

SUNTAR ECO-CITY LIMITED

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

RESPONSE TO SGX QUERY ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 SGX-ST's queries as follows: -

Query 1:

We note that the Company had engaged Xiamen Heyu Certified Public Accountant (CPA) Ltd as the internal auditors for the Group (“**IA**”).

(a) Please disclose (i) the size of the IA; (ii) the qualifications, experience and track record of the IA and the IA Partner; (iii) whether the IA Partner is a member of any professional body for internal auditors and if so, please provide the relevant details; and (iv) the experience and track record of the professionals involved in the IA function of the Group; and (b) Please disclose whether the IA Partner has prior experience providing IA services to listed entities in the People’ s Republic of China and elsewhere, as well entities of similar industry and size of operations as the Company; (c) Please disclose whether the standards applied by the IA comply with the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors; and (d) Please justify how is the IA suitable to be appointed as internal auditors for the Group.

Company's Response to Query 1:

(a) (i) Established in March 2000, Xiamen Heyu Certified Public Accountant (CPA) Ltd. (Xiamen Heyu) has been in the public accounting services sector for more than two decades. Currently, Xiamen Heyu has 10 Certified Public Accountants, 9 Certified Tax Agent, 3 Certified Public Assets Valuer, 1 Senior Accountant and 12 Accountants among other staff, with a total employment of 26 staff in China.

(ii) (iii) The IA holds qualifications recognized by the Fujian Provincial Department of Science and Technology and the Xiamen Municipal Bureau of Science and Technology, specializing in special audits for high-tech enterprise certification since 2012. Additionally, they are recognized as a professional organization entrusted by the Supreme People's Court for external professional personnel information platform and the Xiamen Intermediate People's Court for judicial technology professional organizations.

Xiamen Heyu has extensive record in the business, including clientele such as Justice Bureau of Xiamen, Xiamen Post and Communication Office, ZhongShan Affiliated Hospital Xiamen University.

As for the IA Partner, both the auditors (Mr Lu Weijun and Mr Niu Yongquan) are Certified Public Accountants of China. Mr Lu Weijun graduated from Xiamen University with a degree in Accountancy and has been working in the auditing industry since 1995. Mr Niu Yongquan also holds a degree in Accountancy and has been working in the auditing industry since 2006.

Professionals involved in the IA function of the Group include Mr. Dong Junrong, who graduated from Dongbei University of Finance and Economics with a degree in Accounting. He holds qualifications as a Certified Public Accountant and Certified Tax Agent and has 24 years of professional experience. Mr. Niu Yongquan, a graduate of Xiamen University in Accounting, holds qualifications as a Certified Public

Accountant and Certified Tax Agent, with 27 years of professional experience. Notable recent audits include Zhongjun Heavy Industry (Xiamen) Co., Ltd., the Office of the Communist Party of China in Siming District, Xiamen, and the Housing and Urban-Rural Development Bureau of Zhangzhou City.

(b) The IA Partner has serviced various Chinese listed companies, including those such as XIAMEN COMFORT SCIENCE&TECHNOLOGY GROUP Co., Ltd.(厦门蒙发利科技(集团)股份有限公司), Zhangzhou Kibing Glass within ZHUZHOU KIBING GROUP Co., Ltd(旗滨玻璃), BEIJING DABEINONG TECHNOLOGY GROUP Co., Ltd.(大北农科技), FUJIAN AONONG BIOLOGICAL TECHNOLOGY GROUP Co., Ltd.(傲农科技), South China Paper Mill within SHANYING INTERNATIONAL HOLDINGS Co., Ltd (华南山鹰纸业), and LIANSHENG PAPER Co., Ltd.(联盛纸业). Xiamen Comfort Science&Technology Group operates in the healthcare industry.

(c) The internal auditor follows closely the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing”set by The Institute of Internal Auditors.

(d) To provide the basis for the Audit Committee’s views:

Adherence to Professional Standards:

The internal auditor follows closely the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing (“IIA”) set by The Institute of Internal Auditors.

Independence:

The internal audit team, independent of the Company’s daily operations and accounting functions, have unfettered access to all the Company’s documents, records, properties and personnel, including access to the AC.

Reporting Structure:

The Internal Auditor reports directly to the Chairman of the AC on all internal audit matters.

Review and Approval:

The internal audit plan for FY2023 was reviewed and approved by the AC. The Internal Auditors completed its FY2023 audit review in accordance with the internal audit plan. The findings and recommendations of the Internal Auditors, Management’s responses, and Management’s implementation of remedial actions were reported to the AC.

Query 2:

We note that Mr. Foong Daw Ching has served on the Board of the Company for more than 9 years and will be re-designated as a Non-Executive Non-Independent Director at the conclusion of the forthcoming Annual General Meeting on 29 April 2024. Following his re-designation, Mr. Hu Yu Gan would be the only independent director resident in Singapore. While the Company is incorporated in Singapore, the Group’s operates mainly in the People’s Republic of China. Please disclose whether the Company intends to appoint a new independent director who is resident in Singapore, as required Listing Rule 221 which provides that a foreign issuer must have at least 2 independent directors, resident in Singapore.

