



**Shanghai Turbo**

**SHANGHAI TURBO ENTERPRISES LTD.**

No.9 Yinghua Road, Zhonglou Economic Development Zone  
Changzhou, Jiangsu Province, 213016, the PRC

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**SHANGHAI TURBO ENTERPRISES LTD.**  
**Registration No. CT-151624**  
**(Incorporated in the Cayman Islands)**  
**AND SUBSIDIARIES**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
30 June 2023



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**A. Condensed consolidated statement of profit or loss and other comprehensive income**

	Note	The Group		
		6 months ended 30 June 2023	6 months ended 30 June 2022	Change +/( -)
		RMB'000	RMB'000	%
Revenue	4	35,716	33,322	7%
Cost of sales		(27,311)	(28,695)	-5%
Gross profit / (loss)		8,405	4,627	82%
Other income / (expenses)		1,451	797	82%
Distribution and marketing expenses		(4,316)	(1,902)	127%
General and administrative expenses		(9,184)	(8,792)	4%
Finance expenses		(1,237)	(984)	26%
Loss before income tax	6	(4,881)	(6,254)	22%
Tax expenses	7	-	-	NM
Loss for the financial period, net of tax		(4,881)	(6,254)	22%
Other comprehensive (expenses) /				
Items that may be reclassified to profit or loss in subsequent period (net of tax)				
Currency translation differences on		0	(15)	100%
Total other comprehensive loss for the		0	(15)	100%
Total comprehensive loss for the period		(4,881)	(6,269)	22%
Profit / (Loss) attributable to				
- Owners of the Company		(3,895)	(4,991)	22%
- Non-controlling interest		(986)	(1,263)	22%
Total comprehensive loss attributable to :				
- Owners of the Company		(3,895)	(5,003)	22%
- Non-controlling interest		(986)	(1,266)	22%
Earnings per share for profit / (loss) for the period attributable to the owners of the Company during the year :				
Basic (RMB in cent)		(15.993)	(20.491)	22%
Diluted (RMB in cent)		(15.993)	(20.491)	22%
Basic (SGD in cent)		(2.991)	(4.260)	30%
Diluted (SGD in cent)		(2.991)	(4.260)	30%

NM - Not meaningful



**B. Condensed statements of financial position**

	Note	The Group		The Company	
		30 June 2023	31 December 2022	30 June 2023	31 December 2022
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
Current assets					
Cash and bank balances	15	6,072	11,950	6	6
Trade and other receivables	14	38,511	39,603	-	-
Inventories	13	24,832	11,582	-	-
Total current assets		69,415	63,135	6	6
Non-current assets					
Subsidiaries	12	-	-	161,889	161,889
Property, plant and equipment	10	42,533	45,647	-	-
Right-of-use assets	11	8,453	8,574	-	-
Financial assets at fair value through other comprehensive income		-	-	-	-
Total non-current assets		50,986	54,221	161,889	161,889
Total assets		120,401	117,356	161,895	161,895
<b>LIABILITIES</b>					
Current liabilities					
Trade and other payables	16	32,402	23,771	1,724	1,724
Provision	17	4,373	4,373	-	-
Borrowings	18	44,500	43,500	-	-
Due to subsidiaries (non-trade)		-	-	28,721	28,721
Total current liabilities		81,275	71,644	30,445	30,445
Non-current liabilities					
Deferred government grants		1,112	1,112	-	-
Total liabilities		82,387	72,756	30,445	30,445
NET ASSETS	9	38,014	44,600	131,450	131,450
<b>EQUITY</b>					
Equity attributable to equity holders of					
Share capital	19	60,318	60,318	60,318	60,318
Share premium	20	79,803	79,803	79,803	79,803
Retained losses		(129,335)	(122,749)	(8,653)	(8,652)
Other Reserves					
Statutory reserve		30,526	30,526	-	-
Foreign exchange translation reserve		(3,298)	(3,298)	(18)	(18)
		27,228	27,228	(18)	(18)
Total equity		38,014	44,600	131,450	131,450



**C. Condensed statements of changes in equity**

**The Group**

		<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>Foreign exchange</b>	<b>Retained losses</b>	<b>Total equity</b>
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2023</b>							
Balance at 1 January 2023		60,318	79,803	30,526	(3,298)	(122,749)	44,600
Issue of share capital		-	-	-	-	-	-
Total Comprehensive loss for the financial period		-	-	-	0	(6,586)	(6,586)
Balance at 30 Jun 2023		60,318	79,803	30,526	(3,298)	(129,335)	38,014
<b>2022</b>							
Balance at 1 January 2022		60,318	79,803	30,526	(3,622)	(109,204)	57,821
Issue of share capital		0	0	-	-	-	0
Total Comprehensive loss for the financial period		-	-	-	(15)	(6,389)	(6,404)
Balance at 30 Jun 2022		60,318	79,803	30,526	(3,637)	(115,593)	51,417

**The Company**

		<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>Foreign exchange</b>	<b>Retained losses</b>	<b>Total equity</b>
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2023</b>							
Balance at 1 January 2023		60,318	79,803	-	(18)	(8,652)	131,451
Issue of share capital		-	-	-	-	-	-
Total Comprehensive loss for the financial period		-	-	-	0	(1)	(1)
Balance at 30 Jun 2023		60,318	79,803	-	(18)	(8,653)	131,450
<b>2022</b>							
Balance at 1 January 2022		60,318	79,803	-	(330)	(8,171)	131,620
Issue of share capital		0	0	-	-	-	0
Total Comprehensive loss for the financial period		-	-	-	(12)	(422)	(434)
Balance at 30 Jun 2022		60,318	79,803	-	(342)	(8,593)	131,186



