

2022

ANNUAL REPORT

Welcome to view this complete annual report,
which covers our various business operations in 2022.
We have never forgotten our mission, prioritizing the mission of the group and pursuing a higher quality development path.



SHANGHAI TURBO ENTERPRISES LTD.

上海动力发展有限公司

CORPORATE INFORMATION

Mr. Hong Yong
Non-Executive Chairman and Lead
Independent Director
(resigned on 1 March 2023)

Mr. Zhang Wenjun
Non-Executive Non-Independent Director

Mr. Foo Chee Meng
Non-Executive Independent Director

Mr. Simon Poh Siew Beng
Non-Executive Independent Director
(resigned on 1 April 2023)

Dr. Daniel Liu Danjun
Non-Executive Non-Independent Director
(resigned on 1 February 2023)

Mr. Gao Zhong
Executive Director
(appointed on 11 August 2023)

AUDIT COMMITTEE ("AC")

Mr. Zhang Wenjun
Mr. Foo Chee Meng

NOMINATING COMMITTEE ("NC")

Mr. Foo Chee Meng
Mr. Zhang Wenjun
Mr. Gao Zhong

REMUNERATION COMMITTEE ("RC")

Mr. Foo Chee Meng
Mr. Zhang Wenjun
Mr. Gao Zhong

SECRETARY

Mr. Chong Eng Wee

Mr. Chong Eng Wee

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

BUSINESS OFFICE

No. 9, Yinghua Road, Zhonglou Economic Development
Zone, Changzhou City, Jiangsu Province
The People's Republic of China

CAYMAN ISLANDS SHARE REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman KY1-
1111 Cayman Islands

SHARE TRANSFER AGENT

In.Corp Corporate Services Pte.Ltd.
30 Cecil Street #19-08 Prudential Tower Singapore 049712

EXTERNAL AUDITORS

RT LLP
297 South Bridge Road
Singapore 058839
Audit Partner-In-
Charge Mr. Arumugam
Ravinthran
Appointed with effect from financial year 2022

INVESTOR AND MEDIA CONTACT

Shanghai Turbo Enterprises Ltd.
Mr. Zhang Wenjun
Tel: 86 135 0168 1631
Email:wenjun.zhang@shanghaiturbo.com

GO BACK TO THE PAST AND
LOOK FORWARD TO THE FUTURE

2022 ANNUAL
REPORT



CORPORATE PROFILE



ShanghaiTurbo is a precision engineering group that specialises 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 maximise the efficiency of steam flow in the generation of electricity.



We have top-notch equipment, strong production capacity, perfect quality certification system, excellent design ability, professional services, and maintain good cooperation with world-class enterprises

CONTENTS

- 02 Letter to Shareholders
 - 04 Operational and Financial Review
 - 05 Financial Highlights
-
- 07 Board of Directors
 - 10 Corporate Governance Report
-
- 39 Directors' Statement
 - 42 Independent Auditor's Report
 - 104 Shareholdings Statistics
 - 106 Notice of Annual General Meeting
 - Depositor Proxy Form
 - Annual general Meeting — Proxy Form



Director's Speech

PART 1



Dear Shareholders:

First of all, I would like to extend our most sincere thanks and greetings to all shareholders on behalf of the Board of Directors of the Company. Thank you for giving great support and trust to the Board of Directors and giving great help and care to the Company.

In the outgoing year, the Company achieved business results that bucked the trend in the face of many challenges and opportunities in the market environment, while making progress in refined management as well as streamlined and efficient institution and system construction. We continue to keep our leading position in the field of turbine blade processing and manufacturing. These achievements are inseparable from the joint efforts of all employees in the Company, and we would like to express our sincere gratitude to all employees in the Company.

I. Production, Sales and Operating Income

After more than a year of adjustment, the Company's operation has been stabilized, the production scale and sales revenue are on a rebound and growth path, the output value and operating income continue to expand, the efficiency and effectiveness are steadily improving, and the business indicators have been basically restored.

Director's Speech

PART 2

II. Management and Institution Construction

While production, sales and operating income are stable, we have always placed a high priority on internal control management and system and institution construction. In the past year, we persisted in optimizing and shortening the management process and improving the operation efficiency, and achieved certain effective results.

1. Strengthening of Technological Innovation

Adhering to the concept of technological innovation, we continuously strengthen the Company's scientific & technological innovation capability and actively promote the transformation of scientific & technological achievements. The Company has accumulated about 34 valid patents through independent research and development, including 3 invention patents.

2. Optimization of the Company's Institutions and Systems

We have further reviewed and optimized the Company's operation institution documents and systems to keep the Company operating steadily and efficiently through self evolution.

III. Future Prospects

In 2023, the Company will have a 15%-30% increase in operating income, production profit and operating cash flow compared to the same period last year. The Company will continue innovation in technology, products, services, internal control and marketing, etc. to adapt to changes in the external business environment and needs of internal organization development.

We always adhere to "customer-oriented, integrity, excellence and steady development" as the core values for the sustainable development of the Company. With the corporate philosophy of "focusing on quality and creating value", we strive for excellence, continuously improve the quality of products and services, actively promote technology and intelligent upgrading, enhance the ability of market expansion and risk control, and strive to promote the sustainable and healthy development of the Company.

Zhang Wenjun

Non-Executive and non-Independent director
For and on behalf of Board of Directors
Shanghai Turbo Enterprises Ltd.

SHANGHAI TURBO ENTERPRISES LTD.

OPERATIONAL AND FINANCIAL REVIEW

Statement of Profit or Loss and Other Comprehensive Income

Group revenue increased by 3% from RMB62.56 million in FY2021 to RMB64.57 million in FY2022 mainly due to the Subsidiary's prompt delivery of orders as requested by the major local customers during FY2022.

Cost of sales increased by 13% from RMB47.78 million in FY2021 to RMB53.90 million in FY2022 mainly due to the increase in revenue from RMB62.56 million in FY2021 to RMB64.57 million in FY2022. The cost of sales in compared to revenue was 83.47% and 76.37% for FY2022 and FY2021 respectively.

The Group achieved a gross profit amounting to RMB10.67 million in FY2022 as compared to a gross profit of RMB14.78 million in FY2021. The decrease in gross profit margin was due to the market is pretty competitive, the raw material and labor cost were rising.

Selling and distribution expenses increased by 31% from RMB3.54 million in FY2021 to RMB4.66 million in FY2022 mainly due to increase in entertainment expenses (FY2022: RMB2.78 million; FY2021: RMB1.67 million), increase in staff costs (FY2022: RMB0.74 million; FY2021: RMB0.72 million); increase in sales tender cost (FY2022: RMB0.68 million; FY2021: RMB0.45 million); increase in travelling expenses (FY2022: RMB0.07 million; FY2021: RMB0.06 million) and decrease in sales quality control expenses (FY2022: RMB0.12 million; FY2021: RMB0.56 million).

Administrative expenses decreased from RMB25.09 million in FY2021 to RMB15.35 million in FY2022 mainly due to decrease in salaries (FY2022: RMB3.33 million; FY2021: RMB5.59 million) ; decrease in depreciation cost (FY2022: RMB3.13 million; FY2021:

RMB4.45 million) and decrease in travelling expenses (FY2022: RMB0.03 million; FY2021: RMB0.09 million).

The Group ended FY2022 with a net loss of RMB9.22 million, compared to RMB0.24 million net loss in FY2021.

Statement of Financial Position

As at 31 December 2022, the Group's non-current assets stood at RMB31.27 million, an increase from RMB29.87 million, mainly due to there was reversal of impairment on plant and equipment in FY2022.

Over the same period, current assets increased from RMB58.07 million to RMB65.27 million, mainly cash and cash equivalents increased by RMB7.97 million.

The Group's total liabilities increased from RMB58.25 million as at 31 December 2021 to RMB74.66 million as at 31 December 2022 is mainly due to the bank loans increased from RMB17.49 million 31 December 2021 to RMB43.50 million as at 31 December 2022.

