

SUNTAR ECO-CITY LIMITED

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

RESPONSES TO QUESTIONS RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RELATION TO THE ANNUAL REPORT 2023

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 full yearly results ended 31 December 2023 (“**FY2023**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 11 April 2024 (Announcement Reference: SG240411OTHRW4OY).

The Board wishes to provide the additional information in response to the Questions as follows: -

Query 1:

Since its listing on SGX in 2007, the company has transitioned from its pharmaceutical ingredients products business to focus on eco-tourism and real estate development and management. Presently, the company operates in two divisions: the property development segment and the health and nutrition segment.

In FY 2023, the group's revenue increased by RMB 19.63 million to RMB 35.42 million, primarily attributed to the Health and Nutrition segment, which contributed RMB 34.27 million. This growth was complemented by the steady expansion of the bottled water business and the increasing revenue from the health supplements segment, driven by the deepening of channels and product diversification efforts.

(i) Can management provide an overview of the group’ s health and nutrition business? What are the brands and the major products, such as nano purified water and nutrition products? Please also include details about the business model, the value proposition and the current scale of the business.

(ii) What are the URLs to the brands’ website(s), social media pages, ecommerce storefronts, and any mobile application?

(iii) Would the board consider including these details in future annual report?

(iv) What are the profiles of the two major customers, each contributing more than 10% of the group’s total revenue? What was the total amount generated from the two major customers in 2023?

(v) Is the group fully dependent on North China Pharmaceutical Hebei Huawei Health Industry Co., Ltd for the supply of its products? What was the contribution by Fujian Liangye?

(vi) Has management developed its expansion plans to bring its products to Southeast Asia and other markets?

Company’s Response to Query 1:

(i) The health and nutrition business primarily focuses on products related to wellness and nutrition. Our major products currently consist of bottled water and health supplements.

Our bottled water brands include Doctor Blue(藍博士), Ke Jia Huan(客家欢), and Nano Purified Water(納濾甘泉). For health supplements, we offer North China Pharmaceutical Hebei Huawei Health(华北制药).

In terms of our business model, we are involved in both the production and trade of bottled water. Regarding health supplements, they are products of our joint venture company, North China Pharmaceutical Hebei Huawei Health Industry Co., Ltd. The company leverages the production

capabilities, sales network, and product marketing expertise of our joint venture to distribute these health supplements.

Our value proposition is centered around the creation of an ecosystem where consumers can access high-quality, healthy bottled water and supplements to support their well-being.

In 2023, our revenue reached RMB 35.42 million, indicating significant growth from the 15.79 million revenue in 2022.

(ii) The brand's website is available at <http://www.hbzyhwjk.com/>. They also have a presence on WeChat Official Account, WeChat Mini Program, TikTok Flagship Store, Kwai Flagship Store, and Jingdong Flagship Self-operated Store. These platforms are widely popular in China.

(iii) As business progresses, these details will be disclosed in future annual reports, as deemed appropriate by the board.

(iv) Two major customers contributing over 10% of the group's total revenue are Lichuan Chuan Yi Trading Co., Ltd.(利川市川毅商贸有限公司) and Ningbo Xia Qi Trading Co., Ltd.(宁波霞琦商贸有限公司). Lichuan Chuan Yi Trading Co., Ltd. was registered on June 23, 2021, with a registered capital of 100 million RMB. It is registered in Lichuan City and engages in food sales, daily necessities sales, and more. Ningbo Xia Qi Trading Co., Ltd. was registered on March 9, 2022, with a registered capital of 70 million USD. It is registered in Ningbo City, and operates in the import and export of goods, procurement agency services, among others.

The total amount generated from the two major customers in 2023 is RMB 31.87 million.

(v) Huawei supports us with their health supplement product line while Fujian Liangye contributes through its bottled water product lines. The group does not solely rely on North China Pharmaceutical Hebei Huawei Health Industry Co., Ltd for the supply of its products. While we do have a strategic partnership with Huawei, it's essential to highlight that our relationship is built on strategic investment rather than sole dependency. Huawei Health Industry Co., Ltd. offers mature products, established sales channels, and strong brand recognition and loyalty. Leveraging their products and distribution channels allows us to enter the health and wellness market more efficiently, minimizing risks and maximizing opportunities.

Regarding Fujian Liangye, it plays a crucial role in our diversification strategy. With its access to water sources and established local sales networks, we strategically focus on Fujian Liangye area for our bottled water products. As bottled water sales typically require extensive distribution networks due to high transportation costs and limited sales radius, concentrating efforts on Fujian Liangye area enables us to capitalize on existing infrastructure and gradually expand our market presence. Our approach ensures prudent resource allocation, effective market penetration, and sustainable growth in both product lines.

(vi) Management is actively planning to expand its product presence into Southeast Asia. This process involves thorough evaluations of logistical considerations, compliance with local regulations, and detailed analyses of the target customer demographics in each region.

Query 2:

In the property development segment, the group generated RMB 1.15 million from sales of the Lanjun County residential project. The carrying value of "Completed properties for sale" amounted to RMB9.5 million as at 31 December 2023 (Note 11 Completed properties for sale; page 71).

(i) How many units of the 四季花园 project remain unsold as at the end of the reporting period?

(ii) What are the current trends in property prices in 龙岩市 (Longyan City)?

(iii) Can management help shareholders better understand the current sentiments among buyers in the cities where the group operates? How strong are these sentiments and why does the group expect a "favourable homebuyer response" despite media reports indicating ongoing and prolonged market weakness in China?