**D. Condensed consolidated statements of cash flows**

	Note	The Group		
		6 months ended 30 June 2023	6 months ended 30 June 2022	Change +/(-)
		RMB'000	RMB'000	%
<b>Cash flows from operating activities</b>				
Loss before tax		(4,881)	(6,254)	22%
Adjustment for :				
Depreciation of property, plant and equipment		3,114	3,896	-20%
Amortisation of right of use of assets		121	120	1%
Impairment loss on trade receivables		-	0	NM
Interest Expense		1,237	984	26%
Loss / (gain) on disposal of property, plant & equipment		0	0	NM
Transfer from deferred capital grant		-	0	NM
Foreign Exchange loss/(gain), net		-	-	NM
Operating loss before working capital changes		(409)	(1,254)	-67%
Decrease / (increase) in inventories		(13,250)	2,499	NM
Decrease / (increase) in trade & other Receivables		1,092	(76)	-1537%
(Decrease) / increase in trade & other Payables		8,631	(1,529)	NM
Cash generated from / (used in) operations		(3,936)	(360)	993%
Interest income received		-	-	NM
Net taxation paid		-	-	NM
<b>Net Cash generated from / (used in) operating activities</b>		(3,936)	(360)	993%
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment		0	(6)	NM
Proceeds from disposal of property, plant and equipment		-	0	NM
Increase in share capital paid through special		-	0	NM
Increase in share premium paid through special		-	0	NM
Loan to a shareholder		-	0	
Interest income from loan to a shareholder		-	0	
<b>Net cash generated from / (used in) investing activities</b>		0	(6)	NM
<b>Cash flow from financing activities</b>				
Withdrawal of pledged deposits		-	0	NM
Loan from banks		44,500	43,500	2%
Repayment to banks		(43,500)	(17,490)	NM
Interest Expense		(1,237)	(984)	26%
<b>Net cash generated from / (used in) financing activities</b>		(237)	25,026	-101%
<b>Net (decrease) / increase in cash and cash equivalents</b>		(4,173)	24,660	-117%
<b>Cash and cash equivalents at beginning of the period</b>		11,950	552	2065%
<b>Effects of exchange rate changes in cash and cash equivalents</b>		(1,705)	(150)	1037%
<b>Cash and cash equivalents at end of the period</b>		6,072	25,062	-76%

Effects of exchange rate changes in cash and cash equivalent

NM - Not meaningful



**Cash and bank balances comprise the following:**

	Note	The Group		
		6 months ended 30 June 2023	6 months ended 30 June 2022	Change +/(-)
		RMB'000	RMB'000	%
<b>Cash and cash equivalent</b>		6,072	25,062	-76%
<b>Pledged cash placed with bank</b>		-	0	NM
		6,072	25,062	-76%

*NM - Not meaningful*



## E. Notes to the condensed consolidated financial statements

### 1. Corporate information

Shanghai Turbo Enterprises Ltd. (the "Company") is a limited liability company domiciled and incorporated in the Cayman Islands and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is located at No.9, Yinghua Road, Zhonglou Economic Development Zone, Changzhou City, Jiangsu Province, 213016, The People's Republic of China ("PRC").

The principal activity of the Company is that of investment holding. The Company has invested in Best Success (Hong Kong) Limited in Hong Kong as investment holding company and Best Success (Hong Kong) Limited has further invested in Changzhou 3D Technological Complete Set Equipment Co., Ltd ("CZ3D") as manufacturing of vane products and relating subcontracting services.

The Group is a precision engineering group that specializes in the production of precision vane products, mainly stationary vanes, moving vanes and nozzles. These vanes are the key components of steam turbine generators used for power generation in power plants, power stations and / or substations. They are also essential components mounted onto steam turbine generators to maximize the efficiency of steam flow in the generation of electricity.

### 2. Basic of preparation

The condensed financial statements for the year ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 Financial Reporting issued by the Accounting Standards Council Singapore and International Financial Reporting Standards ("IFRSs"). All references to SFRS(I)s and IFRSs are referred to as SFRS(I)s in these condensed financial statements unless otherwise specified. The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) as indicated, unless otherwise stated which is the Company's functional currency.

#### 2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

On 1 January 2020, the Group adopted the new or amended SFRS and IFRS, the Interpretations of IFRS ("IFRIC") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC. The adoption of these new or amended SFRS, IFRS and IFRIC did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.



## 2.2 Use of judgements and estimates

In preparing the condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

## 3. Seasonal operation

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.



**4. Segment and revenue information**

The Group is organised into one main business segment only.

**4.1 Reportable segments**

		Segment 1	Consolidation
	Note	RMB'000	RMB'000
1 January 2023 to 30 June 2023			
Total segment revenue		35,716	35,716
Miscellaneous income		1,451	1,451
Total other income		1,451	1,451
Total revenue and other income		37,167	37,167
Depreciation		(3,235)	(3,235)
Finance expense		(1,237)	(1,237)
Segment profit		32,695	32,695
Unallocated expenses		(37,576)	(37,576)
Loss before taxation		(4,881)	(4,881)
Taxation		-	-
Earnings / (loss) for the interim period		(4,881)	(4,881)
Segment assets		120,401	120,401
Total assets per statement of financial position		120,401	120,401
Expenditures for segment non-current assets			
- Additions to PPE		0	0
Segment liabilities		81,275	81,275
Deferred government grants		1,112	1,112
Total liabilities per statement of financial position		82,387	82,387

		Segment 1	Consolidation
		RMB'000	RMB'000
1 January 2022 to 30 June 2022			
Total segment revenue		33,322	33,322
Miscellaneous income		797	797
Total other income		797	797
Total revenue and other income		34,119	34,119
Depreciation		(4,016)	(4,016)
Finance expense		(984)	(984)
Segment profit		29,119	29,119
Unallocated expenses		(35,373)	(35,373)
Loss before taxation		(6,254)	(6,254)
Taxation		-	-
Earnings / (loss) for the interim period		(6,254)	(6,254)
Segment assets		131,466	131,466
Total assets per statement of financial position		131,466	131,466
Expenditures for segment non-current assets			
- Additions to PPE		6	6
Segment liabilities		78,937	78,937
Deferred government grants		1,112	1,112
Total liabilities per statement of financial position		80,049	80,049



**4.2 Disaggregate of Revenue**

	Note	The Group	
		6 months ended 30 June 2023	
		Segment 1	Total
		RMB'000	RMB'000
Types of goods or services			
Sale of goods		35,716	35,716
Total revenue		35,716	35,716
Geographical information :			
China		32,191	32,191
Korea		3,525	3,525
Japan		-	-
Total revenue		35,716	35,716

	Note	The Group	
		6 months ended 30 June 2022	
		Segment 1	Total
		RMB'000	RMB'000
Types of goods or services			
Sale of goods		33,322	33,322
Total revenue		33,322	33,322
Geographical information :			
China		31,500	31,500
Korea		1,822	1,822
Japan		-	-
Total revenue		33,322	33,322

**5. Financial assets and financial liabilities**

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022.