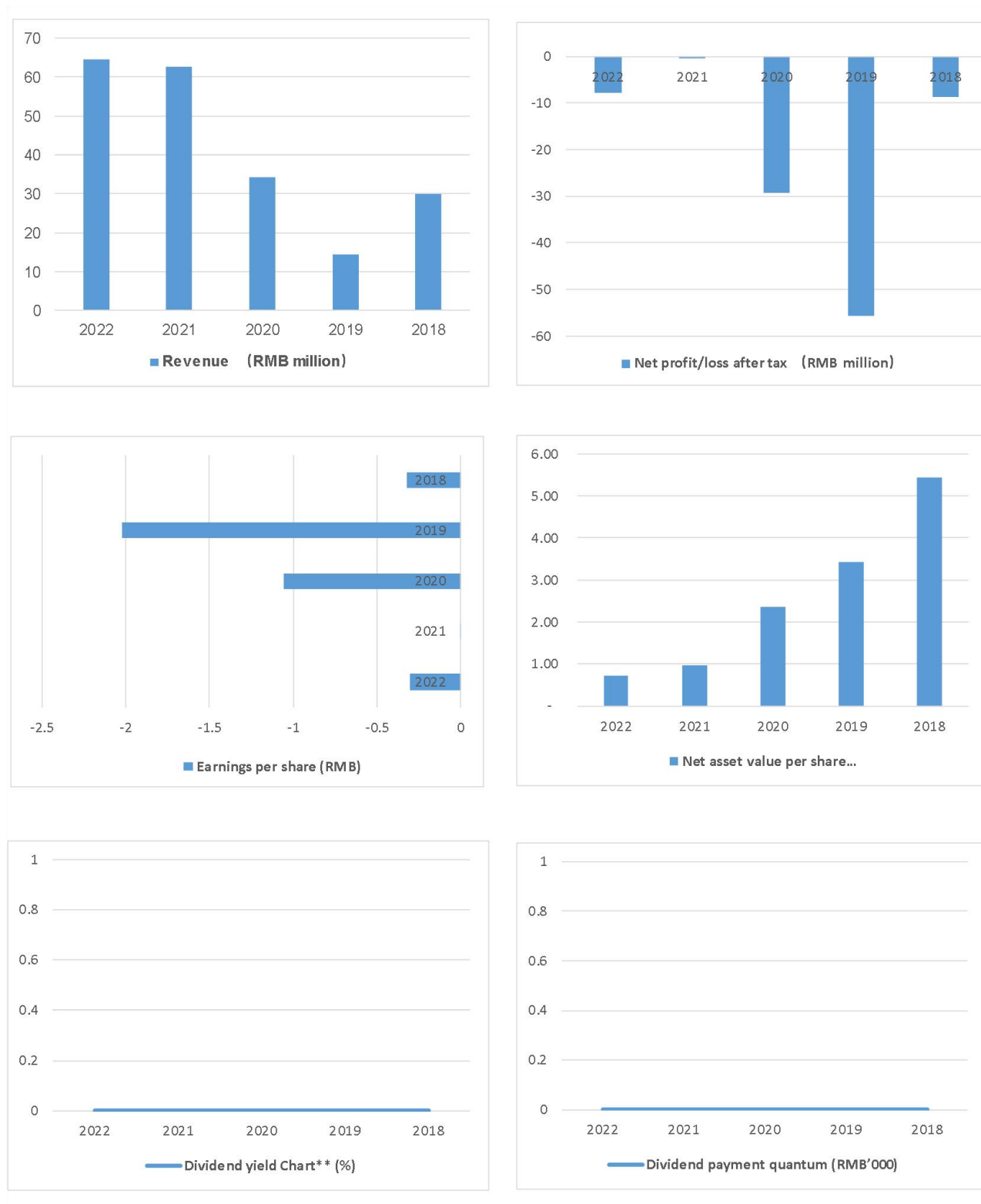
Statement of Cash Flows

The Group's net cash expenditure from operating activities amounting to RMB16.52 million in FY2022.

The Group's net cash generated from financing activities amounting to RMB28.15 million mainly due to the Group has obtained new loans amounting to RMB43.5 million from Bank with interest payment for bank loan amounting to RMB1.29 million and repaid the loans of RMB17.49 million to bank in FY2022.

In view of the above, there was a net increase in cash and cash equivalents of about RMB11.39 million in FY2022, compared to a net decrease of RMB2.45 million in FY2021.

FINANCIAL HIGHLIGHTS



Source: Bloomberg

**Dividend paid in Singapore Dollar is converted using a yearly average SGD/CNY exchange rate. Dividend yield is computed using the adjusted closing share price on the last traded day in the calendar year.

FINANCIAL HIGHLIGHTS

	2018	2019	2020	2021	2022
Statement of Profit or Loss and Other Comprehensive Income (in RMB'000)					
Revenue	29,845	14,402	34,273	62,556	64,566
Gross profit/loss	-16,764	-15,132	-38,174	14,776	10,671
Profit/loss before tax	-10,161	-55,060	-29,228	-244	-9,220
Net profit/loss after tax	-8,782	-55,568	-29,329	-466	-7,820
Statement of Financial Position (in RMB'000)					
Property, plant and equipment	97,286	83,769	70,455	29,873	31,269
Inventories	1,983	2,850	7,773	10,600	11,435
Trade receivables	81,815	29,575	22,953	36,486	23,408
Cash and bank balances	14,285	7,526	3,811	5,731	13,702
Trade payables	17,660	7,733	17,685	29,088	15,988
Other payables and accruals	9,434	5,124	8,419	6,183	9,904
Provision-	4,373	4,373	4,373	4,373	4,373
Bank loan	16,000	13,300	9,497	17,490	43,500
Shareholders' equity	149,387	93,836	64,507	29,701	21,881
Total assets	198,635	126,420	105,816	87,947	96,536
Total liabilities	49,248	32,584	41,309	58,246	74,655
Statement of Cash Flows (in RMB'000)					
Operating activities	-27,996	-1,877	1,314	-3,839	-16,521
Investing activities	-1,480	-694	235	-6,621	-241
Financing activities	16,405	-2,603	-4,506	8,012	28,150
Net movement	-13,071	-5,174	-2,957	-2,448	11,388
Financial Ratios					
Earnings per share (RMB)	-0.32	-2.02	-1.06	-0.01	-0.30
Net asset value per share (RMB)	5.44	3.42	2.35	0.97	0.72
Dividend yield (%)	-	-	-	-	-
Dividend payment quantum (RMB'000)	-	-	-	-	-

BOARD OF DIRECTORS

MR. ZHANG WENJUN / AGE 53

Non-Executive Non-Independent Director

Bachelor of Engineering Degree, Xi'an Jiaotong University(China)

Date of appointment:
9 June 2020

Date of cessation:
13 January 2021

Date of re-appointment:
1 September 2021

Present directorships in other listed companies

- NIL

Serves on the following Board Committees

- Audit Committee –Member
- Nominating Committee – Member
- Remuneration Committee – Member

Present principal commitments

(other than directorships in other listed companies)

- NIL

Directorships in other listed companies held over the preceding three years (2020-2022)

- NIL

Background and experience

Mr Zhang Wenjun is a senior professional with almost 20 years of management experience in the growing Chinese financial markets, having worked in China Merchant Bank, Shanghai Pudong Development Bank and Ping An Bank before joining Ping An Securities Company as General Manager for its Shanghai Operation in 2015.

Mr Zhang has strong expertise and experiences in banking operations, business reorganizations and/or restructuring, merger and acquisitions, IPOs and capital markets.

Mr Zhang is a member of China Banking Association and Securities Association of China (SAC)

MR. FOO CHEE MENG / AGE 55

Non-Executive Independent Director

University Of Toronto (Ontario, Canada)
Bachelor of Applied Science (With Honor,
Mechanical Engineering)

Singapore Polytechnic
Diploma in Manufacturing Engineering

Date of appointment
as Non-Executive Independent Director:
2 May 2021

Serves on the following Board Committees

- Audit Committee –Member
- Nominating Committee – chairman
- Remuneration Committee – chairman

Present directorships in other listed companies

- NIL

Present principal commitments

(other than directorships in other listed companies)

- NIL

Directorships in other listed companies held over the preceding three years (2020-2022)

- NIL

Background and experience

Mr. Foo, a seasoned management team member with over 20 years of work experiences in various manufacturing operations of American and Singaporean multinational companies of office IT hardware, Electronic Manufacturing Services, Packaging & Printing products. He had worked in the manufacturing industries in Product Engineering, Program Management, Procurement, Sourcing, Supply Chain Business Development and Management functions. He is currently working with a multinational company to develop and grow their medical devices and industrial equipment manufacturing business in Asia.

BOARD OF DIRECTORS

MR. GAO ZHONG / AGE 54

Executive Director

Bachelor Degree In Financial Management,
Beijing Foreign Studies University

Date of appointment:
11 August 2023

Serves on the following Board Committees

- Nominating Committee – Member
- Remuneration Committee – Member

Present directorships in other listed companies

- NIL

Present principal commitments

(other than directorships in other listed companies)

- NIL

Directorships in other listed companies held over the preceding three years (2020-2022)

- NIL

Background and experience

Mr. Gao has served in various companies for the past 20 years, assuming roles of general manager in China. He acquired diverse operational experience and knowledge in various industries. He has well established his reputation in Changzhou, China. He has good relationship with a lot of bankers in Changzhou, China. He has actively engaged in social charity work in Changzhou, China.

MR. HONG YONG / AGE 52

Executive Chairman &
Lead Independent Director

Ph.D. in Economics, Nankai University
Master Degree in History, Nankai University
Degree. in English Language, Chaohu University (China)

Date of Cessation
1 March 2023

Background and experience

Mr. Hong is currently a Chief Executive Officer (“CEO”) of Shanghai Yunzi Capital Co, Ltd in China. He is a professional member who can make the right decision making and handling the difficulties matters of the Group and his own company. He has actively engaged in social charity work.

BOARD OF DIRECTORS

DR. DANIEL LIU DANJUN / AGE 54

Non-Executive Non-Independent Director

Ph.D in Electrical Engineering and Automation
Master's and Bachelor's degrees in Material Science
and Engineering
Harbin Institute of Technology (China)

Date of Cessation

1 February 2023

Background and experience

Dr. Liu started his career as a Research Associate Professor at Beijing University of Technology's Department of Automation, before moving to Intel's China Research Centre as a Senior Researcher for Human-Computer Interaction Technology. Thereafter, he held technical and sales positions at electronics and technology companies, and various industry groups, as well as being Chairman for a number of technology companies.

MR. SIMON POH SIEW BENG / AGE 61

Non-Executive Independent Director

Bachelor of Accountancy, National University of
Singapore (NUS)
Master of Business Administration (NUS)
Fellow CA (ISCA), ATA (Income Tax & GST), MSID

Date of Cessation

1 April 2023

Background and experience

Mr. Poh is a Fellow Chartered Accountant with over 20 years of experience working in international accounting and taxation firms. He has strong accounting and taxation experiences. Mr. Poh is currently an Associate Professor (Practice) at the NUS Business School where he teaches taxation modules.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

The Board of Directors (the “**Board**”) and Management of Shanghai Turbo Enterprises Ltd. (the “**Company**”) and together with its subsidiaries, the “**Group**”) place great importance on high standard of corporate conduct to uphold good corporate governance practices. This commitment and continuous support of the Code of Corporate Governance 2018 (the “**Code**”) can be seen from the efforts of the Board and Management to promote and maintain values that emphasise transparency, accountability, integrity and proper conduct at all times, in the business operations and dealings of the Company so as to create value for its stakeholders and safeguard the Company’s assets.

The report describes the practices the Company has undertaken with respect to each of the principles and guidelines, and the extent of its compliance with the Code and the Mainboard Rules (the “**Listing Rules**”) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). This report should be read as a whole, instead of being read separately under the different principles and guidelines of the Code. The Company has complied in all material aspects with the principles and guidelines set out in the Code and any deviations from the Code are explained in this report.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its success. Management also plays a pivotal role in providing the Board with complete, adequate and timely information to assist the Board in the fulfilment of its responsibilities.

