

SUNTAR ECO-CITY LIMITED

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

CLARIFICATION ON THE ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014

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 Third Quarter and Nine Months ended 30 September 2014 (“**Results Announcement**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 7 November 2014 (Announcement Reference: SG141107OTHREA0U).

The Board wishes to provide the additional information in response to the SGX-ST’s query on Paragraph 8 as follows:-

SGX-ST’s Question 1:(a) “Income Statement”

- (i) It is noted that revenue decrease mainly due to the reduction of sales of existing products. Please elaborate on the reasons for the significant reduction of sales of existing products.
- (ii) It is noted that administrative expenses were higher due partly to higher research and development expenses of RMB488,000. Please provide breakdown of the main costs and provide details and stage of these development expenses.

Company’s response:

- (i) The revenue in FY2013 was from the Group’s previous products of 17a-epoxyprogesterone and Dehydrogenation oxidation which are pharmaceutical products of corticosteroids. The Company was facing high market competitive pressure and had been making losses for two (2) years due to the increase in raw material prices and decrease in gross profit margin. The Management was of the view that the market condition would worsen and decided to improve the technology and produce new products of 17alpha-Hydroxyprogesterone and Dexamethasone Sodium Phosphate which would derive higher gross profit margin to generate profit to the Company. Thus, the Company had reduced the production and sales of the previous products and focused on the research and development of the new products. In 3Q 2014, the Company began to sell the new products and generated positive gross profit. The new products are still in the process of further testing under the new technology in its manufacturing processes as at to-date.
- (ii) The main cost of the research and development expenses consisted of material used for testing and researching. For 3Q 2014, the research and development expenses amounted to RMB491,000 which comprised the following:
 - Material cost: RMB385,470
 - Labour cost: RMB84,424
 - Manufacturing overhead: RMB21,106

SGX-ST’s Question 2:(b) “Statement of Financial Position”

- (i) It is noted that other receivables and prepayment decreased mainly due to collection of RMB7.4 million from the sale of technology know-how. Please provide details of this “sale of technology know-how” and

why is the company selling its technology know-how. In addition, please confirm whether the Company has announced details of the sale in accordance with Listing Rule 1010.

(ii) It is noted that inventories increased due partly to the increase in purchase of raw materials for manufacturing of new pharmaceutical products. Please provide details of these new pharmaceutical products.

(iii) It is noted that properties under development increased due to acquisition of land use right of RMB13.4 million and related development cost. Please provide details of this development.

Company's response:

- (i) The nature of the "sale of technology know-how" referred to the sale of a type of advanced production methodology to an unrelated party in 2013 that could produce a better and higher quality of corticosteroids which could be used to reduce inflammation, to treat autoimmune conditions and to replace naturally occurring hormones. According to the contract of "sale of technology know-how" entered into between the Company and the buyer, the Company was required to provide knowledge of the advanced production methodology for the production of corticosteroids to the buyer. The obligation of the buyer is to keep this information confidential. The Company would continue to have the right to use the technology know-how and transfer the technology know-how to other interested buyers. The buyer does not own the exclusive right to use the technology know-how. The consideration of "sale of technology know-how" amounted to RMB11.4 million had been fully collected.

The Company started the development of technology know-hows and sourcing interested buyers since 2010. The selling of technology know-how would bring the Company profit and positive operating cash flow. The "sale of technology know-how" was a FY2013 transaction. The Company had announced the said transaction in its full year results announcement for the financial year ended 31 December 2013 on 28 February. As the "sale of technology know-how" was in the ordinary course of the Group's business, the details of the sale was not required to be announced in accordance with Listing Rule 1010.

- (ii) The new pharmaceutical products are 17alpha-Hydroxyprogesterone and Dexamethasone Sodium Phosphate which are two kinds of Glucocorticoid.
- (iii) The property under development namely, Wuping Lanjun project ("Lan Project") is located in Wuping County, Fujian province, People's Republic of China ("PRC"). The land area is approximately 3,800 square metre. The Company has incorporated a wholly-owned subsidiary, 武平兰郡房地产开发有限公司 (Wuping Lan County Real Estate Development Co., Ltd.) in Wuping County, PRC on 16 May 2014 with a registered capital of RMB8 million to undertake the major development business of the Lan Project.

BY ORDER OF THE BOARD

Lan Chunguang

Executive Director and Chief Executive Officer

24 November 2014