



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Suntar Eco-City Limited

Security: Suntar Eco-City Limited

Meeting details:

Date: 30 April 2019

Time: 2.00 p.m.

Venue: 10 Ang Mo Kio Street 65, #06-10 Techpoint, Singapore 569059

Company Description

Suntar Eco-City Limited is a Singapore-based investment holding company. The Company is focused on the sale of the products, 17alphaHydroxyprogesterone and Dexamethasone Sodium Phosphate. The Company operates through two segments: the pharmaceutical ingredients products segment and the property development segment. The Company's pharmaceutical ingredients products segment is engaged in the manufacturing and sale of hormone-type pharmaceutical products. The Company has obtained the land use right of parcel of land for residential property development of Lan County project in Wuping, Fujian, People's Republic of China. The Lan County (Residential project) has an approximate saleable area of approximately 9,210 square meters. The Company's subsidiary, Xi'an Reyphon Pharmaceutical Co., Ltd, is engaged in the production of pharmaceutical ingredients products. Its subsidiary, China Green Eco-Holdings Pte Ltd, is an investment holding company.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BKZ)

Q1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) Pharmaceutical ingredients:** It was mentioned in the chairman's statement that the group will shut down its production activities of the pharmaceutical ingredients products segment in the current financial year. This is news to shareholders. **Can the board confirm that the decision to do so was just made? Did the board approve the move to shut down the production? What was the level of due diligence carried out by the board, especially the independent directors?**
- (ii) Real estate development:** **Can management confirm that there are no longer any real estate development activities being carried out?** On the balance sheet, the group recognised carrying value of RMB13.8 million for its property held for sale.
- (iii) Bottled water:** **Can management provide shareholders with an update of the market entry plans for the bottled water business? What is capacity of the plant and how will the group be scaling up this business?**

Q2. On 14 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 1 March 2019) and the audited financial statements for FY2018 after the finalisation of audit.

The material adjustments were due to, inter alia:

- Reclassification of administrative expenses to other operating expenses in the amount of RMB125,000
- Expenses relating to a further RMB713,000 allowance for inventories made in the audited financial statements
- Expenses relating to an impairment of intangible assets in audited financial statements
- Revised estimated selling prices of finished goods so further allowance for inventories have been made
- Fully impaired the remaining carrying value of the intangible asset as this asset related to the Group's pharmaceutical ingredients products segment where management has taken steps to shut down its manufacturing activities
- Reclassification of trade payables to other payables to the amount of RMB13.1 million

The changes were as large as RMB13.1 million.

In fact, the company has had to make material adjustments after the finalisation of audit in the past 3 years, i.e. for the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016.

The audit committee (AC) comprises Mr Foong Daw Ching (as chairman), Mr He Kaijun and Dr Lan Weiguang.

In particular, Mr Foong Daw Ching, the AC chair, is formerly a senior partner of Baker Tilly TFW LLP and the former Chairman of Baker Tilly International, Asia Pacific Region. Mr Foong has more than 30 years of audit experience. Mr Foong is a Fellow of The Institute Of Chartered Accountants in England and Wales, a Fellow of the Institute of Singapore Chartered Accountants and a Fellow member of CPA Australia.

- (i) Can Mr Foong help shareholders understand his personal involvement in the preparation and the audit of the financial statements?**
- (ii) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (iii) Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iv) Would the members of the AC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (v) Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**

Q3. The company was placed on the Watch-list under the MTP criterion pursuant to Rule 1311(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited on 5 June 2017.

The company would be required to take active steps to meet the requirement of Listing Rule 1314(2) within 36 months from 5 June 2017, failing which the Exchange would delist the company or suspend trading in the company's shares with a view to delisting the company.

Rule 1314(2) requires the company to achieve a volume-weighted average price of at least \$0.20 and an average daily market capitalisation of \$40 million or more over the last 6 months.

The company currently has a market capitalisation of \$9.4 million based on 6-month volume weighted average price of \$0.14864 per share.

In the last update on 1 March 2019, the company has stated that it is still *"actively considering various options to meet the requirements of Rule 1314(2)"*.

- (i) **Would the board update shareholders on the deliberations it has had with regard to exiting the watch-list?**
- (ii) **What are the options available to the group given that it has 36 months from 5 June 2017 to meet the MTP exit criteria? Given that the market capitalisation is more than 75% below the minimum market capitalisation, how feasible is it for the group to meet the threshold?**
- (iii) **In addition, has the board/management evaluated the cost to the group as a result of it being watch-listed by the Exchange?** For instance, the risk of being delisted would negatively impact the share price and this would make fund raising more difficult and more costly. In addition, the company's shares are no longer investable under CPF funds. There might also be reputational risks as suppliers and customers may be concerned with the company's status as a listed company when it is on the watch-list.

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Suntar%20Eco-City%20Ltd&cid=6707,4641>

The company's response could be found here: -----