Provision 1.1

Role of the Board

The Board sets the overall business direction, provides guidance on the Company’s strategic plans, with particular attention paid to growth and financial performance and oversees the Management of the Company. The principal functions of the Board, apart from its statutory responsibilities, include:

- (a) setting the overall strategy of the Group, supervising and working with the Management to make objective decisions in the interest of the Group including establishing goals and priorities for the Management and reviewing the Management’s performance by monitoring the achievement of these goals;
- (b) establishing policies on matters such as financial control, financial performance and risk management procedures, thereby taking responsibility for the overall corporate governance of the Group;
- (c) setting objective performance criterion to evaluate the Board’s performance and succession planning process;
- (d) reviewing the adequacy and effectiveness of the Group’s risk management and internal controls framework including financial, operational, compliance and information technology controls and establishing risk appetite and parameters to safeguard shareholders’ interests and the Company’s assets;
- (e) reviewing and approving key operational and business initiatives, major funding proposals and other corporate actions, significant investment and divestment proposals, including determining the Group’s operating and financial performance, the Group’s annual budget and

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

- capital expenditure, release of the Group’s half-year and full-year financial results (including quarterly financial results, if applicable) and other strategic initiatives proposed by Management;
- (f) approving all Board appointments/re-appointments and appointment of Key Management Personnel,¹ evaluating their performance and reviewing their remuneration packages;
 - (g) identifying the key stakeholder groups and recognising that their perceptions affect the Company’s reputation;
 - (h) setting the Company’s values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
 - (i) considering sustainability issues (where applicable), e.g. environmental and social factors, as part of its strategic formulation.

All Directors discharge their duties and responsibilities objectively at all times as fiduciaries in the interest of the Company. The Board puts in place a code of conduct and ethics and ensures proper accountability within the Company. The Board has clear policies and procedures for dealing with conflict of interest. Directors facing conflicts of interest is required to immediately declare his or her interest to the Board, remove himself or herself from the information flow and recuse themselves from participating in any further discussions and/or decisions relating to the subject matter of the conflict of interest.

Provision 1.2

Director Induction, Training and Development

The Company conducts briefing and orientation programs for new Directors to familiarise themselves with the Company’s structure and organisation, businesses and governance policies. Upon appointment, each newly appointed Director will be briefed by the Board and/or Management on the business activities of the Company and its strategic directions, as well as setting out their duties and responsibilities as Directors. The aim of the orientation program is to give Directors a better understanding of the Company’s businesses and allow them to assimilate into their new roles. New Directors are also informed about matters such as policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company’s securities and restrictions on disclosure of price sensitive information. A formal letter of appointment is furnished to every newly appointed director upon his or her appointment explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board.

As announced by the Company on 11 August 2023, Mr Gao Zhong had been appointed as an Executive Director of the Company with effect from 11 August 2023. As Mr Gao Zhong does not have any prior experience as a director of a listed company, he will attend the relevant training conducted by the Singapore Institute of Directors within one year from the date of his appointment in accordance with Rule 210(5)(a) and Practice Note 2.3 of the Listing Rules.

The Directors are encouraged to attend relevant training programmes, courses, conference and seminar on new laws, regulations, accounting standards and updates on commercial areas conducted by relevant professional organisation from time to time which are of relevance to the discharge of their duties as Directors, with such training to be funded by the Company. Changes to regulations and accounting standards are monitored closely by the Management.

¹ Key Management Personnel: such persons having authority and responsibility for planning, directing and controlling the activities of the Company.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

During the financial year ended 31 December 2022 (“**FY2022**”), the Board received regular updates on changes in listing rules, financial reporting standards, regulatory requirements, corporate governance guidelines and best practices. New releases issued by the SGX-ST and other relevant regulatory bodies which are relevant to the Group and/or Directors are circulated to the Board.

Provision 1.3

Matters Requiring Board Approval

The Company has adopted internal guidelines setting forth matters that require the Board’s approval. Matters that specifically require Board’s approval are those involving annual budget, major funding and investment proposals, mergers and acquisition transactions, release of results announcements and any other announcements, appointment of Directors and Key Management Personnel, interested person transactions and all other matters of material importance. The Board will review the guidelines on a periodical basis to ensure their relevance to the operations of the Company. The Management is responsible for the day-to-day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

Provision 1.4

Board Committees

To ensure the smooth and effective running of the Company and facilitate decision making, the Board has delegated some of its powers and functions to various Committees, namely the Audit Committee (“**AC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”) (collectively, the “**Board Committees**”). These Board Committees are chaired (or will be chaired) by Independent Directors and operate under clearly defined terms of reference and operating procedures. The Board recognises that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board. The terms of reference of the Board Committees are reviewed by the Board and the respective Board Committee on a regular basis to ensure their continued relevance and to enhance the effectiveness of these Board Committees. The roles and responsibilities of these Board Committees are provided for in the latter sections of this Corporate Governance Report.

Provision 1.5

Meetings of Board and Board Committees

The schedule of all Board and Board Committee meetings for a calendar year is usually given to all Directors well in advance. In addition to the scheduled meetings, ad-hoc Board and/or Board Committee meetings may also be convened as and when deemed necessary by the Board and/or the Board Committees to deliberate on specific or significant matters that may arise from time to time. The Company’s Articles of Association (the “**Articles**”) allows for Board meetings to be held by means of video conference, teleconference or other electronic means of communication by which all persons participating in the meeting can hear one another contemporaneously. The Board may also make decisions through board resolutions in writing, which are circulated to the Board together with all relevant information relating to the subject matter of such resolutions.

During the financial year under review, the Board met 4 times. The number of Board and Board Committee meetings held and the attendance of each Director in FY2022 are disclosed below:

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

Attendance Report of the Directors

Name of Directors	Number of meetings held							
	AC		RC		NC		Board	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Hong Yong ⁽¹⁾	4	4	4	4	4	4	4	4
Dr Daniel Liu Danjun ⁽²⁾	4	4	4	4	4	4	4	4
Mr Zhang Wenjun	4	4	4	4	4	4	4	4
Mr Simon Poh Siew Beng ⁽³⁾	4	4	4	4	4	4	4	4
Mr Foo Chee Meng	4	4	4	4	4	4	4	4

Notes:

- (1) Mr Hong Yong resigned as a Non-Executive Chairman and Lead Independent Director of the Company on 1 March 2023.
- (2) Dr Daniel Liu Danjun resigned as a Non-Executive Independent Director of the Company on 1 February 2023.
- (3) Mr Simon Poh resigned as a Non-Executive Director Independent Director of the Company on 1 April 2023.

The Directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Company and its businesses. As such, we believe that each individual Director's contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committees meetings.

All Directors are required to declare their board representations on an annual basis and as soon as practicable after the relevant facts have come to his or her knowledge. The NC will review whether a Director is able to and has adequately carried out his or her duties as a director of the Company from time to time, in particular, where a Director has multiple board representations and/or other principal commitments.

Currently, the NC and Board do not limit the maximum number of listed board representations which any Director may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company. The NC and Board believe that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, having regard to his or her other commitments.

Provision 1.6

Access to Information

To provide Directors with sufficient time to prepare for Board and Board Committee meetings, the agenda and board papers, including any related materials, background or explanatory information, are circulated to the Directors in advance of the Board and/or Board Committee meeting to enable them to be properly informed of matters to be discussed and/or approved. Management is invited to attend the meetings to present information and/or render clarification when required. The Directors are encouraged to make enquiries on any aspects of the Company's operations or business issues presented by the Management. Directors are also informed of any significant developments or events relating to the Company and have unrestricted access to the Company's records and information so as to enable them to carry out their duties. In addition, the Directors are furnished with complete, accurate and adequate information in a timely manner to enable them to be fully cognisant of the decisions and actions of Management.

Provision 1.7

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

The Company Secretary and Other Professional Advisers

Board members have separate and independent access to Management and the Company Secretary. The Company Secretary and/or his or her representative attend all meetings of the Board and Board Committees and assists in ensuring that the Board procedures are followed and reviewed in accordance with the Company’s Articles so that the Board functions effectively and relevant requirements of the Companies Act 1967 of Singapore are complied with. The appointment and the removal of the Company Secretary are subject to the Board’s approval. The Directors and respective Board Committees, whether as a group or individually, are able to seek independent professional advice as and when necessary, in furtherance of their duties, at the Company’s expense. The appointment of professional advisors is subject to the approval of the Board.

As announced by the Company on 6 October 2022, Mr Chong Eng Wee was appointed as secretary of the Company in place of Ms Wong Yoen Har with effect on and from 6 October 2022.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Company endeavours to maintain a strong and independent element on the Board and will continue to review the Board size to ensure that it is appropriate and facilitate effective deliberation and decision making. The Board and NC will continue to review the composition and Board size taking into account the nature and scope of the Company’s operations and the requirements of its business.

Provisions 2.1, 2.2 and 2.3

The criterion for independence is based on the definition set out in the Code and the Practice Guidance on the Code of Corporate Governance issued on 11 January 2023 and taking into consideration whether the Director falls under any circumstances pursuant to Rule 210(5)(d) of the Listing Rules. The Board considers an “independent” Director as one who has no relationship with the Company, its related companies, its officers or its substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgment in the best interests of the Company.

The NC has reviewed the “Confirmation of Independence” forms completed by the Independent Director and is satisfied as to his independence. The independence of each Director is reviewed annually by the NC in accordance with the guidance provided in the Code and Listing Rules. Matters requiring the Board’s approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively. No individual or small group of individuals dominates the Board’s decision making.

During the financial year under review, the Chairman of the Board is an Independent Director and majority of the Board is made up of Independent Directors. As at date of this Report, the Board comprise a majority of two (2) Directors (out of a three (3) member Board) who are Non-Executive Directors but does not have a Chairman to preside over the Board. To ensure compliance with the Listing Rules and the relevant provisions of the Code, the Company will be sourcing for a new Independent Director and will provide shareholders with updates on the foregoing in due course.

As at the date of this report, there are no Independent Director who has served the Board for more than nine (9) years since the date of their appointment as Independent Director of the Company. The Company is also cognizant of the removal of the two-tier vote mechanism for Company to retain long-

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

serving Independent Director who has served for more than nine (9) years and will ensure that the tenure of the Independent Directors do not exceed the nine-year limit.