	Note	The Group		The Company	
		30 June 2023	31 December 2022	30 June 2023	31 December 2022
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial Assets</b>					
Cash and bank balances and trade and other receivables (Amortised cost)		44,583	51,553	6	6
<b>Financial Liabilities</b>					
Trade and other payables and borrowings (Amortised cost)		81,275	71,644	1,724	1,724



## 6. Profit before taxation

### 6.1 Significant items

	Note	The Group		
		6 months ended 30 June 2023	6 months ended 30 June 2022	Change +/(-)
		RMB'000	RMB'000	%
Income				
Miscellaneous income		1,451	797	82%
Expenses				
Interest on borrowings		(1,237)	(984)	26%
Depreciation of property, plant and equipment and amortisation on use of rights		(3,235)	(4,016)	-19%
Loss / (gain) on disposal of property, plant & equipment		-	-	NM

### 6.2 Related party transaction

There is no material related party transaction apart from those disclosed elsewhere in the financial statements.

## 7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of profit or loss are:

	Note	The Group		
		6 months ended 30 June 2023	6 months ended 30 June 2022	Change +/(-)
		RMB'000	RMB'000	%
Current income tax expense		-	-	NM
Deferred income tax expense relating to origination and reversal of temporary differences		-	-	NM
		-	-	NM

## 8. Dividends

	Note	The Group		
		6 months ended 30 June 2023	6 months ended 30 June 2022	Change +/(-)
		RMB'000	RMB'000	%
Ordinary dividends paid:		-	-	NM
dividend		-	-	NM
Dividend per share (net of tax)		-	-	NM



**9. Net Assets Value**

	Note	The Group		The Company	
		30 June 2023	31 December 2022	30 June 2023	31 December 2022
		RMB	RMB	RMB	RMB
Net assets value per ordinary share		1.246	1.461	4.307	4.307

**10. Right-of-use assets**

	Note	The Group		The Company	
		30 June 2023	31 December 2022	30 June 2023	31 December 2022
		RMB'000	RMB'000	RMB'000	RMB'000
Cost					
Beginning of financial year		12,547	12,547	-	-
End of period		12,547	12,547	-	-
Accumulated depreciation and impairment losses					
Beginning of financial year		3,973	3,733	-	-
Depreciation charge for the period		121	240	-	-
End of period		4,094	3,973	-	-
Net book value		8,453	8,574	-	-

The Group has 50-year land use right over a plot of state-owned land in the PRC where the Group's manufacturing and storage facilities reside. The land use right has a remaining tenure of 33 years (2022: 34 years).

As at 30 June 2023, the entire land use right is pledged in connection with a bank facility including both bill payable facilities and bank loans.

Impairment testing of land use right

No impairment loss is recognised in 2Q FY2023 (2022: Nil), as the Group has estimated the recoverable amount of the land use rights to be higher than the net carrying amount. The recoverable amount of the land use rights was based on its fair value on 31 December 2019. Valuations are performed by Avista Group, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the land use rights being valued. The valuations are based on comparable market transactions that consider the sales of similar assets that have been transacted in the open market.

**11. Property, plant and equipment**

Property, plant and equipment ("PPE"), right of use of assets and intangible assets as at YTD 2Q FY2023 was RMB50.99 million as compared to RMB54.22 million as at YTD 4Q FY2022. The decrease was mainly due to depreciation in YTD 2Q FY2023 amounting to RMB3.23 million.



**12. Subsidiaries**

Note	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Unquoted equity shares at cost		-	161,889	161,889
Purchase consideration				
Cash paid		-	161,889	161,889
Additional : Cash paid during the		-	-	-
<b>Total</b>		<b>-</b>	<b>161,889</b>	<b>161,889</b>

Name of subsidiaries	Note	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest	
				30 June 2023	31 December 2022
				%	%
<b>Held by the Company</b>					
Best Success (Hong Kong) Limited ("BS")	(1)	Investment holdings	Hong Kong	100	100
<b>Held by BS</b>					
Changzhou 3D Technological Complete Set Equipment Co., Ltd ("CZ3D")	(2)	Manufacturing of vane products and relating subcontracting	China	100	100

(1) Audited by S. W. Chan & Co, Hong Kong and reviewed by RT LLP for consolidation purpose.

(2) Audited by Changzhou Xinhuarui CPAs (常州新华瑞联合会计师事务所), a firm of Certified Public Accountants registered in the PRC for statutory purpose and by RT LLP for consolidation purpose.

Impairment assessment of investment in subsidiaries

No impairment loss is recognized in 2023 and 2022, as the Group has estimated the recoverable amount of the investment in subsidiaries to be higher than the net carrying amount.

**13. Inventories**

Statements of Financial Position :	Note	The Group		The Company	
		30 June 2023	31 December 2022	30 June 2023	31 December 2022
		RMB'000	RMB'000	RMB'000	RMB'000
Raw material		3,721	877	-	-
Work-in-progress		15,161	7,956	-	-
Finished goods		5,950	2,749	-	-
<b>Total</b>		<b>24,832</b>	<b>11,582</b>	<b>-</b>	<b>-</b>

As at YTD 2Q FY2023, inventories stood at RMB24.83 million (YTD 4Q FY2022:11.58 million) mainly consist of WIP inventory amounting to RMB15.16 million (YTD 4Q FY2022: RMB7.96 million), newly purchased raw materials amounting to RMB3.72 million (YTD 4Q FY2022: RMB0.88 million) and finished goods amounting to RMB5.95 million (YTD 4Q FY2022: RMB2.75 million) to fulfill the sales orders.



