



SINOSTAR PEC HOLDINGS LIMITED

(Company Registration No.: 200609833N)

RESPONSE TO SGX QUERY ON UNAUDITED FINANCIAL STATEMENT FOR THE FIRST HALF AND SECOND QUARTER ENDED 30 JUNE 2021

The Board of Directors (the “Board”) of Sinostar Pec Limited (“Company” and together with its subsidiaries, the “Group”) refer to the query raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 23 August 2021, and wish to provide the following information in response to the Company’s Unaudited Financial Statement for The First half and Second Quarter Ended 30 June 2021:-

1. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS: Cash flows from operating activities: Depreciation of property, plant and equipment (“PPE”): RMB68,136,000

SGX’s Query: Explain the decrease in depreciation from RMB100,127,000 to RMB68,136,000, when there was only minimal disposal of PPE of RMB73,000 and acquisition of PPE amounting to RMB27,400,000.

Company’s Response:

(Note: The Group has recently released an announcement on its revised Second Quarter and/or Half Yearly Results. The revised depreciation in the Condensed Interim Consolidated Statement of Cash Flows are RMB58,659,000 (instead of RMB 100,127,000) for 1H2020 and RMB68,136,000 for 1H2021.)

The increase in depreciation from RMB58,659,000 in 1H2020 to RMB68,136,000 in 1H2021 is mainly due to the transfer of a new plant from WIP to Plant and Machinery in Dongming Hengchang, contra by assets in Dongming Changshun approached their fully amortised stage.

	RMB
<u>Reconciliation</u>	
Total depreciation for 1 January 2020 to 30 June 2020	58,659,000
Variance in depreciation comparing 1H2021 and 1H2020:	
- Hengchang	12,719,000
- Changshun	(3,507,000)
- Qianhai	265,000
Total depreciation for 1 January 2021 to 30 June 2021	<u>68,136,000</u>

By Order of the Board

Li Xiang Ping

Executive Chairman and CEO