Provision 2.4 and 2.5

Board Diversity

The Board comprises Directors who possess the relevant core competencies, experience and knowledge in business, finance and management skills critical to the Company’s business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. In particular, the Non-Executive Directors, who are mostly professionals and experts in their own fields, are able to take a broader view of the Group’s activities, contribute their valuable experiences and provide independent and objective judgement during Board deliberations or when challenging Management’s proposals or decisions constructively on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also contribute to the Board process by monitoring and reviewing Management’s performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group’s business. The Directors, having reviewed the composition of the Board, are satisfied that the present size and composition of the Board is effective for decision making.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments and whether the appointment is executive or non-executive can be found under the “Board of Directors” section of the Annual Report.

The Company recognises and embraces Board diversity as an essential element in supporting the achievement of business objectives and sustainable development in the ever-changing business environment. The Board has adopted a Board Diversity Policy.

The Board’s internal policy in identifying directors is primarily to have an appropriate mix of members with complementary skills, core competencies and experience that could effectively contribute to the Group, regardless of gender. The Board is mindful that diversity is not specific to gender or certain personal attributes but would extend to sectorial diversity, diversity as to experience and skills across various disciplines and would strive to ensure the diversity would enhance the long-term success of the Group. In reviewing the composition of the Board, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Company. The role of the Non-Executive and Independent Directors are particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the Company conducts business. The Independent Directors help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance. When necessary, the Independent Directors and/or Non-Executive Directors will meet and discuss on the Company’s affairs without the presence of the Management and feedback on issues discussed is thereafter provided to the Board.

To facilitate a more effective check on the Management, the Board meets at least once a year with the external auditors without the presence of the Management. The Board also communicate with each other from time to time without the presence of the Management to discuss the performance of the Management and any matters of concern.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

As at the date of this report, the composition of Board is as follows:

Directors:	Designation:
Mr Gao Zhong	Executive Director
Mr Zhang Wenjun	Non-Executive Non-Independent Director
Mr Foo Chee Meng	Non-Executive Independent Director

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and the Management, and no one individual has unfettered powers of decision-making.

Provisions 3.1, 3.2 and 3.3

The Company does not have a Chief Executive Officer ("CEO"). However, the responsibility to perform the duties typically performed by a CEO is assumed by Mr Gao Zhong, the General Manager of Changzhou 3D Technological Complete Set Equipment Co., Ltd ("CZ3D") (the "GM"), who is responsible for the management of the day-to-day operations of the Group. As announced by the Company on 11 August 2023, Mr Gao Zhong was appointed as an Executive Director of the Company.

The Company has a clear separation of responsibilities set out in writing between the Chairman and the GM to ensure an appropriate balance of power, increased accountability and greater capacity for the Board in terms of independent decision making. Mr Hong Yong, the Non-Executive Chairman of the Board and Lead Independent Director of the Company, is responsible for the overall leadership of the Board and engages Management regularly on pertinent issues. He also leads the Board meetings and sets the Board meeting agenda in consultation with the Company Secretary and ensures that Board members are provided with complete, adequate and timely information. The Chairman and the GM are not related.

As the Lead Independent Director, Mr Hong Yong is also the principal liaison to address shareholders' concerns, for which direct contact through normal channels of communication with the Management has failed to resolve or for which such contact is inappropriate. He also facilitates periodic meetings with the other Independent Directors on board matters, when necessary and provides his feedback to the Management after such meetings.

The other specific roles and responsibilities of the Lead Independent Director are as follows:

- (a) acting as liaison between the Non-Executive Directors and the Executive Directors of CZ3D to provide non-executive perspectives; and
- (b) assisting the Board and Company officers in better ensuring compliance with and implementation of corporate governance. During FY2022, the Company's Non-Executive Directors have communicated between themselves, without the presence of the management as and when the need arises.

As announced by the Company on 28 February 2023, Mr Hong Yong resigned as the Non-Executive Chairman and Lead Independent Director of the Company.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

appointment of Directors, taking into account the need for progressive renewal of the Board.

Provisions 4.1 and 4.2

The Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment and re-appointment of Directors, making recommendations for Directors who are due for retirement by rotation to seek re-election at a general meeting of the Company and determining the independence of each Director.

During the financial year under review, the NC comprise five (5) directors, the majority of whom, including the NC Chairman, are independent. The lead independent director is also a member of the NC.

Directors:	Designation
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(1) Mr Hong Yong	Chairman
(2) Mr Foo Chee Meng	Member
(3) Mr Simon Poh Siew Beng	Member
(4) Dr Daniel Liu Danjun	Member
(5) Mr Zhang Wenjun	Member

As announced by the Company, the following Directors of the Company had resigned subsequent to FY2022:

Name of Director	Designation	Date of Announcement	Date of Resignation
Dr Daniel Liu Danjun	Non-Executive and Non-Independent Director	1 February 2023	1 February 2023
Mr Hong Yong	Non-Executive Chairman and Lead Independent Director	28 February 2023	1 March 2023
Mr Simon Poh Siew Beng	Non-Executive Independent Director	29 March 2023	1 April 2023

Separately, as announced by the Company on 11 August 2023, Mr Gao Zhong has been appointed as an Executive Director of the Company with effect from 11 August 2023. As such, the NC currently comprise three (3) Directors as follows as at the date of this report:-

Directors:	Designation
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Mr Foo Chee Meng	Chairman
Mr Zhang Wenjun	Member
Mr Gao Zhong	Member

In view of the above, to ensure compliance with the Listing Rules and the relevant provisions of the Code, the Company will be sourcing for new Independent Director in order to constitute majority of Independent Director to be the NC members and will provide shareholders with updates on the foregoing in due course.

The NC is regulated by its terms of reference and its key duties and functions are outlined as follows:

- (a) to make recommendations to the Board on all Board appointments and re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation, candour, and any other salient factors);
- (b) to ensure that all directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

- (c) to determine annually whether a director is independent, in accordance with the independence guidelines contained in the Code;
- (d) to review whether a director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple board representations; and
- (e) to consider how the Board’s performance may be evaluated and to propose objective performance criteria.

Provision 4.4

The NC reviews annually the independence of each Director based on the definition and criteria set out in the Listing Rules, the Code and the Practice Guidance. Each Independent Director is required to complete a “Confirmation of Independence” form for the NC’s review and recommendation to the Board. As at the date of this Report, none of the Directors have served on the Board for more than nine years from the date of his first appointment. Taking into consideration the foregoing, the NC is of the view that the Company’s current independent Director, Mr Foo Chee Meng, is deemed to be independent.

Provisions 4.3 and 4.5

Article 86(1) of the Company’s Articles require that every director on the Board shall retire at least once every three (3) years. A retiring director shall be eligible to offer himself for re-election. Pursuant to Article 85(6) of the Company’s Articles, any new director appointed by the Board during the year shall retire at the next annual general meeting (“**AGM**”) of the Company and shall then be eligible for re-election. The NC is responsible for the nomination of retiring Directors for re-election.

Mr Gao Zhong and Mr Foo Chee Meng, who are retiring pursuant to Article 85(6) and Article 86(1) of the Company’s Articles respectively, will be put forward for re-election at the forthcoming AGM. The NC has recommended, and the Board has approved, the re-election of Mr Gao Zhong and Mr Foo Chee Meng at the forthcoming AGM for FY2022. The details of the Director seeking for re-election are found in Table A set out on page 33 to page 38 of this Annual Report.

Mr Gao Zhong will, upon re-election as Director of the Company, remain as an Executive Director and member of the NC and RC. Mr Foo Chee Meng will, upon re-election as Director of the Company, remain as Non-Executive Independent Director, the chairman of the RC and NC, and member of the AC.

Each member of the NC shall abstain from voting on any resolutions and making recommendation and/or participating in any deliberations of the NC in respect of his or her re-election as a Director.

The table below shows the dates of first appointment and last election of each Director, including disclosure of their directorships in other listed companies as well as other principal commitments:

Name of Directors	Date of first appointment as a Director	Date of last re-election as Director	Present Directorships in other listed companies	Past directorships in other listed companies and other major appointments over the preceding three (3) years	Due for re-appointment at the AGM
Dr Daniel Liu Danjun ⁽¹⁾	01.05.2016	15.02.2023	NIL	NIL	NIL
Mr Hong Yong ⁽²⁾	30.09.2020	31.08.2021	NIL	NIL	NIL
Mr Liu Ming ⁽³⁾⁽⁵⁾	03.03.2023	NIL	NIL	NIL	NIL
Mr Simon Poh Siew Beng ⁽⁴⁾	08.07.2020	31.08.2021	NIL	NIL	NIL

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

Mr Zhang Wenjun	01.09.2021	15.02.2023	NIL	NIL	NIL
Mr Foo Chee Meng	02.05.2021	NIL	NIL	NIL	Retirement by rotation Article 85 (1)
Mr Gao Zhong ⁽⁶⁾	11.08.2023	NIL	NIL	[NIL]	Retirement by rotation Article 85 (6)

Notes:

- (1) As announced by the Company on 1 February 2023, Dr Daniel Liu Danjun resigned as Non-Executive Non-Independent Director with effect from 1 February 2023.
- (2) As announced by the Company on 28 February 2023, Mr Hong Yong resigned as Non-Executive Chairman and Lead Independent Director with effect from 1 March 2023.
- (3) As announced by the Company on 3 March 2023, Mr Liu Ming appointed as an Executive Director with effect from 3 March 2023.
- (4) As announced by the Company on 29 March 2023, Mr Simon Poh Siew Beng resigned as Non-Executive Independent Director with effect from 1 April 2023.
- (5) As announced by the Company on 15 May 2023, Mr Liu Ming resigned as an Executive Director with effect from 15 May 2023.
- (6) As announced by the Company on 11 August 2023, Mr Gao Zhong appointed as an Executive Director with effect from 11 August 2023.

Currently, the Company does not have any alternate director.