**14. Trade and other receivables**

Note	RMB'000	The Group		The Company	
		30 June 2023	31 December 2022	30 June 2023	31 December 2022
Trade receivables					
Bill receivables	7,756	3,294	-	-	-
Trade receivables	29,019	34,341	-	-	-
Total trade receivables	36,775	37,635	-	-	-
Other receivables					
Advances to suppliers	385	516	-	-	-
Advances to employees	771	627	-	-	-
Prepayments	580	625	-	-	-
Tender deposits	0	200	-	-	-
Other receivables	0	-	-	-	-
Total other receivables	1,736	1,968	-	-	-
Total trade and other receivables	38,511	39,603	-	-	-

Note	RMB'000	The Group		The Group	
		30 June 2023	30 June 2023	31 December 2022	31 December 2022
		%	RMB'000	%	RMB'000
Customer :					
A	17,629	48%	17,662	47%	
B	0	0%	1,255	3%	
Others	19,145	52%	18,718	50%	
Total	36,774	100%	37,635	100%	
Aged (Days)					
0-90	17,384	47%	17,983	48%	
91-180	1,818	5%	3,948	10%	
181-270	2,364	6%	4,879	13%	
More Than 270	15,209	41%	10,825	29%	
Total	36,775	100%	37,635	100%	

**Trade receivables :**

Trade receivables decreased from RMB37.64 million in YTD 4Q FY2022 to RMB36.78 million in YTD 2Q FY2023. The balance of trade receivables is stable. The business of the group is mainly concentrated in state-owned enterprises, and the objects of trade receivables are mainly state-owned enterprises also, so the trade receivables can generally be collected as scheduled, there is no risk of bad debt loss.

These outstanding amounts are not owing to any related parties.

These debtors are not related to any directors, key executives, substantial shareholders or their respective associates.

These customers are still in operation.

Based on the assessment performed by the management on the current trade receivables, they are still recoverable although payment may be slow, barring any unforeseen circumstances or changes to the business environment and sluggish market conditions. The management is of the view that the Group has unconditional rights on trade receivables including unbilled trade receivables as at 30 June 2023.



The Board of Directors of the Company ("the Board") has assessed the recoverability of the Group's trade receivables based on the contracts signed with the customers and the acceptance of the goods by the customer. The Board will, together with management, closely monitor the recovery of the Group's trade receivables.

**Other receivables :**

Other receivables amounting to RMB1.74 million in YTD 2Q FY2023 as compared to RMB1.97 million in YTD 4Q FY2022 as The Subsidiary has completed some purchase business and received the invoices from suppliers. An decrease in tender deposits (YTD 2Q FY2023: Nil, YTD 4Q FY2022: RMB0.2 million).

**15. Cash and bank balances**

Note	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	45	863	-	-
Bank balances	6,027	11,087	6	6
Cash and bank balances as stated in the statement of financial position	6,072	11,950	6	6
Less: Pledged deposits	-	-	-	-
Cash and cash equivalents as stated in the consolidated statement of cash flows	6,072	11,950	6	6

**16. Trade and other payables**

Note	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
Bill payables	-	-	-	-
Trade payables	23,833	14,265	-	-
Total trade payables	23,833	14,265	-	-
Other payables				
Accrued operating expenses	3,967	3,967	1,534	1,307
Accrued employee salaries	2,031	1,835	-	227
Accrued director fees	-	563	190	190
Advance from customers	-	131	-	-
Shipping fee payable	5	5	-	-
Security fee payable	-	27	-	-
Legal and professional fee payable	-	22	-	-
Electricity bill payable	285	338	-	-
Labor union expenditure payable	71	66	-	-
Value-Added Tax payables	(3)	1,988	-	-
Other taxes payable	279	519	-	-
Other payables	1,934	45	-	-
Total other payables	8,569	9,506	1,724	1,724
Total trade and other payables	32,402	23,771	1,724	1,724



### **Trade payables**

The trade payables increased from RMB14.27 million in YTD 4Q FY2022 to RMB23.83 million in YTD 2Q FY2023 as the Company appropriately increased the purchase of materials to fulfill the sales orders.

### **Other payables :**

Other payables and accruals decreased by RMB0.94 million from RMB9.51 million in YTD 4Q FY2022 to RMB8.57 million in YTD 2Q FY2023. This was mainly due to decrease in other tax payables amounting to RMB0.28 million in YTD 2Q 2023 (YTD 4Q FY2022: RMB0.52 million); decrease in accrued director fee amounting to RMB0.00 million in YTD 2Q 2023 (YTD 4Q FY2022: RMB0.56 million), increase in other payables amounting to RMB1.93 million in YTD 2Q 2023 (YTD 4Q FY2022: RMB0.05 million),

### **17. Provisions**

CZ3D was served with a notice dated 2017 by the local government agency which required the subsidiary to provide compliance documents relating to its leasehold buildings in accordance with relevant laws and regulations in PRC ("the Notice"). The buildings were constructed in 2003 without obtaining relevant permits from government.

#### Provision for government fine

As at 31 December 2017, the management estimated and provided for government fine of RMB4,373,000 which is 10% of the replacement cost estimated by a certified cost engineer. In accordance with relevant laws and regulations as advised by CZ3D's legal counsel, 10% is the upper limit of the fine prescribed, ranging from 5% to 10% of replacement cost.

#### Contingent liability on rectification cost

In addition to the fine, in order to apply for building permit of the relevant properties, it may be necessary to incur costs to improve or reinforce the properties to comply with relevant regulations ("rectification costs"), if any and as noted by government agency.

The management has obtained legal opinion from the subsidiary's legal counsel stating that the Notice indicates the local government has commenced administrative enforcement procedures for relevant properties. It is still at the stage of investigation and evidence collection, and has yet to reach the stage to file "letter of statement of averment", nor represents final administrative conclusive document. The legal counsel advised that CZ3D shall actively apply for and complete the necessary legal procedures for the relevant properties and, if the government agency continues to conduct investigations, the subsidiary can explain to the government on the progress of the legal procedures of the relevant properties and strive for understanding. Since 2017 and up to the date these financial statements are authorised for issue, the management confirms that CZ3D has received neither further information regarding the investigation nor notification of the specific necessary rectification from the government agency.