(iv) In addition, can management clarify whether the RMB1.15 million of sales recognised in the 2023 consolidated financial statements originated from the Lanjun County residential project? Is that the same project as the “Lanjun Jiangnan” project launched by the group’s indirect associate, Wuping Hailan Real Estate Development Co., Ltd.?

Company’s Response to Query 2:

(i) Unsold units as at the end of the reporting period are as follows:

Category	Unsold units
Residential units	4
Commercial shops	10
Parking spaces	21
Total	35

(ii) In the context of China's stabilized real estate market, Premier Li Qiang emphasized the need for further policy optimization during a recent State Council meeting in March 2024. This underscores the ongoing efforts to ensure timely housing delivery, protect livelihoods, and maintain stability. Measures are being taken to enhance coordination in urban real estate financing and stimulate potential demand through supportive policies.

According to real estate transaction data, the average selling price of residential properties in Longyan City was RMB 11,600 per square meter in the first quarter of 2024, reflecting overall stability.



(iii) The current sentiments among buyers in the cities where the group operates reveal a preference for high-quality properties with nearby educational and medical facilities, similar to our Lanjun Jiangnan project.

While media reports in China often highlight a cooling trend in speculative real estate activities, there remains robust demand for genuinely needed homes, particularly in desirable school districts. Our confidence in the "favorable homebuyer response" stems from our project's strategic positioning and positive pre-sale feedback.

Located in North Yihao Gongguan, Wuping County, Qifang Community of Pingchuan Street, Longyan City, Fujian Province, China, Lanjun Jiangnan benefits from its prime location. It provides convenient access to essential amenities, including educational and healthcare facilities. Recognized as school district housing, the project caters to the demand for quality education. Moreover, Lanjun Jiangnan boasts upscale amenities such as street-facing storefronts, household water purification systems, and intelligent security features, enhancing its appeal.

The project has seen promising pre-sale performance. As of the end of 2023, the residential take-up rate has exceeded 70%, with an overall take-up rate surpassing 60%. Hence, we maintain our confidence in the project's success.

(iv) The RMB1.15 million of sales originated from the Lan County residential project, which is distinct from the "Lanjun Jiangnan" project initiated by our indirect associate, Wuping Hailan Real Estate Development Co., Ltd. The Lan County project specifically refers to the 四季花园 project.

Query 3:

On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced that it will limit the tenure of independent directors (IDs) serving on the boards of listed issuers to nine years. This stemmed from recommendations by the Corporate Governance Advisory Committee (CGAC). There was broad market support for this change during the public consultation carried out by SGX RegCo.

Mr Foong Daw Ching, having served on the board since 19 June 2007, will step down as independent director at the conclusion of the forthcoming annual general meeting as he will no longer be deemed independent.

Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.

(i) Has the nominating committee (NC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?

(ii) Having already identified the new director, what are the reasons for the delayed appointment of Mr Hu Yu Gan to until after the AGM? Is it considered good practice to defer a director's appointment and re-election to the next AGM when the decision to appoint him has been made before this year's AGM?

(iii) Is the NC appointing a second (or more) ID to the board to ensure compliance with Provision 2.2 of the Code of Corporate Governance 2018 which stipulates that independent directors must constitute a majority of the board where the chairman is not independent?

(iv) Alternatively, has the NC evaluated the benefits of appointing an independent chairman to lead the board?

Company's Response to Query 3:

(i) The Nominating Committee (NC) regularly reviews the competency matrix of the board to ensure alignment with the evolving needs of the Company. Presently, the Board comprises members with core competencies in Accounting and Audit, Business Management and Strategic Planning, and Relevant Industry Knowledge and Experience.

The Board considers the current composition as sufficiently competent, given the diverse backgrounds and professional expertise of its members. This mix enables effective decision-making critical to achieving the Group's objectives.

However, recognizing the dynamic nature of the business environment, the Company remains committed to enhancing diversity efforts. The Nominating Committee and the Board acknowledge that the skill-set and core competencies required may evolve over time. Therefore, they continuously evaluate and remain prepared to supplement the board with individuals possessing the necessary backgrounds to address future needs.

The NC and the board had identified a potential candidate, Mr Hu Yu Gan to be appointed as a lead independent director of the company with effect from 1 May 2024. Mr Hu Yu Gan will be also appointed as the chairman of the audit committee, and member of NC and remuneration committee respectively.

(ii) The decision to appoint Mr. Hu Yu Gan after the AGM was made to ensure a thorough transition process and allow him sufficient time to familiarize himself with our business operations and company culture, enabling him to integrate smoothly into the Board and contribute effectively from the outset. This

practice reflects our commitment to prudent governance and ensures that all director appointments are made thoughtfully, considering the long-term objectives of the Company.

(iii) Mr Pan Shi Mo will serve as the independent Chairman of the Board, effective on 1 May 2024. Mr Pan will remain as independent director so the appointment of Mr Hu will constitute the appointment of the second ID. With an independent director serving the role of board chairman, the Company remains compliant with Provision 2.2 of the Code of Corporate Governance 2018.

(iv) Mr Pan Shi Mo will be appointed as the Independent Chairman and Independent Director after careful consideration by the board, effective on 1 May 2024. Mr Hu Yu Gan will be appointed as the Lead Independent Director, effective on 1 May 2024. The NC has thoroughly evaluated the benefits of appointing an independent chairman to lead the board.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

24 April 2024