The NC ensures that a formal letter of appointment is furnished to every newly appointed director upon his or her appointment explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board. Upon appointment, each newly appointed Director will be briefed by the Board and/or Management on the business activities of the Company and its strategic directions, as well as setting out their duties and responsibilities as Directors. The aim of the orientation program is to give Directors a better understanding of the Company’s businesses and allow them to assimilate into their new roles. New Directors are also informed about matters such as policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company’s securities and restrictions on disclosure of price sensitive information.

The NC decides how the Board’s performance is evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders’ value. The Board also implemented a process to be carried out by the NC to evaluate the effectiveness of the Board as a whole and its Board Committees annually.

Currently, the NC and Board do not limit the maximum number of listed board representations which any Director may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company. The NC and Board believes that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, having regard to his or her other commitments. The NC and the Board will review the requirement to determine the maximum number of listed board representations as and when it deems fit.

The NC conducts an annual review of the balance, diversity and size of the Board to determine any changes are required in relation to the Board composition. Where a vacancy arises, the NC will consider each candidate based on the selection criteria determined after consultation with the Board and after taking into consideration the qualification, experience, ability to contribute effectively to the Board and to add value to the Company’s business, in line with its strategic objectives before recommending the suitable candidate to the Board for approval. There is no new director appointed on Board during FY2022.

Candidates may be suggested by Directors and Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

to complement the existing Board members, ability to commit the time and effort to carry out his or her responsibilities, good decision-making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment of any candidate and such candidate may be appointed by way of a Board resolution, with the Board taking into account the evaluation and recommendation by the NC. Any such director appointed will be subject to re-election at the next AGM of the Company pursuant to Article 85(6) of the Articles.

The NC has reviewed the time spent and attention given by each of the Directors to the Company’s affairs and is satisfied that the Directors are able to and have adequately carried out his or her duties as Directors of the Company and has contributed to the effectiveness of the Board as a whole and its Board Committees during FY2022.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

Provisions 5.1 and 5.2

In line with the principles of good corporate governance, the Board has implemented a structure process to be carried out by the NC to assess and evaluate the performance and effectiveness of the Board as a whole, its Board Committees and individual Directors annually. The evaluation process involves each Director completing an evaluation form on the overall effectiveness of the Board, covering areas such as Board composition, processes, accountability, succession planning of key executives and risk management and internal controls. Each Board Committee member is also required to complete an evaluation form in respect of the effectiveness of their respective Board Committees. Any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration and appropriate measures to be taken.

The NC and the Board had approved and adopted a set of performance criteria for the assessment of each individual Director. The performance criteria includes their contribution, expertise, independence and industry knowledge. This encourages constructive feedback from the Board and leads to an enhancement of its performance over time. Selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify such changes.

During the financial year under review, each Director was required to complete the evaluation form and individual Director’s assessment form adopted by the NC for annual assessment on the overall effectiveness of the Board as a whole, the Board Committees and each Director’s contributions. To ensure confidentiality, these evaluation forms were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC Chairman for review and discussion.

The NC is of the view that such evaluation processes provides an opportunity for Directors to give their feedback (if any) on the procedures and processes of the Board or Board committees and to identify the areas of improvement or enhancement which can be recommended or made to the Board. The NC will take into account the results of the performance evaluation, where appropriate, in proposing new members to be appointed to the Board, recommending the re-election of any Director, and/or seek the resignation of Directors.

Based on the evaluation results and findings for FY2022, the NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company.

No external facilitators were used in the assessment of the Board as a whole, its Board Committees and the individual Directors.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel. No Director is involved in deciding his or her own remuneration.

Provisions 6.1 and 6.2

The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Director. The overriding principle is that no Director should be involved in deciding his or her own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

During the financial year under review, the RC comprise three (3) Independent Directors as follows:-

Directors:	Designation
(6) Mr Hong Yong	Chairman
(7) Mr Foo Chee Meng	Member
(8) Mr Simon Poh Siew Beng	Member

As announced by the Company, the following Directors of the Company had resigned subsequent to FY2022:

Name of Director	Designation	Date of Announcement	Date of Resignation
Mr Hong Yong	Non-Executive Chairman and Lead Independent Director	28 February 2023	1 March 2023
Mr Simon Poh Siew Beng	Non-Executive Independent Director	29 March 2023	1 April 2023

Separately, as announced by the Company on 11 August 2023, Mr Gao Zhong has been appointed as an Executive Director of the Company with effect from 11 August 2023.

As at the date of this report, the RC currently comprise three (3) Directors as follows:-

Directors:	Designation
Mr Foo Chee Meng	Chairman
Mr Zhang Wenjun	Member
Mr Gao Zhong	Member

In view of the above, to ensure compliance with the Listing Rules and the relevant provisions of the Code, the Company will be sourcing for new Independent Director in order to constitute majority of Independent Director to be the RC members and will provide shareholders with updates on the foregoing in due course.

The RC has adopted written terms of reference that defines its membership, roles, functions and administration. The duties of the RC include:

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

- (a) ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management;
- (b) reviewing all aspects of remuneration including, but not limited to, directors’ fees, salaries, allowances, bonus, share options and benefits in kind and specific remuneration packages for each director;
- (c) structuring a compensation framework for executive directors and key executives, the RC seeks to link a proportion of executive compensation to the Group’s performance;
- (d) recommending in consultation with the Chairman of the Board and submitting for endorsement by the entire Board and ensuring no director is involved in deciding his own remuneration.

Provision 6.3

All aspects of remuneration, including but not limited to Directors’ fees, salaries, allowances, bonuses, share option scheme and benefit-in-kind are reviewed by the RC. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his/her own remuneration package.

In structuring and reviewing the remuneration packages, the RC seeks to align the interests of Directors and Key Management Personnel with those of shareholders by linking rewards to corporate and individual performance, as well as roles and responsibilities of each Director. The RC will also review the Company’s obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company’s relative performance and the performance of the individual Directors and Key Management Personnel.

Provision 6.4

The RC has access to, and will seek expert professional advice on remuneration matters as and when necessary at the Company’s expense. No remuneration consultants were engaged by the Company in FY2022.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provision 7.1 and 7.3

In determining the level of remuneration, the RC ensures that:

- (a) due consideration is given to the Code’s principles on the level and mix of remuneration to ensure that the level of remuneration is appropriate to attract, retain and motivate the Directors to run the Company successfully;

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

- (b) ensure that a proportion of the remuneration is linked to corporate and individual performance; and
- (c) design remuneration packages in such a manner as to align the interests of the Executive Directors and Key Management Personnel with those of shareholders of the Company.

An annual review is carried out by the RC to ensure that the remuneration of the Executive Directors and Key Management Personnel is commensurate with the Company’s and their respective performances, giving due regard to the financial and commercial health and business needs of the Group. During the financial year under review, the Company did not have any Executive Directors. The Company has however put in place a performance-related remuneration for the GM which is not only tied to corporate performance but also linked with certain risk control measurements.

The Company does not have any share option scheme or performance share plan. The RC is considering the viability of such schemes/plans and is looking into other long-term incentive schemes to supplement the Group’s current compensation framework.

Provision 7.2

The Non-Executive Directors are paid yearly directors’ fees of an agreed amount based on their contributions, taking into account factors such as effort, time spent, responsibilities of the Directors and the need to pay competitive fees to attract, motivate and retain the directors. Directors’ fees are recommended by the Board for approval at the Company’s AGM.

Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1, 8.2 and 8.3

An appropriate and attractive level of remuneration has been set to attract, retain and motivate Directors and Key Management Personnel. The remuneration package is made up of both fixed and variable components. The variable component is determined based on the performance of the individual as well as the Group’s performance. Annual increments and adjustments to remuneration are reviewed and approved taking into account the results of the annual review made by the Executive Directors and the various heads of department. All Non-Executive Directors are paid directors’ fees that are subject to shareholders’ approval at the AGMs.

The RC has recommended to the Board the payment of directors’ fees of RMB 1.125 million for FY2022 for the Non-Executive Directors. The Board concurred with the RC’s recommendation. The Non-Executive Directors have abstained from deliberation and voting in respect of their own fees at the respective RC (where applicable) and Board meetings. Accordingly, shareholders’ approval will be sought at the forthcoming AGM.

The remuneration details of Directors for FY2022 is as follows:

Directors	Remuneration Band⁽⁵⁾	Salary (%)	Bonus (%)	Directors’ Fee (%)	Allowance (%)	Total (%)
Dr Daniel Liu Danjun ⁽¹⁾	A	-	-	100	-	100

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

Mr Hong Yong (2)	A	-	-	100	-	100
Mr Liu Ming (3)(5)	-	-	-	-	-	-
Mr Simon Poh Siew Beng (4)	A	-	-	100	-	100
Mr Zhang Wenjun	A	-	-	100	-	100
Mr Foo Chee Meng	A	-	-	100	-	100

Notes:

- (1) As announced by the Company on 1 February 2023, Dr Daniel Liu Danjun resigned as Non-Executive Non-Independent Director with effect from 1 February 2023.
- (2) As announced by the Company on 28 February 2023, Mr Hong Yong resigned as Non-Executive Chairman and Lead Independent Director with effect from 1 March 2023.
- (3) As announced by the Company on 3 March 2023, Mr Liu Ming appointed as an Executive Director with effect from 3 March 2023.
- (4) As announced by the Company on 29 March 2023, Mr Simon Poh Siew Beng resigned as Non-Executive Independent Director with effect from 1 April 2023.
- (5) As announced by the Company on 15 May 2023, Mr Liu Ming resigned as an Executive Director with effect from 15 May 2023.
- (6) As announced by the Company on 11 August 2023, Mr Gao Zhong appointed as an Executive Director with effect from 11 August 2023.
- (7) Remuneration Band A: Compensation from S\$0 to S\$250,000 per annum.

For confidentiality reasons, the Company is not disclosing the remuneration of each individual Director to the nearest thousand dollars. However, disclosure had been provided in bands of S\$250,000 instead, with a breakdown in percentage of the remuneration earned through fees, salary, fixed component, variable component, benefits in kind, and/or other long-term incentives.