### **18. Borrowings**

Note	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	44,500	43,500	-	-
Amount repayables within one year or on				
Secured	*	34,500	30,000	-
Unsecured	~	10,000	13,500	-
Total		44,500	43,500	-



Description	Note	RMB'000	Started Date	Expired Date	Interest Rate Per Annum
Secured Loan	*#	10,000	14 Feb 2022	26 Jan 2023	4.200%
Secured Loan	*#	10,000	14 Feb 2022	26 Jan 2023	4.200%
Secured Loan	*#	10,000	16 Feb 2022	26 Jan 2023	4.200%
Unsecured Loan	~#	5,000	30 Mar 2022	28 Mar 2023	4.700%
Unsecured Loan	~#	4,500	31 Mar 2022	28 Mar 2023	4.700%
Unsecured Loan	~#	4,000	31 Mar 2022	29 Mar 2023	3.700%
		43,500			
Secured Loan	*	30,000	16 Jan 2023	16 Jan 2024	4.200%
Secured Loan	**	4,500	15 Mar 2023	9 Mar 2024	3.900%
Unsecured Loan	~	5,000	13 Mar 2023	9 Mar 2024	3.900%
Unsecured Loan	~	5,000	28 Mar 2023	27 Mar 2024	3.650%
Total loans at 30 June 2023		44,500			

\*# Secured by right-of-use assets and repaid at 26 Jan 2023

~# Unsecured loan repaid in Mar 2023

\* Secured by right-of-use assets and shareholder Liu Ming's personal credit since January 2023.

\*\* Secured by private property of shareholder Liu Ming since March 2023.

~ Unsecured by personal credit of shareholder Liu Ming since March 2023.

The bank borrowings and credit facilities of the Group are secured over certain right-of-use assets of the Group.

Notes :

In 2Q FY2018, the Subsidiary had obtained 2 trade facilities totaling RMB16 million from Jiangnan Rural Commercial Bank ("the JRC Bank"). The 1st trade facility arrangement of RMB6 million was obtained on 21 June 2018 and the 2nd trade facility arrangement of RMB10 million received on 5 July 2018. The facilities were collateralized by assets (machineries) of the Group. The short term loan of RMB6 million was pledged with machineries and was paid off on 21 June 2019 while the other loan of RMB10 million was paid off on 4 July 2019.

The Subsidiary has subsequently obtained a loan facility of RMB10 million by pledging its land use rights with the JRC Bank on 4 July 2019. A 2nd loan of RMB6 million was then granted by the JRC Bank on 10 July 2019.

The Subsidiary has also repaid a few loans amounting to RMB2.70 million during 4Q FY2019, RMB0.90 million in January 2020 and RMB0.90 million in February 2020 including. The outstanding loan payable amounted to RMB11.5 million as at 31 March 2020.

The Subsidiary has repaid JRC Bank loan of RMB5.50 million in May 2020 and the short term loan of RMB6 million due on 19 June 2020. The JRC Bank has provided a new loan RMB6 million for one year tenure from 19 June 2020 to 18 June 2021.

The Subsidiary has further obtained a new loan amounting to RMB3.50 million charged against its current land use rights. The loan from the JRC Bank has increased from RMB6 million at 19 June 2020 to RMB9.50 million at 12 August 2020.

The Subsidiary has further obtained a new secured loan amounting to RMB4.4 million and a new non-secured loan amounting to RMB1.6 million at 31 March 2021 from Bank of Communications Limited in Changzhou, China ("BCM").

The Subsidiary has repaid the loan of RMB6 million to JRC Bank and has renewed on 15 June 2021 to 8 November 2021 with the interest rate 5.21% per annum amounting to RMB5.99 million. Thereafter, the loan of RMB3.50 million was repaid on 26 July 2021 and renewed until 8 November 2021 with an interest rate of 5.21%. The secured loan in JRC Bank amounting to RMB9.49 million is charged against its current land use rights.

On 14 February 2022, the Subsidiary has repaid the loan of RMB9.49 million to JRC Bank. Then, the Subsidiary has further obtained the loan from JRC Bank for RMB20 million on 14 February 2022 and RMB10 million on 16 February 2022 with the interest rate 4.2% per annum.

The Subsidiary has further obtained a new non-secured loan amounting to RMB2 million on 30 July 2021 from



BCM. The total loan from BCM amounting to RMB8 million and will be expired on 18 June 2022. The loan of RMB8 million has been fully repaid prior to 31 March 2022, i.e. RMB4.4 million paid on 9 March 2022 and RMB3.6 million paid on 30 March 2022. Subsequently, the Subsidiary has been granted with a new loan of RMB4 million for the period from 31 March 2022 to 29 March 2023 with an interest rate 3.7% per annum from BCM.

On 30 March 2022 and 31 March 2022, the Subsidiary has further obtained new non-secured loans of RMB5 million and RMB4.5 million respectively with an interest rate 4.7% per annum from Wuxi Rural Commercial Bank ("WX").

In January 2023, the Subsidiary has repaid the secured loan of RMB30 million to JRC Bank and has renewed on 16 January 2023 to 16 January 2024 with the interest rate 4.2% per annum.

In March 2023, the Subsidiary has repaid the non-secured loans of RMB5 million and RMB4.5 million to Wuxi Rural Commercial Bank ("WX"), and repaid the non-secured loans of RMB4 million to BCM. Then, the Subsidiary has obtained a new secured loan amounting to RMB4.5 million on 15 March 2023 and a new non-secured loan amounting to RMB5 million on 13 March 2023 from Wuxi Rural Commercial Bank ("WX"), and obtained a new non-secured loan amounting to RMB5 million on 28 March 2023 from Bank of Communications Limited in Changzhou, China ("BCM").

#### 19. Share capital

Note	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	No. of shares	No. of shares	No. of shares	No. of shares
Authorized	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid				
At beginning	30,520,000	30,520,000	30,520,000	30,520,000
Additional : share capital paid	-	-	-	-
At end of the period	30,520,000	30,520,000	30,520,000	30,520,000
Note	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	USD'000	RMB'000	RMB'000	RMB'000
Issued and fully paid @ USD0.25 per share				
At beginning	7,630	7,630	7,630	7,630
Additional : share capital paid	-	-	-	-
At end of the period	7,630	7,630	7,630	7,630
Note	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Issued and fully paid				
At beginning	60,318	60,318	60,318	60,318
Additional : share capital paid	-	-	-	-
At end of the period	60,318	60,318	60,318	60,318

The Company did not hold any treasury shares as at 30 June 2023.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2023 and 31 December 2022



## 20. Share premium

	Note	The Group		The Company	
		30 June 2023	31 December 2022	30 June 2023	31 December 2022
		RMB'000	RMB'000	RMB'000	RMB'000
Issued and fully paid					
At beginning		79,803	79,803	79,803	79,803
Additional : share capital paid		-	-	-	-
At end of the period		79,803	79,803	79,803	79,803

## 21. Subsequent events

There are no known subsequent events which have led to adjustments to this set of financial statements.