Company’s Response to Query 2:

Pursuant to Rule 221 of the Listing Manual of the SGX-ST, a foreign issuer must have at least two independent directors, resident in Singapore. However, the Company is incorporated in Singapore, and the majority of its directors are also residents of Singapore, hence it is not considered as a foreign issuer according to the Listing Manual of the SGX-ST. Nevertheless, we acknowledge the importance of maintaining a diverse and independent board, and we are actively seeking to appoint another independent director residing in Singapore. In addition to Mr. Hu Yu Gan, we had identified a candidate based in Singapore. However, due to stringent regulations imposed by her current financial institution regarding serving as a director for other companies, she was unable to accept the position as our independent director. Despite this setback, we remain committed to our search for a suitable candidate and will continue our efforts to fulfill the requirement.

Query 3:

We note that the board diversity related disclosures on page 15 of the FY2023 Annual Report have not complied with Listing Rule 710A(2), which requires an issuer to describe certain aspects of its board diversity policy in its annual report, including (i) its targets to achieve diversity on its board; (ii) its accompanying plans and timelines for achieving the targets; (iii) its progress towards achieving the targets within the timelines; and (iv) a description of how the combination of skills, talents, experience and diversity of its directors serves its needs and plans. Please disclose the relevant information as required under Listing Rule 710A(2).

Company's Response to Query 3:

As described in page 15 of the Annual Report 2023, the Company has adopted a formal Board Diversity Policy setting out its policy, framework and objectives for promoting diversity on the Board. In accordance with Listing Rule 710A, on December 20, 2022, the Board passed a resolution approving the adoption of a formal Board Diversity Policy, as detailed in page 15 of the FY2023 Annual Report. This policy outlines our framework and objectives for promoting diversity on the Board.

The main objective of the policy is to have the appropriate balance of skills, experience, knowledge and other aspects of diversity on the Board to support the long-term success of the Group.

On having diversity of skills and knowledge:

The current Board comprises of members with the following core competences:

- Accounting and Audit
- Business management and strategic planning
- Relevant industry knowledge and experience

Please refer to pages 6 to 7 of the Annual Report.

As per the Board Diversity Policy, the Board has achieved its objectives of ensuring diversity of skills and experience, as the current Board members possess a mix of professional accounting and diverse backgrounds. The Board and Nominating Committee believe that the target for overall diversity has already been met, with the present size, structure, and composition of the Board and its committees providing adequate diversity and independence. The directors bring their diverse professional expertise to discussions and decision-making, resulting in efficient and effective outcomes that are critical to meeting the Group's objectives. The company aims to maintain a satisfactory level of diversity of the board.

Although the Board and Nominating Committee believe that the Board has achieved its diversity targets, the Company strives to continuously improve our diversity efforts. In line with the commitment, during recent evaluations for new Independent Director appointments, the Nominating Committee recommended a female candidate. This decision underscores our commitment to prioritizing professional diversity while also considering gender diversity, aligning with our ongoing efforts to strengthen board composition.

The Nominating Committee and the Board however, recognize that skill-set and core competencies required of the Board may change over time as the business of the Group develops, hence any progress made towards our Board Diversity Policy will be disclosed in our future Corporate Governance Report, as appropriate.

Query 4:

Listing Rule 1207(9) requires the annual report to contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including, inter alia, the percentage of shareholding held in the hands of public and confirmation that Rule 723 is complied with. Please clarify whether the Company had disclosed such information in its FY2023 Annual Report and if so, please provide the page reference.

Company's Response to Query 4:

The Company complied with Rule 723. However, due to administrative issues, the required information, including the percentage of shareholding held by the public and confirmation of compliance with Rule 723, was inadvertently omitted. The page should have contained this information, as follows:

SHAREHOLDERS' INFORMATION AS AT 18 MARCH 2024

Total number of issued shares excluding treasury shares and subsidiary holdings	:	62,759,999
Total number of treasury shares	:	Nil
Total number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of ordinary shares outstanding: 0.00%

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 18 March 2024

Name	No. of Ordinary shares			
	Direct Interest	%	Deemed Interest	%
Suntar Investment Pte. Ltd.	47,213,600	75.23	-	-
Sinomem Technology Pte. Ltd. ⁽¹⁾	-	-	47,213,600	75.23

Notes:

1. Sinomem Technology Pte. Ltd. ("**Sinomem**"), holds not less than 20% interests in Suntar Investment Pte. Ltd. ("**Suntar Investment**"), is deemed to be interested in the shares held by Suntar Investment.

Clean Water Investment Limited, holds the entire issued share capital of Sinomem which is the majority shareholder of Suntar Investment, is deemed to be interested in the shares held by Suntar Investment.

Dr Lan Weiguang holds not less than 20% interests in Clean Water Investment Limited, which in turns hold 100% of the issued share capital of Sinomem, is deemed to be interested in the shares held by Suntar Investment.

FREE FLOAT

As at 18 March 2024, approximately 24.48% of the Company's total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) of the Company was held in the hands of public.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST which requires at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed at all times held in the hands of the public.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive Chairman

22 April 2024