The Company only had one key management personnel during FY2022, details of the remuneration paid to the aforesaid key management personnel of the Company are set out below:-

Key Management Personnel	Designation	Salary (%)	Bonus (%)	Allowance (%)	Total (%)
Ms Elaine Leow Siew Phaik (1)	Financial Controller	100%	-	-	100%

Notes:-

- (1) Ms Elaine Leow Siew Phaik resigned as the financial controller of the Company on 1 September 2022.

There is no employee of the Company who is substantial shareholder of the Company, or an immediate family member of a Director, the CEO or a substantial shareholder of the Company and whose remuneration has exceeded S\$100,000 during FY2022.

No termination, retirement and post-employment or other long-term incentives have been granted to the Directors or Key Management Personnel during FY2022.

The Company does not have any share option scheme or performance share plan. The RC is considering the viability of such schemes/plans and is looking into other long-term incentive schemes to supplement the Group's current compensation framework.

ACCOUNTABILITY AND AUDIT

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provision 9.1

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Company's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems on an annual basis. The Board has not set up a specific risk committee, but the oversight of risk management and internal controls is undertaken by the AC and the Board in general.

The AC, on behalf of the Board, reviews the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance (including handling and dissemination of inside information) and information technology controls, and risk management policies and systems established by the Management on an annual basis.

It should be noted, in the opinion of the Board, that such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The Board understands its accountability to the shareholders on the Company's performance, position and prospect. The Management provides all Board members with management reports and accounts, which reflect a balanced, understandable assessment of the Company's performance, position and prospect on a regular basis.

Provision 9.2

For FY2022, the Board has received assurance from Mr. Simon Poh Siew Beng, the Non-Executive Independent Director of the Company, that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the adequacy and effectiveness of the Company's risk management and internal control systems in addressing financial, operational, compliance and information technology risks are operating effectively.

While the Company recognises that the above assurances required under Provision 9.2 of the Code should have been from (a) the CEO and Chief Financial Officer (“CFO”) of the Company and (b) the CEO and other key management personnel respectively, due to the Company's existing circumstances of not having a CEO, a CFO or other key management personnel, the Company has deviated from Provision 9.2 of the Code and have had Mr. Poh render such assurances to the Board

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

as he is working with the Company's finance team in the preparation of the Company's financial records and statements and is in the Board's view best placed to render such assurance.

Based on the framework of risk management and internal controls established and maintained by the Company, the work performed by the internal auditors and the audit undertaken by the external auditors, the Board with the concurrence of the AC is of the opinion that the Company's internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls and risk management systems maintained by the Company during the year were adequate and effective for FY2022.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively

Provisions 10.1 and 10.2

The AC is established to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal control.

During the financial year under review, the AC comprise three (3) Independent Directors as follows:-

Directors:	Designation
(1) Mr Simon Poh Siew Beng	Chairman
(2) Mr Foo Chee Meng	Member
(3) Mr Hong Yong	Member

As announced by the Company, the following Directors of the Company had resigned subsequent to FY2022:

Name of Director	Designation	Date of Announcement	Date of Resignation
Mr Hong Yong	Non-Executive Chairman and Lead Independent Director	28 February 2023	1 March 2023
Mr Simon Poh Siew Beng	Non-Executive Independent Director	29 March 2023	1 April 2023

As at the date of this report, the AC currently comprise two (2) Directors as follows:-

Directors:	Designation
(1) Mr Foo Chee Meng	Chairman
(2) Mr Zhang Wenjun	Member

In view of the above, to ensure compliance with the Listing Rules and the relevant provisions of the Code, the Company have endeavoured sourcing for new Independent Director in order to fill in the vacancy of the AC and will provide shareholders with updates on the foregoing in due course.

The AC is governed by its terms of reference, which was reviewed and amended, where appropriate, to adopt relevant best practices set out in the Code. The key functions of the AC include:

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

- (a) assisting the Board in discharging its statutory responsibilities on financial and accounting matters;
- (b) reviewing the financial and operating results and accounting policies of the Group;
- (c) reviewing significant financial reporting issues and judgments relating to financial statements for each interim and annual results announcement before submission to the Board for approval;
- (d) reviewing and reporting to the Board annually on the adequacy of the Company's internal controls (financial, operational, compliance and information technology) and risk management policies and systems established by the management;
- (e) reviewing the audit plans and reports of the external auditors and consider the effectiveness of the actions taken by the management on the auditors' recommendations;
- (f) appraising and reporting to the Board on the audits undertaken by the external auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;
- (g) reviewing the independence of external auditors annually, and considers the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the external auditors, and approves the remuneration and terms of engagement of the external auditors;
- (h) reviewing interested person transactions, as defined in the Listing Rules of the SGX-ST;
- (i) reviewing the remuneration of employees who are related to the Company's directors or substantial shareholders; and
- (j) reviewing the effectiveness of the Company's internal audit function.

The Board is of the opinion that the members of the AC possess the necessary qualifications and relevant accounting or related financial management expertise or experience in discharging their duties during the financial year under review.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director and/or member of Management to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

The AC, having reviewed the scope and value of non-audit services provided to the Company by the external auditors, are satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Directors the nomination of RT LLP for re-appointment as external auditors of the Company at the forthcoming AGM for FY2022.

The Company has paid the following aggregate amount of fees to the external auditors for services rendered during FY2022:

Fees to External Auditors	2022 RMB'000	2021 RMB'000
Audit services	850	745
Non-audit service	0	0
Total	850	745

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

Pursuant to Rule 716 of the Listing Rules, the AC and the Board are satisfied that the appointment of Changzhou Xinhuarui United Certified Public Accountants, a firm of Certified Public Accountants, registered in the People’s Republic of China to audit the statutory financial statements of CZ3D would not compromise the standard and effectiveness of the audit of the Company.

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. Any employee can write to whistleblowing@shanghaiturbo.com, which is only accessible by members of the AC. The details of the whistle-blowing policies and arrangements have been made available to all employees and on the Company’s website at www.shanghaiturbo.com.

The AC addresses issues and/or concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues and/or concerns received by it, at the ensuing Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external parties, where necessary, who have the required skills and expertise to conduct the relevant investigations. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

For FY2022 and up to the date of this report, there were no complaints, concerns or issues received by the AC.

Provision 10.3

None of the AC members including their respective immediate family members were previous partners or directors of the Company’s external audit firm within the last two (2) years and none of the AC members hold any financial interest in the existing external audit firm engaged by the Company.

Provision 10.4

Internal Audit

The Board recognises the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Company to safeguard shareholders’ investments and the Company’s assets. The AC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditors meet or exceeds the standards set by nationally or internationally recognised professional bodies. The AC also reviews and approves the hiring, removal and evaluates its outsourced internal auditors Changzhou Xinhuarui United Certified Public Accountants.

The internal auditors have unrestricted access to all the Company’s documents, records, properties and personnel, including access to the AC.

Based on the audit reports and management controls in place and having regard to the scope and nature of the Company’s current operations, the AC is satisfied that the internal control systems (including financial, operational, compliance and information technology controls) provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable. In the course of their statutory audit, the Company’s external auditors will highlight any material internal control weaknesses which have come to their attention in carrying out their normal audit, which is designed primarily to enable them to express their opinion on the financial

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the AC.

In FY2022, the AC has reviewed and approved the internal audit plan to ensure the adequacy of the scope of audit, the internal auditor’s reports, and proposed follow-up actions implemented by the Management and has noted that the necessary co-operation required from the Management has been provided to enable the internal auditors to perform its function effectively. In addition, the experience of the internal auditors has been reviewed, including the assigned engagement personnel’s experience and is satisfied that the internal auditors are adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively. As such, the AC is of the view that the internal audit function of the Company is independent, effective and adequately resourced for FY2022.

Provision 10.5

During FY2022, the Company’s internal and external auditors were invited to attend the AC meetings and make presentations as appropriate. The AC meets with the Company’s internal and external auditors without the presence of Management at least annually.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1

The Company believes in timely, fair and adequate disclosure of relevant information to shareholders and investors so that they will be apprised of developments that may have a material impact on the Company’s securities. The Company does not practice selective disclosure. All information of the Company is published through the SGXNet.

All shareholders are treated fairly and equitably to facilitate their ownership rights to participate effectively in and vote at general meetings. Shareholders are informed of general meetings through notices published in the newspaper, the Company’s announcements via SGXNET and the reports/circulars sent to all shareholders. All resolutions tabled at general meetings are put to vote by poll voting, where appropriate. Shareholders are also informed on the procedures for the poll voting at the general meetings.

The Company’s Articles allow a shareholder, who is unable to attend the general meeting in person, to appoint up to two (2) proxies to attend and vote at the meeting in place of the member. The Company also allows The Central Depository (Pte) Limited or other corporations which provide nominee or custodial services to appoint more than two proxies to attend general meetings of the Company so that shareholders will have the opportunity to participate effectively in and vote at general meetings.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

Provision 11.2

Every matter requiring shareholders’ approval is proposed as a separate resolution. The Company does not bundle any resolution(s) to be tabled for shareholders’ approval unless the issues are interdependent and linked so as to form one significant proposal. Each item of special business included in the notice of meeting is accompanied by an explanation for the proposed resolution where appropriate. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions.

Provision 11.3

At the AGM, under usual circumstances, shareholders are given opportunities to express their views and the Board welcomes the views of shareholders who wish to raise issues concerning the Company, either informally or formally before or during these general meetings. The Board, Management, and members of the respective Board Committees will be present and available to address any relevant questions that the shareholders may have. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries raised by our shareholders relating to the conduct of the audit and the preparation and content of the auditors’ report. Directors’ attendance at the general meetings of the Company can be found on page 7 of this Annual Report.

General meetings have been and still are the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the management on the Group’s business activities, financial performance and other business-related matters. The Company could also gather views or input and address shareholders’ concerns at general meetings. The Company welcomes shareholders to visit the factory of operating subsidiary located in Changzhou, to gain a better understanding of its operations.