The financial effects of the above transaction have not been included in this financial statements for the year ended 30 June 2023. The operating results and assets and liabilities of the company will be reflected in the YTD 2Q FY2023's financial statements and full year financial statements for 2023.



## F. Other information required by Listing Rule Appendix 7.2

### 1. Review

The condensed consolidated statement of financial position of Shanghai Turbo Enterprises Ltd. and its subsidiaries as at 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

### 2. Review of performance of the Group

#### Overview

The Group's revenue was derived from bidding for projects in open tender exercises conducted by the customers and as such, quarterly results would not be accurately reflecting the actual performance. Full-year to full-year comparisons are more appropriate for analytical purposes.

#### Revenue

##### 2Q FY2023 vs 2Q FY2022

Revenue increased by 7% from RMB33.32 million in 2Q FY2022 to RMB35.72 million in 2Q FY2023 mainly due to the Subsidiary's orders fulfilled to local customers during 2Q FY2023. Combined with previous operation experience and external environment, the Group's sales growth target is around 5% in FY2023.

#### Cost of Sales

##### 2Q FY2023 vs 2Q FY2022

Cost of sales decreased by 5% from RMB28.70 million in 2Q FY2022 to RMB27.31 million in 2Q FY2023 mainly due to the Group strengthened cost control. The cost of sales in compared to revenue was 76.47% and 86.11% for 2Q FY2023 and 2Q FY2022 respectively.

#### Gross profit / (gross loss)

##### 2Q FY2023 vs 2Q FY2022

The Group achieved a gross profit amounting to RMB8.41 million in FY2023 as compared to a gross profit of RMB4.63 million in FY2022. Gross profit margin is 23.53% and 13.89% for FY2023 and FY2022 respectively. The increase in gross profit margin was due to the Group strengthened cost control, improved production capacity and increased the gross margin of products, so as to increase profitability of enterprise.

#### Other operating income

##### 2Q FY2023 vs 2Q FY2022

Other operating income increased by 82% from RMB0.80 million in 2Q FY2022 to RMB1.45 million in 2Q FY2023. The other operating income consists mainly of sales of scraps and wastage iron.



## **Selling and distribution expenses**

2Q FY2023 vs 2Q FY2022

Selling and distribution expenses increased by 127% from RMB1.90 million in 2Q FY2022 to RMB4.32 million in 2Q FY2023 mainly due to increase in entertainment expenses (2Q FY2023: RMB2.79 million; 2Q FY2022: RMB1.02 million), increase in staff costs (2Q FY2023: RMB0.59 million; 2Q FY2022: RMB0.39 million); increase in travelling expenses (2Q FY2023: RMB0.05 million; 2Q FY2022: RMB0.02 million); increase in repair and maintenance expenses (2Q FY2023: RMB0.23 million; 2Q FY2022: RMB0.06 million) ; increase in sales commission (2Q FY2023: RMB0.39 million; 2Q FY2022: Nil).

## **Administrative expenses**

2Q FY2023 vs 2Q FY2022

Administrative expenses increased from RMB8.79 million in 2Q FY2022 to RMB9.18 million in 2Q FY2023 mainly due to increase in office expenses (2Q FY2023: RMB0.55 million; 2Q FY2022: RMB0.05 million); increase in depreciation cost (2Q FY2023: RMB1.50 million; 2Q FY2022: RMB1.33 million); increase in repair and maintenance expenses (2Q FY2023: RMB0.55 million; 2Q FY2022: RMB0.04 million); increase in discounts (2Q FY2023: RMB0.49 million; 2Q FY2022: RMB0.14 million); decrease in salaries (2Q FY2023: RMB1.2 million; 2Q FY2022: RMB1.8 million); decrease in insurance (2Q FY2023: RMB0.05 million; 2Q FY2022: RMB0.06 million); decrease in professional fees (2Q FY2023: RMB0.08 million; 2Q FY2022: RMB0.78 million).

## **3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

2Q FY2023

The Group's net cash used in operating activities amounting to RMB3.94 million arising from loss before income tax adjusted for non-cash effects items of RMB4.88 million after accounting of negative changes in working capital amounting to RMB3.53 million.

The Group's net cash generated from financing activities amounting to RMB0.44 million mainly due to the new secured loan RMB30 million obtained from JRC Bank, new secured loan amounting to RMB4.5 million from WX , new non-secured loan amounting to RMB5 million from WX and new non- secured loan amounting to RMB5 million from BCM including the payoff of the loan of RMB30 million to JRC Bank , the loan of RMB 9.5 million to WX and the loan of RMB4 million to BCM. The interest expenses of the bank loans were RMB1.24 million in 2Q FY2023.

In 2Q FY2023, the Group had a negative cash outflow of RMB4.17 million.

## **3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer opinion**

### **(i) Updates on the efforts taken to resolve each outstanding audit issue**

In the Group's latest audited financial statements for the financial year ended 31 December 2020 ("FY2020"), RT LLP ("EA") has issued a disclaimer of opinion in respect of: (i) Going concern assumption; (ii) Impairment testing on property, plant and equipment; (iii) Impairment assessment of investment in subsidiaries; and (iv) Opening balances and comparative figures.

#### Going concern assumption

The Group has repaid the secured loan to BCM on 9 March 2022 amounting to RMB4.4 million and the non-secured loan to BCM on 31 March 2022 amounting to RMB3.6 million. The Group has further obtaining a new non-secured loan from BCM on 31 March 2022 with interest rate of 3.7% per annum.

The Group has met the bank officers of WX and obtaining 2 new non-secured loans amounting to RMB5 million on 30 March 2022 and RMB4.5 million on 31 March 2022 with interest rate of 4.7% per annum.

The Group has repaid the secured loan of RMB30 million to JRC Bank on 26 January 2023 and has renewed on 16 January 2023 to 16 January 2024 with the interest rate 4.2% per annum.



The Group has repaid the non-secured loans of RMB5 million and RMB4.5 million to WX on 28 March 2023, and repaid the non-secured loans of RMB4 million to BCM on 29 March 2023. The Group has further obtained a new secured loan amounting to RMB4.5 million on 15 March 2023 and a new non-secured loan amounting to RMB5 million on 13 March 2023 from WX, and obtaining a new non-secured loan amounting to RMB5 million on 28 March 2023 from BCM.

The Group is able to maintain and work on improving its liquidity position for the continuing operational existence of the Subsidiary.

