-progress and finished goods.

**BY ORDER OF THE BOARD**

**Lan Chunguang  
Executive Director and Chief Executive Officer**

**13 March 2015**