Provision 11.4

The Company’s Articles does not allow for absentia voting at general meetings and the Company has not implemented any measures to allow shareholders who are unable to vote in person at the AGM the option to vote in absentia, whether by way of mail, electronic mail, facsimile transactions or otherwise as the authentication of shareholder identity and other related security issues still remain a concern.

Provision 11.5

The proceedings of the general meetings will be properly recorded, including all comments and/or queries from shareholders relating to the agenda of the meeting and responses from the Board, Management or external auditors to such comments and/or queries. The Company also ensures that all material information relating to the Group is disclosed in an accurate and timely manner through publication on the SGX-ST. In addition, the minutes of the AGM in respect of FY2022 would be released on the company’s website and on the SGX-ST’S website within one (1) month from the date of the AGM.

Provision 11.6

The Company does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group’s profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other macroeconomic and internal factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

Having considered that the Group remains loss-making, the Board has therefore recommended that no dividends be declared for FY2022.

Engagement with Shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provision 12.1

The Company recognises the importance of actively engaging with shareholders to promote effective and fair communication. The Board acknowledges that the Company has to fulfill its obligation to furnish timely and material information to shareholders and to ensure full and appropriate disclosure of such information is made for complying with statutory requirements as well as rules prescribed under the Listing Rules. Any price sensitive information will be publicly released through on SGXNet.

To keep all shareholders of the Company informed on various announcements of the Company, the shareholders can access the Company’s announcements and annual reports through the SGXNet.

Provisions 12.2 and 12.3

Although the Company has not adopted a formal investor relations policy to regularly convey pertinent information to the shareholders, the Board acknowledges its obligation to furnish timely information to shareholders and ensures that full disclosure of material information in its Annual Report to comply with statutory requirements and the Listing Rules is made. By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company focuses on facilitating the communications with all stakeholders, shareholders, analysts and media on a regular basis, attending to their queries or concerns as well as keeping the investors publicly apprised of the Company’s corporate developments and financial performance.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provisions 13.1 and 13.2

The Board considers the Company’s obligations to its shareholders and also the interests of its material stakeholders as the relationships with material stakeholders may have an impact on the Company’s long-term sustainability. Stakeholders are parties who may be affected by the Company’s activities or whose actions can affect the ability of the Company to conduct its activities. The Board has identified and engaged its material stakeholder groups as customers, constructors, suppliers, employees, landlords, investors, media, government, institutions and the communities.

Provision 13.3

To keep all stakeholders of the Company updated, the Company maintain a current corporate website on the latest announcements of the Company.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

DEALINGS IN SECURITIES

The Company has adopted its own internal compliance code of best practices on dealing in the securities of the Company with regard to dealings in the Company’s securities in compliance with Rule 1207(19) of the Listing Rules.

In compliance with the Listing Rules, the Company, all Directors, officers and employees are prohibited from dealing in the Company’s securities during the period commencing two weeks before the announcement of the Company’s quarterly results and one month prior to the announcement of the Company’s full year results and ending on the date of announcement of the results. All Directors, officers and employees are prohibited from dealing in the Company’s shares on short term consideration.

All Directors and those who are in possession of price sensitive information are also advised to observe insider trading laws at all times even when dealing in the Company’s securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the 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 Rules, 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 Rules) are as follows:-

Name of interested Person	Nature of relationship	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 under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Liu Ming	Loan	RMB4,132,017.08	NA

As announced by the Company on 28 December 2022, the foregoing loan to Mr Liu Ming has been fully repaid by Mr Liu Ming to CZ3D.

The Group has not obtained a general mandate from shareholders for interested person transactions. All interested person transactions are subject to review by the Board and the AC.

MATERIAL CONTRACTS

There were no material contracts made by the Company involving the interest of any Director or controlling shareholder of the Company which are either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

SUSTAINABILITY REPORTING

The Company had published its sustainability report for the financial year ended 31 December 2022 on a standalone basis on 28 April 2023.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

TABLE A

The table below summarizes the following Directors who will be seeking for re-election as Directors of the Company at a general meeting pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, information as set out in Appendix 7.4.1 of the Listing Manual. The information of the two Directors seeking re-election at the forthcoming AGM are as follows:-

Name of retiring Director	Mr Gao Zhong	Mr Foo Chee Meng
Date of appointment	11 August 2023	2 May 2021
Date of last re-appointment	NIL	30 August 2021
Age	54	55
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board is of the view that Mr Gao Zhong has the requisite experiences and capability to assume the director role and his appointment will be beneficial to the Company and its subsidiaries companies.	The Board has reviewed the credential of Mr. Foo Chee Meng and has approved the Nominating Committee’s recommendation of the appointment of Mr. Foo Chee Meng as non-Executive Independent Director
Whether appointment is executive, and if so, the area of responsibility	Executive, responsible for overall business planning and operations of CZ3D and the Group.	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Member of Nominating and Remuneration Committee	Non-Executive Independent Director, Chairman of Nominating and Remuneration Committee and Member of Audit Committee
Professional qualifications	Bachelor of Business Administration, Xiamen University	Bachelor of Applied Science (with Honor, Mechanical Engineering), University of Toronto (Ontario, Canada) Diploma in Manufacturing Engineering, Singapore Polytechnic
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

Name of retiring Director	Mr Gao Zhong	Mr Foo Chee Meng
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7))	Yes	Yes
Working experience and occupation(s) during the past 10 years	<p>October 2022 – Present Director of Best Success (Hong Kong) Limited</p> <p>November – Present General Manager of CZ3D</p> <p>July 2020 – November 2020 Chief Operating Officer of CZ3D</p> <p>January 2016 – June 2020 General Manager of Ping An Panhai Capital Co.,Ltd</p> <p>September 2009 – December 2015 General Manager of Changzhou Huitong Investment Management Co.,Ltd</p>	<p>2017 - 2020 Sunny Printing (Hong Kong) Company Limited, SCS office in Shanghai General Manager</p> <p>May - Dec 2017 Shanghai Broadway Packaging & Insulation Materials Business Development Director, Supply Chain Solution</p> <p>2013 - 2017 Fagerdala Global Packaging Group Director, Global Supply Chain</p> <p>2012 - 2013 Werner Co. Director, Asia Sourcing & Logistics</p>
Shareholding interest in the listed issuer and its subsidiaries	Yes	No
Shareholding details	Mr Gao Zhong holds 3,051,527 shares of the Company under his name	No
Past (for the last 5 years)	<p>July 2020 – November 2020 Chief Operating Officer of CZ3D</p> <p>January 2016 – June 2020 General Manager of Ping An Panhai Capital Co.,Ltd</p>	
Present	<p>October 2022 – Present Director of Best Success (Hong Kong) Limited</p> <p>November 2020 – Present General Manager of CZ3D</p>	

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

Name of retiring Director	Mr Gao Zhong	Mr Foo Chee Meng
<p>Information Required Pursuant to Listing Rule 704(7)</p> <p>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</p>	No	No
<p>(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</p>	No	No
<p>(c) Whether there is any unsatisfied judgment against him?</p>	No	No
<p>(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?</p>	No	No

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

Name of retiring Director	Mr Gao Zhong	Mr Foo Chee Meng
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

Name of retiring Director	Mr Gao Zhong	Mr Foo Chee Meng
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory	No	No

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

<p>requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>		
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Name of retiring Director	Mr Gao Zhong	Mr Foo Chee Meng
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of an issuer listed on the Exchange?	No	No
If Yes, please provide details of prior experience.	NIL	NIL
If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange	Mr Gao Zhong will be attending the mandatory training courses conducted by Singapore Institute of Directors, within one year from the date of his appointment, to familiarise himself with the roles and responsibilities of a public listed in Singapore.	NIL
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	NIL	NIL

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2022 and the statement of financial position of the Company as at 31 December 2022.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are as follows:

Gao Zhong	(Executive Director) (appointed on 11 August 2023)
Zhang Wenjun	(Non-Executive Non-independent Director)
Foo Chee Meng	(Non-Executive Independent Director)

Directors' interests in shares or debentures

None of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

There was a change in the above-mentioned interests between the end of the financial year and 21 January 2023.

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

DIRECTORS' STATEMENT

Audit committee

The members of the Audit Committee are as follows:

Zhang Wenjun	Non-Executive Non-Independent Director
Foo Chee Meng	Non-Executive Independent Director

The Audit Committee carried out its functions in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditors;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2022 prior to their submission to the Board of Directors, as well as
- the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent auditors, RT LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

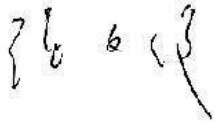
Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

Independent auditor

The independent auditor, RT LLP, has expressed its willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors



Zhang Wenjun
Director



Foo Chee Meng
Director

14 November 2023



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Going concern assumption

As at 31 December 2022, the Group's and the Company's net current liabilities exceeded their current assets by RMB 8,498,000 and RMB 35,179,000 respectively. Additionally, the Group incurred a net loss of RMB 9,220,000 for the year then ended. These conditions indicate the existence of material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns.

As disclosed in Note 2 to the financial statements, the directors have prepared the financial statements on a going concern basis based on the assumptions that are largely dependent on the ability of the sole operating subsidiary to generate sufficient cash flows from operation to improve its liquidity position; and obtaining new loans from bank. However, we have not been able to obtain sufficient audit evidence to support the realisation of these assumptions at the date of this audit report.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

Basis for Disclaimer of Opinion (Cont'd)

1. Going concern assumption (Cont'd)

Accordingly, we were unable to assess the appropriateness of the management's use of the going concern assumption in the preparation of the financial statements. The financial statements of the Group and the Company have been prepared on a going concern basis, which assumes that the Group and the Company will continue in operation at least for a period of twelve months from the end of this reporting period.

This means that the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue in operation in the foreseeable future. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.