The Group has addressed the immediate issue on the going concern issued by the EA. Based on the information available, the Board is of the opinion that the Group should be able to operate as a going concern entity, barring any unforeseen circumstances.

The Board has taken efforts to resolve the audit issues raised by the EA under the disclaimer of opinion.

**( ii ) Confirmation from the Board that the impact of outstanding audit issues on the financial statements have been adequately disclosed**

The Board confirms that all impact of outstanding audit issues on financial statements in relation to FY2022 have been adequately disclosed.

**4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months**

In recent years, with the continuous upgrading of domestic industrial manufacturing technology, the domestic steam turbine market scale and export trade scale continued to expand, and the industry has a great future for the development. The output of Chinese steam turbine has been greatly increased, and the industry scale is gradually forming and expanding. The overall equipment level of the industry has basically approached the advanced world levels. Specifically, the annual production capacity of Chinese steam turbine industry has reached more than 8000MW.

At present, the factors affected by the COVID-19 pandemic have been eliminated, and the production and operation of the subsidiary have recovered. Combined with previous operation experience and external environment, the Group's sales growth target is around 5% in FY2023. China's economy is returning to the normal track. Since the beginning of this year, the national government has issued targeted policies to expand domestic demand and enhance market confidence. Economic improvement is a top priority and the local governments have also made various efforts to promote economic development. At the same time, the Group will further optimize the organizational structure to improve work efficiency, optimize employee incentive system and improve employee's work enthusiasm and creativity. In terms of sales, on the basis of maintaining existing customers, the Group is actively developing new customers to improve sales performance through multiple channels.

Generally, the global economy is gradually recovering after the past three years of the COVID-19 pandemic. Although the Group still faces many difficulties, the Group is confident of achieving this year's economic growth target.

**5. Dividends information**

**(a) Current Financial Period Reported On**  
None

**(b) Corresponding Period of the Immediately Preceding Financial Year**  
None

**(c) Date payable**  
Not applicable

**(d) Record date**  
Not applicable

**(e) If no dividend has been declared/(recommended), a statement to that effect and the reason(s) for the decision.**

No dividend has been declared for 2Q FY2023 as the Group has been incurring losses since year 2017.



## 6. Interested person transaction

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

There is material related party transactions apart from those disclosed elsewhere in the financial statements.

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee ("AC"), and that the transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. All interested person transactions are subject to review by the AC to ensure compliance with the established procedures.

Pursuant to Rule 907 of the Listing Manual of SGX-ST, the aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) are as follows:-

### **IPT Transaction : Started by 21 May 2021 and ended at 31 December 2021**

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Loan to major shareholder, holding 26.998%, Mr. Liu Ming	RMB4,106,784	Not Applicable

There are no IPT entered into by the Group with the Borrower and his associates (excluding transactions which are less than S\$100,000 and the Loan Agreement which is the subject of this announcement) for the current financial year commencing 1 January 2020 up to the date of this announcement on 27 May 2021.

Based on the latest audited consolidated financial statements of the Company for the financial year ended 31 December 2019 ("FY2019"), the Group's latest audited net tangible assets ("Group NTA") is approximately RMB93.84 million as at 31 December 2019.

The Loan of RMB4 million provided to Mr. Liu Ming and the interest payable of RMB106,783.56 are approximately 4.376% of the Group NTA. Accordingly, no approval of the shareholders of the Company ("Shareholders") is required to be sought for the Loan pursuant to Rule 906(1)(b) of the Listing Manual of SGXST.

For the financial year commencing 1 January 2020 up to this announcement, the aggregate value of all transactions entered into by the Group with all interested persons (excluding transactions which are less than S\$100,000 and the Loan Agreement which is the subject of this announcement) is stated as above.

### **IPT Transaction : Started by 31 December 2021 and ended at 31 December 2022**

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Loan to major shareholder, holding 26.998%, Mr. Liu Ming	RMB3,206,738	Not Applicable



Based on the latest audited consolidated financial statements of the Company for the financial year ended 31 December 2020 ("FY2020"), the Group NTA is approximately RMB64.51 million.

A New Loan of RMB3.09 million granted to Mr Liu Ming and the interest payable of RMB116,738.08 are approximately 4.974% of the Group NTA for FY2020. Accordingly, no approval of the Shareholders is required to be sought for the Loan pursuant to Rule 906(1) (b) of the Listing Manual of SGX-ST.

The Group received a repayment of RMB 507,425.20 from shareholder Liu Ming on 2 December 2022. Including: the principal is RMB 490,000.00; the interest is RMB 17,425.20 (Interest period from 1 January 2022 to 31 March 2022 with an interest rate of 4.35%; interest period from 1 April 2022 to 1 December 2022 with an interest rate of 3.7%).

The Group received a repayment of RMB 2,699,312.88 from shareholder Liu Ming on 28 December 2022. Including: the principal is RMB 2,600,000.00; the interest is RMB 99,312.88 (Interest period from 1 January 2022 to 31 March 2022 with an interest rate of 4.35%; interest period from 1 April 2022 to 27 December 2022 with an interest rate of 3.7%).

For the financial year commencing 1 January 2021 up to the date of this announcement, the aggregate value of all transactions entered into by the Group with all interested persons (excluding transactions which are less than S\$100,000 and the Loan Agreement which is the subject of this announcement) is stated as above.

## 7. Update on use of net proceeds from placement

The Board refers to the previous announcements released on 25 June 2021 and 19 July 2021 in relation to the Use of Net Proceeds of approximately S\$1,235,420.92 raised from the Placement of 3,051,527 new ordinary shares at S\$0.423 each in the issued and paid-up share capital of the Company on 24 May 2021 (the "Net Proceeds") and wishes to provide an update on the use of Net Proceeds as of date of this announcement:

Description	SGD	RMB	HKD
Net Proceeds Raised as at 25 May 2021	1,235,420.92	*5,968,194.92	*7,224,741.54
Working Capital Required and Utilized on 25 June 2021	#1,206,703.83	5,653,548.77	6,903,340.00
Balance of Net Proceeds as at 30 June 2021	28,717.09	314,646.15	321,401.54
Working Capital Required and Utilized on 19 July 2021	28,717.09	314,646.15	321,401.54

Notes :

\* The calculation is based on the Monetary Authority of Singapore's ("MAS") exchange rates as at 25 May 2021 with SGD1 = RMB4.8309 and SGD1 = HKD5.848.

