

SUNTAR ECO-CITY LIMITED

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

CLARIFICATION ON THE ANNOUNCEMENT OF THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “Board”) of Suntar Eco-City Limited (the “Company” or together with its subsidiary, the “Group”) refers to the announcement released by the Company of its Annual Report for the financial year ended 31 December 2020 to the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 15 April 2021 (Announcement Reference: SG210415OTHRSSDK).

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

Query 1:

Listing Rule 1207(10C) requires the Audit Committee’s comments on whether the internal audit function is independent, effective and adequately resourced. The Company disclosed that the Company had engaged Xiamen Heyu Certified Public Accountant (CPA) Ltd as its internal auditors for the Group. Please provide information on the relevant experience of Xiamen Heyu Certified Public Accountant (CPA) Ltd. and the engagement team and also disclose the standards that are applied in the internal audit review.

Company’s Response to Query 1:

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, 8 Certified Tax Agent, 3 Certified Public Assets Valuer, 1 Senior Accountant and 12 Accountants and other staff, with a total employment of 26 staff in China. 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 internal audit team, 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.

The internal audit procedures performed by Xiamen Heyu for the Company follows the China “Enterprise Internal Control Audit Guide” and the “Practice Standards for Certified Public Accountants of China” which have no material difference from the relevant guidelines and standards of the International Financial Reporting Standards (IFRS).

Query 2:

If there are material discrepancies between the issuer's interim full year results and its audited full year results, the issuer is required to disclose and explain the material discrepancies via an SGXNET announcement under Listing Rule 704(6).

Please explain the material discrepancy in the values in: (a) the Company's Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows found on page 38 and 40 of the FY2020 Annual Report respectively; and (b) the Company's full year financial statements for FY2020. Please also explain how the Company has complied with Listing Rule 704(6).

Company’s Response to Query 2:

Please refer to the announcement in relation to the Discrepancies Between Unaudited And Audited Accounts released on 15 April 2021 (Announcement Reference: SG210415OTHR6I03).

Query 3:

It is disclosed on page 13 of the Company's FY2020 Annual Report that Mr Foong Daw Ching has served the Board beyond nine (9) years. The Company has not indicated that a rigorous review of Mr Foong Daw Ching's independence had been conducted. As per Paragraph 2.4 of the Code of Corporate Governance 2012, please clarify whether Mr Foong Daw Ching's independence as Independent Director of the Board has been subject to particularly rigorous review and provide the Board's explanation on why Mr Foong Daw Ching should be considered independent in spite of the long tenure of more than 9 years as directors of the Company.

Company's Response to Query 3:

Notwithstanding that Mr Foong Daw Ching has served the Board beyond 9 years, the Nominating Committee, with the concurrence of the Board by conducting the rigorous review that Mr Foong Daw Ching has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, and is satisfied that Mr Foong Daw Ching has been able to objectively guide and oversee the Management of the Group, provide the check and balance required, and also exercise an independent business judgement in the best interests of the Company. In this respect, Mr Foong Daw Ching be considered independent in spite of the long tenure of more than 9 years as directors of the Company by the Board.

Further, as disclosed in page 13 of the Annual Report 2020, Mr Foong Daw Ching had sought shareholders' approval in the annual general meeting held on 29 June 2020 on his continuity appointment as an Independent Director pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST and to Provisions 2.1 of the Code of Corporate Governance 2018, and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third annual general meeting of the Company.

Query 4:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration (e.g. the exact remuneration of each individual director and CEO on a named basis (to nearest thousand dollars), the disclosure of key management's remuneration and the upper limit of the highest remuneration band for key management), in particular the remuneration for Mr Lan Yihong was not disclosed. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response to Query 4:

With the reference to the Company Annual Report 2020, it was disclosed that Mr Lan Yihong's remuneration for FY2020 was Nil. Furthermore, it was disclosed that the aggregated total remuneration paid to the key management personnel (who are not Directors) for the FY2020 was Nil.

As disclosed in pages 18 and 19 of the Annual Report 2020, in setting remuneration packages, the Remuneration Committee takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the Remuneration Committee ensures that the performance related elements of remuneration form a significant part of the total remuneration package of the Executive Director and is designed to align the Executive Director's interest with those of shareholders and link rewards to corporate and individual performance. In addition, the Remuneration Committee is responsible for the review of compensation commitments to the service agreements, if any, entail in the event of early termination to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The remuneration of the Directors and key management personnel are set out in incremental bands of S\$250,000 with further analysis showing the composition between Salary; Bonus; Directors' fees; and Incentive and other benefits.

By Order of the Board

Dr Lan Weiguang
Non-Independent Non-Executive Chairman
29 April 2021