SUNTAR ECO-CITY LIMITED
(Company Registration No. 200613997H)
(Incorporated in the Republic of Singapore)

CLARIFICATION ON THE ANNOUNCEMENT OF HALF YEARLY RESULTS ENDED 30 JUNE 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 half yearly results ended 30 June 2020 released to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 13 August 2020 (Announcement Reference: SG200813OTHRTAC7).

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

Query 1:

On page 2 of the Company's 1H2020 financial statements for the period ended 30 June 2020, the Company disclosed Other receivables and prepayments amounting to RMB1.523 million as at 30 June 2020 as compared to RMB7.884 million as at 31 December 2019. Please disclose the reasons for the decrease in Other receivables and prepayments.

Company's Response to Query 1:

	The Group	
	30/06/2020	**31/12/2019**
	RMB'000	**RMB'000**
Prepayments	**3**	**6**
Advances to suppliers	**-**	**24**
Advances to staff	**689**	**558**
Value added tax recoverable	**714**	**706**
Deposit	**-**	**6,378**
Others	**117**	**212**
Other receivables	**1,523**	**7,884**

Please find the table above as the details for Other receivables and prepayments. The main decrease in Other receivables and prepayments are due to the decrease of Deposit from RMB6.378 million as at 31 December 2019 to RMB0 as at 30 June 2020. The nature of the RMB6.378 million Deposit as at 31 December 2019 was a refundable deposit related to a proposed investment in the Health and Nutrition related business. The Deposit was subsequently converted to Investment in associates upon the completion of the investment in April 2020.

Query 2:

On page 8 of the Company's 1H2020 financial statements, the Company disclosed that "The improvements of revenue for 1H2020 has been mainly contributed by the new Health and Nutrition segment." Please elaborate on the factors that caused the 36% increase in revenue in the new Health and Nutrition segment. Please disclose the products that the Health and Nutrition segment is selling and how did these operations perform in comparison to previous period.

Company's Response to Query 2:

The 36% increase in revenue represents the Company's revenue increase compared to the previous period. The Health and Nutrition segment is a new segment set up following the shutdown of the Pharmaceutical Ingredients Products segment operating in a different market, and therefore not comparable.

The main business activity of the Health and Nutrition segment is from the trading of Health and Nutrition products produced by North China Pharmaceutical Hebei Huawei Health Industry Co., Ltd ("**Huawei**"), a subsidiary of North China Pharmaceutical Company ("**NCPC**"). As one of China's earliest SOEs that traces its beginnings to China's First Five-Year Plan, NCPC's operations had been historically focused on the Northern China market. The Company's investment into Huawei, is accompanied by the formation of a strategic partnership between the Company and NCPC in the Health and Nutrition business. The Company was able quickly ramp up trading operations of the Health and Nutrition segment upon gaining access to Huawei's portfolio of Health and Nutrition products, as well as the NCPC brand name.

Query 3:

The Company also disclosed that "The contribution towards the administrative cost reduction was mainly contributed by the reduction in staff and depreciation costs associated with the close down of the Pharmaceutical Ingredients Products segment." Please quantify these effects and also the administrative expenses incurred in the new Health and Nutrition segment.

Company's Response to Query 3:

	Continuing operations		**Discontinued operations**		**Total**	
	1H 2020	**1H 2019**	**1H 2020**	**1H 2019**	**1H 2020**	**1H 2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Staff costs	528	530	-	960	528	1,490
Depreciation	15	19	-	129	15	148
Amortisation	136	136	-	-	136	136
Office expenses	620	840	-	1,465	620	2,305
Administrative expenses	1,299	1,525	-	2,554	1,299	4,079

Please find the above table as the details of the Administrative expense for the continuing operations and discontinued operations. The discontinuation of the Pharmaceutical Ingredients Products segment has contributed to a decrease of RMB2.554 million in Administrative expenses for the group.

The administrative expenses incurred in the new Health and Nutrition segment is RMB0.126 million in marketing expenses for the purpose of business development, which is part of the RMB0.620 million in the office expenses from continuing operations.

Query 4:

The Company disclosed that "The Group had entered into structured deposits of RMB37.5 million in 1H2020 compared to no entry as at 31 December 2019." Please disclose the party that issued the structured deposits and the terms of the structured deposits and what are the risks of the underlying components in the structured deposits. Please also disclose the maturity date of the structured deposit.

Company's Response to Query 4:

The issuing banks of the structured deposits that the Company has entered into are reputable issuers in China. Please find below the issuers, terms and maturity dates of the structured deposits:

Product Name:	金钥匙安心得利 90 天
Issuer:	Agricultural Bank of China
Annualized return rate:	3.45%
Subscription amount:	RMB 1.00 million
Duration:	90 Days
Interest calculation time:	22 April 2020
Maturity date:	20 July 2020

Product Name:	"金雪球优悦"理财产品
Issuer:	Industrial Bank Co., Ltd
Annualized return rate:	3.60%
Subscription amount:	RMB 10.00 million
Duration:	3 Months
Interest calculation time:	10 April 2020
Maturity date:	08 July 2020

Product Name:	同利随心 E 理财产品
Issuer:	Industrial and Commercial Bank of China
Annualized return rate:	3.70%
Subscription amount:	RMB 26.45 million
Duration:	90 Days
Interest calculation time:	10 April 2020
Maturity date:	8 July 2020

Currently, the major banks in China have categorized their structured deposit products into 5 risk categories from PR1 to PR5. PR1 level represents the most conservative strategy with the lowest risk, while PR5 represents the most aggressive strategy with the highest risk. The structured deposit that the Company has entered into are all in the PR2 level, which are categorized in the medium-low risk level with a minimal chance of capital loss.

Query 5:

The Company disclosed that "The RMB21.3 million in investment in associate entry has been added to reflect the investment into Huawei as a revenue generating asset." Please explain why there is no contribution from associates after the acquisition of Huawei.

Company's Response to Query 5:

The contribution from associates after the acquisition of Huawei in April 2020 has been reflected by the RMB0.561 million in share of profit of associates for the months of May and June 2020.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

2 September 2020