

SUNTAR ECO-CITY LIMITED

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

CLARIFICATION ON THE ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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 first quarter ended 31 March 2015 (“**Results Announcement**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 4 May 2015 (Announcement Reference: SG150504OTHRZHGL).

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

SGX-ST’s Query 1:

In paragraph 8 of the Announcement, the Company disclosed that “Trade payables increased to RMB15.6 million for 1Q 2015 from RMB11.4 million in FY2014, mainly due to higher purchases for the period under review.”

However, we note that trade payables amounted to RMB15.6 million although the total cost of sales is RMB8.3 million. Please elaborate on what the purchases relate to, and why are these purchases made and why the amount of trade payables has been increasing.

Company’s Response to SGX-ST’s Query 1:

The purchases related to the raw materials for the production of the Company’s new Glucocorticoid products, which was reflected in the increase of inventories from RMB19.9 million in FY2014 to RMB23.4 million in 1Q 2015. The increasing amount of trade payables were mainly attributed to higher volume of purchases made to meet higher production needs.

SGX-ST’s Query 2:

Please provide an update on the eco-tourism real estate development and management segment of the Company’s business as well as on the Suntar Eco-City development under paragraph 10 of the Announcement. Please disclose the state of the construction (if applicable), how the development will be funded, the timing of the revenue streams, the prospects of the development and the milestones of the development.

Company’s Response to SGX-ST’s Query 2:

The development of Suntar Eco-city is part of the Tourism Management Agreement entered into with Wuping Authorities in 2011.

As at 18 May 2015, the Company has completed nearly 30% of the development of the residential project of Suntar Eco-city. The Company will fund the development of the project through the use of its internal

funds. The sales of the said project is targeted to commence within the current financial year ending 31 December 2015 ("FY2015"). Barring unforeseen circumstances, the Company expects the said project to generate positive cash flow to the Company in FY2015.

SGX-ST's Query 3:

In paragraph 15 of the Announcement, the Company disclosed that "Please refer to the company's announcement through SGXnet on 14 November 2013 for the use of IPO proceeds."

- a. Please disclose any updates on the status on the use of proceeds, taking into consideration that it has been approximately 1.5 years ago since the last announcement.
- b. Please also confirm if the remaining S\$6.6 million of proceeds is still unutilized as we note that the cash balance as at 31 March 2015 is only RMB 3.968 million.

Company's Response to SGX-ST's Query 3:

- a. The Company wishes to confirm that there is no further update on the status on the use of proceeds. The Company will make announcement on the use of the IPO proceeds as and when the proceeds are materially disbursed.
- b. The Company wishes to confirm that the remaining S\$6.6 million of proceeds is still unutilized. Please note that there is structured deposit of RMB33.8 million as at 31 March 2015, which included the remaining S\$6.6 million of proceeds. We have disclosed the structured deposits with banks in Note 8 to the financial statements on page 56 of the Annual Report of 2014.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

19 May 2015