# The amount is extracted from the bank debit advice as at 25 June 2021.

The balance of the Net Proceeds as at 25 June 2021 amounting to SGD28,717.09 was placed in the escrow account maintained with The United Overseas Bank Limited in Singapore. The amount of SGD28,717.09 has been utilized to make the partial payment of Directors' Fees for the financial year ending 31 December 2021 which was approved at the Extraordinary General Meeting held on 31 March 2021 and due for payment on 30 June 2021. This amount has been deducted from the Company's bank account on 19 July 2021.

The above utilizations are in line with the intended uses of the Net Proceeds stated in the Company's announcement released on 27 April 2021.



## THE PLACEMENT

On 24 May 2021, the Company issued 3,051,527 new ordinary shares via share placement to one investor at an issue price of SGD0.423 per share, raising gross proceeds of approximately SGD1,290,795.92 ("the Placement").

The estimated Net Proceeds from the Placement (after deducting professional fees and related expenses of approximately SGD55,375) are approximately SGD1,235,420.92.

The Board of CZ3D has requested the Company to raise working capital for its daily operation amounting to RMB5,653,548.77 with the purpose of repayment of trade payables and procurement of machinery on 18 June 2021.

The Board of CZ3D has further commented that such working capital should be deposited to CZ3D through increasing of share capital by its foreign investor, Best Success (Hong Kong) Limited ("BS"). BS is holding 100% shareholdings of CZ3D and it is a company incorporated in Hong Kong.

On 31 May 2021, the Board of BS held a Board Meeting and a Board Minutes were recorded. 2 members of the Board of BS were present at the Board Meeting and 1 member was absent on 31 May 2021. The Board Minutes dated 31 May 2021 were notarized through the lawyer of Hong Kong, Liang Jin Ming, on 16 June 2021 and validated by The Ministry of Justice of The People's Republic of China entrusted Hong Kong lawyers with notarized documents used in the Mainland, China Legal Services (Hong Kong) Co., Ltd., Shenzhen No. 32951

On 18 June 2021, the Board of CZ3D held a Board Meeting and 2 Board Resolutions were signed by 2 out of 3 members of the Board of CZ3D. One resolution agreed that BS will increase the share capital of RMB5,653,548.77 of CZ3D and CZ3D will use the share capital of RMB5,653,548.77 to make the repayment to trade payables accounts as well as procurement of machineries.

On 25 June 2021, after reviewing the Board Resolutions of CZ3D, Board Minutes of BS and Notarized Documents of BS, the Board of the Company, 3 out of 4 have agreed to transfer the money of HKD6,903,340 equivalent to RMB5,653,548.77 to BS. The Board of the Company has agreed to use the Net Proceeds of HKD6,903,340 equivalent to RMB5,653,548.77 to increase the share capital of BS. Then, when BS received the Net Proceeds of HKD6,903,340, BS will transfer the sum to the bank account of CZ3D to increase the share capital of CZ3D to RMB5,653,548.77. Thereafter, CZ3D will use the money to pay the trade payables accounts and procurement of machineries.

The Company has utilized the Net Proceeds through injection of share capital of HKD6,903,340 (RMB5,653,548.77) from the Company to BS. Then, BS will further inject the share capital of RMB5,653,548.77 to CZ3D. Under China's Banking Rule and Regulations, as the Company does not have any direct relationship with CZ3D, the Net Proceeds could not transfer from the Company to CZ3D directly. Hence, the Net Proceeds has to be channeled through BS to CZ3D and CZ3D has lodged a report with Changzhou Municipal Bureau of Industry and Commerce (常州市工商局) to allow CZ3D to open a foreign investor injection fund bank account to receive the Net Proceeds amounting RMB5,653,548.77 from BS.

On 28 June 2021, Changzhou Municipal Bureau of Industry and Commerce (常州市工商局) has granted approval to approve CZ3D to update its share capital paid from RMB111,846,451.23 to RMB117,500,000 and the amount must deposit during July 2021. On 19 July 2021, CZ3D has received the share capital paid RMB5,653,548.77 from BS.

On 7 July 2021, CZ3D has successfully opened such foreign investor injection fund bank account with China Construction Bank and BS has transferred the amount of RMB5,653,548.77 to CZ3D at 4.16 pm on 13 July 2021 and this amount has been credited to CZ3D's foreign investor injection fund bank account on 19 July 2021.

On 16 August 2021, CZ3D has received the new purchased plant and machineries, namely 数控机器人喷丸机 .KXS-3000P amounting to RMB0.94 million and it has completed fixed and used at 1 September 2021.



## RATIONALE AND USE OF NET PROCEEDS

The Board of the Company is of the view that the Placement is beneficial to the Group as it has increased the resources and working capital available to the Company so as to pursue acquisition and/or business opportunities and improve cash flow, as part of management's strategy to achieve long-term growth and deliver shareholder value.

The estimated Net Proceeds from the Placement (after deducting professional fees and related expenses of approximately SGD55,375) are approximately SGD1,235,420.92 (the "Net Proceeds").

The Company intends to utilize the entire amount of the Net Proceeds for general working capital purposes to be used by the Company and CZ3D.

The Company has utilized the Net Proceeds through injection of share capital of HKD6,903,340 (RMB5,653,548.77) from the Company to BS. Then, BS will further inject the share capital of RMB5,653,548.77 to CZ3D. Under China's Banking Rule and Regulations, as the Company does not have any direct relationship with CZ3D, the Net Proceeds cannot be directly transferred from the Company to CZ3D. Therefore, the Net Proceeds must be channelled through BS. Thereafter, BS can then transfer it to CZ3D. CZ3D must lodge a report with Changzhou Municipal Bureau of Industry and Commerce (常州市工商局) and CZ3D has to open a foreign investor injection fund bank account to receive the Net Proceeds amount of RMB5,653,548.77 from BS.

The Company will comply with the rules and regulations of Cayman Islands, Singapore, Hong Kong and China on the utilization of the Net Proceeds.

The above utilization is in line with the intended uses of the Net Proceeds stated in the Company's announcement

## **8. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST



## Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Zhang Wen Jun  
Director

Foo Chee Meng  
Director

Singapore  
11 August 2023