



SINOSTAR PEC HOLDINGS LIMITED

(Company Registration No.: 200609833N)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "Board") of Sinostar PEC Holdings Limited (SGX: C9Q) ("Sinostar PEC" or the "Group"), together with its subsidiaries, the "Group") wishes to announce the following responses to queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 27 April 2021 in relation to the Company's Annual Report for the financial year ended 31 December 2020 (the "Annual Report"):

SGX-ST's Query

Listing Rule 1207(10) states the board must comment on the adequacy and effectiveness of the issuer's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. A statement on whether the audit committee concurs with the board's comment must also be provided. Where material weaknesses are identified by the board or audit committee, they must be disclosed together with the steps taken to address them. Please provide the board's comment on the adequacy and effectiveness of the issuer's internal controls and risk management systems.

Company's Response

The Company refers to page 57 of the Statement of Corporate Governance of the 2020 Annual Report under the section "Risk Management and Internal Controls" and wishes to re-affirm the Board's comment in compliance with Rule 1207(10) of the SGX-ST Listing Manual:

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and the documentation on the Group's key risks referred to above, reviews performed by Management, AC and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational compliance and information technology controls and risk management systems, were adequate as at 31 December 2020. This is in turn supported by assurance from the CEO and the Chief Financial Officer that:

(a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and are in accordance with the relevant accounting standards; and

(b) they have evaluated the effectiveness of the Company's internal controls and have discussed with the Company's external and internal auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of the risk management and internal controls systems which could adversely affect the



Company's ability to record, process, summarise or report financial data and that the risk management and internal control systems are adequate and effective.

SGX-ST's Query

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team. Please provide the information as required.

Company's Response

The Audit Committee has outsourced its internal audit function to BDO LLP, which is an established international auditing firm. BDO conducts their internal audits based on the BDO Global Internal Audit Methodology which is consistent with the International Professional Practices Framework established by the Institute of Internal auditors.

The BDO LLP Engagement Partner has more than 20 years of audit and advisory experience and is a Chartered Accountant (Singapore), Certified Internal Auditor and Certified Information System Auditor. BDO performs outsourced internal audits of several listed companies, government bodies and regulated entities. Members of the internal audit team also have relevant academic qualifications, professional certifications and internal audit experience.

The Audit Committee is hence satisfied that the outsourced internal audit function is adequately staffed by suitably qualified and experienced professionals based on the internal audits conducted for FY2020.

SGX-ST's Query

Provision 8.1(a) of the Code of Corporate Governance 2018 requires that the company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of each individual director and the CEO. Please comply with or explain variations from the Provision.

Company's Response

As set out on page 56 of the Annual Report, the Company has disclosed the remuneration for Directors and Key Executives in bands of S\$250,000 instead of full detail as the Board believes that such disclosure presentation provides sufficient overview of the remuneration of the Directors and Key Executives, considering the confidentiality of remuneration matters.

The Board is of the opinion that the information disclosed would be sufficient to the shareholders for their understanding of the Company's compensation policies as remuneration matters are commercially sensitive information and thus may be prejudice to the Group's interest if such information are disclosed.



Notwithstanding the above, the Company has further set out information regarding its remuneration policies, procedures for setting remuneration and relationships between remuneration, performance and value creation under provisions 6 and 7 in its report on corporate governance (from page 54 to page 55 of the 2020 Annual Report). Accordingly, the Company is of the view that its practices are consistent with the intent of provision 8 of the Code.

By Order of the Board

Tan Chee How
Company Secretary