**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kenneth Ng Boon Chong.

DocuSigned by:

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RT LLP
Public Accountants and
Chartered Accountants

Singapore, 14 November 2023

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	Group		
		2022 RMB'000	2021 RMB'000 (Restated*)	1 Jan 2021 RMB'000 (Restated*)
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	4	60,318	60,318	55,409
Share premium	5	79,803	79,803	78,470
		140,121	140,121	133,879
Other reserves				
Statutory reserve	6	30,526	30,526	30,526
Translation reserves		6,379	4,979	5,133
		36,905	35,505	35,659
Accumulated losses		(155,145)	(145,925)	(145,613)
TOTAL EQUITY		21,881	29,701	23,925
ASSETS				
Non-current assets				
Property, plant and equipment	7	22,695	21,059	20,818
Right-of-use assets	8	8,574	8,814	9,055
Intangible assets	10	–	–	–
		31,269	29,873	29,873
Current assets				
Inventories	11	11,435	10,600	7,773
Trade receivables	12	23,408	36,486	22,953
Other receivables, deposits and Prepayments	13	16,722	5,257	824
Cash and cash equivalents	14	13,702	5,731	3,811
		65,267	58,074	35,361
TOTAL ASSETS		96,536	87,947	65,234

* The comparative information is restated on prior year adjustments. See Note 30.

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	Group		
		2022 RMB'000	2021 RMB'000 (Restated*)	1 Jan 2021 RMB'000 (Restated*)
LIABILITIES				
Current liabilities				
Trade payables	15	15,988	29,088	17,685
Other payables and accruals	16	9,904	6,183	8,419
Provision	26	4,373	4,373	4,373
Bank loans	18	43,500	17,490	9,497
		73,765	57,134	39,974
Non-current liabilities				
Deferred government grants	17	890	1,112	1,335
		890	1,112	1,335
TOTAL LIABILITIES		74,655	58,246	41,309
NET ASSETS		21,881	29,701	23,925

* The comparative information is restated on prior year adjustments. See Note 30.

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	Company		
		2022 RMB'000	2021 RMB'000 (Restated*)	1 Jan 2021 RMB'000 (Restated*)
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	4	60,318	60,318	55,409
Share premium	5	79,803	79,803	78,470
		140,121	140,121	133,879
Other reserves				
Translation reserves/(deficit)		(342)	(330)	(112)
Accumulated losses		(103,346)	(98,748)	(96,577)
TOTAL EQUITY		36,433	41,043	37,190
ASSETS				
Non-current assets				
Subsidiaries	9	71,612	71,312	65,659
		71,612	71,312	65,659
Current assets				
Cash and cash equivalents	14	7	10	1,392
TOTAL ASSETS		71,619	71,322	67,051
LIABILITIES				
Current liabilities				
Other payables and accruals	16	1,989	2,100	1,681
Due to subsidiaries (non-trade)	19	33,197	28,179	28,180
		35,186	30,279	29,861
TOTAL LIABILITIES		35,186	30,279	29,861
NET ASSETS		36,433	41,043	37,190

* The comparative information is restated on prior year adjustments. See Note 30.

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2022 RMB'000	2021 RMB'000 (Restated*)
Revenue	20	64,566	62,556
Cost of sales		(53,895)	(47,780)
Gross profit		10,671	14,776
Other operating income	21	15,117	13,276
Selling and distribution expenses		(4,655)	(3,544)
Administrative expenses		(15,346)	(25,093)
Other operating expenses		(6,971)	(128)
Finance costs		(1,286)	(1,633)
Impairment (loss)/ reversal on financial assets	28 (iii)	(6,750)	2,102
Loss before income tax	23	(9,220)	(244)
Income tax expenses	23	–	–
Loss for the year		(9,220)	(244)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
- Currency translation differences arising from consolidation		1,400	(222)
Total comprehensive loss for the year, representing loss attributable to equity holders of the Company		(7,820)	(466)
Loss per share (cents)			
Basic and diluted	24	(30.21)	(0.80)

* The comparative information is restated on prior year adjustments. See Note 30.

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Attributable to equity holders of the Company					Total equity RMB'000
	Share capital	Share premium	Statutory reserve	Translation reserves (Restated*)	Accumulated losses (Restated*)	
	RMB'000 (Note 4)	RMB'000 (Note 5)	RMB'000 (Note 6)	RMB'000	RMB'000	
Balance at 1 January 2021	55,409	78,470	30,526	5,133	(145,613)	23,925
Issue of share capital	4,909	1,333	–	–	–	6,242
Loss for the year	–	–	–	–	(244)	(244)
<u>Other comprehensive loss, net of tax</u>						
Currency translation differences arising from consolidation	–	–	–	(154)	(68)	(222)
Total comprehensive loss for the year	–	–	–	(154)	(312)	(466)
Balance at 31 December 2021	60,318	79,803	30,526	4,979	(145,925)	29,701
Issue of share capital	–	–	–	–	–	–
Loss for the year	–	–	–	–	(9,220)	(9,220)
<u>Other comprehensive loss, net of tax</u>						
Currency translation differences arising from consolidation	–	–	–	1,400	–	1,400
Total comprehensive loss for the year	–	–	–	1,400	(9,220)	(7,820)
Balance at 31 December 2022	60,318	79,803	30,526	6,379	(155,145)	21,881

* The comparative information is restated on prior year adjustments. See Note 30.

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2022 RMB'000	2021 RMB'000 (Restated*)
Cash flows from operating activities			
Loss before income tax		(9,220)	(244)
Adjustments:			
Impairment loss/(reversal of impairment loss) on trade receivables	29(iii)	6,750	(2,102)
Depreciation of property, plant and equipment	7	7,645	10,886
Reversal of Impairment loss on property, plant and equipment	22	(9,048)	(8,442)
Loss on disposal of property, plant and equipment	23	8	42
Interest income	21	(479)	(151)
Amortisation of deferred government grants	17	(222)	(223)
Amortisation of right-of-use of assets	8	240	241
Interest expenses		1,286	1,633
Operating (loss)/profit before working capital changes		(3,040)	1,640
Inventories		(835)	(2,827)
Trade and other receivables		(3,746)	(11,864)
Trade and other payables		(9,379)	11,850
Cash used in operations		(17,000)	(3,884)
Interest income received		479	45
Net cash used in operating activities		(16,521)	(3,839)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(255)	(2,787)
Proceeds from disposal of property, plant and equipment		14	60
Loan to a shareholder		-	(4,000)
Interest income from loan to a shareholder		-	106
Net cash used in investing activities		(241)	(6,621)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2022 RMB'000	2021 RMB'000 (Restated*)
Cash flows from financing activities			
Withdrawal/(placement) of pledged deposits	14	3,426	(4,590)
Loan from banks		43,500	30,480
Repayment of bank loans		(17,490)	(22,487)
Interest expenses paid		(1,286)	(1,633)
Proceeds from issuance of shares		-	6,242
Net cash generated from financing activities		28,150	8,012
Net increase/(decrease) in cash and cash equivalents		11,388	(2,448)
Cash and cash equivalents at beginning of year		552	3,222
Effects of exchange rate changes in cash and cash equivalents		9	(222)
Cash and cash equivalents at end of year	14	11,949	552

* The comparative information is restated on prior year adjustments. See Note 30.

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Shanghai Turbo Enterprises Ltd. (the “Company”) is a limited liability company domiciled and incorporated in the Cayman Islands and listed on the Main Board of the Singapore Exchange Securities Trading Limited. 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 principal activities of its subsidiaries are shown in Note 9.

The financial statements for the financial year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 14 November 2023.

2. FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2022, the Group’s and the Company’s net current liabilities exceeded their current assets by RMB8,498,000 and RMB35,179,000 respectively (2021: Group’s net current assets of RMB940,000 and Company’s net current liabilities of RMB30,269,000). Additionally, the Group incurred net losses of RMB9,220,000 for the year then ended (2021: Group’s loss of RMB244,000). The Group’s cash and cash equivalents balance were continuously lower than the outstanding balance of bank loans by RMB29,798,000 (2021: lower by RMB11,759,000). These facts and circumstances indicate the existence of material uncertainties that may cast significant doubts over the ability of the Group and of the Company to continue as going concerns.

Notwithstanding the above, the accompanying financial statements have been prepared on a going concern basis. Management’s assessment of the Group’s and the Company’s ability to continue as going concerns are based on the following key assumptions:

- (i) PRC has its plan of peaking carbon dioxide emissions in 2030. In the "14th Five-Year Plan", the new coal power generation focuses on the control of quantity and efficiency, while continuing to shut down backward coal power units with emissions and energy efficiency not up to the standard, the total amount is controlled at 1.1 billion Kilowatt. Therefore, the thermal power market still has certain growth space, at the same time, PRC increases the development and utilization of clean energy such as hydropower and wind energy, which brings broad space for the development of the Group’s subsidiary in PRC, Changzhou 3D Technological Complete Set Equipment Co., Limited (“Changzhou 3D”);
- (ii) Changzhou 3D focus on the development of new customers, reduce the business dependence on key accounts, so as to reduce the operating risk;
- (iii) Changzhou 3D continuously improve the ways and methods of enterprise operation and management to achieve cost reduction ,efficiency increase, added-value of products increase. Achieve the goal of sustainable development of enterprises;
- (iv) due to the improvement of Changzhou 3D’s operating performance, the subsidiary company was recognized by the cooperative banks and they increased the bank line of credit to the company, so that the subsidiary company had sufficient working capital to obtain more orders, thus achieving a stable growth of sales;

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

2. FUNDAMENTAL ACCOUNTING CONCEPT (Continued)

- (v) Although Changzhou 3D was in a state of loss in recent years, while its sales has gradually increased by every year, the subsidiary company has sufficient working capital to guarantee its operation and development;
- (vi) Changzhou 3D will focus on research and development in the future, and formulate a development strategy that new product development and market expansion are equally important. Based on the subsidiary company's existing Computerised Numerical Control machine tools and abundant human resources, it will expand a new incremental market for the subsidiary company's development.

If the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities to current assets and liabilities respectively and to provide for further liabilities which may arise. The financial statements do not include any adjustment which may arise from these uncertainties.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the International Financial Reporting Standards (“IFRS”). The financial statements are presented in Chinese Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) as indicated, unless otherwise stated.

The preparation of the financial statements in conformity with IFRS requires management to exercise its judgement, in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2022, the Group adopted the new or amended IFRS and 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective that are relevant to the Group

The Group has not adopted the following amendments to standards applicable to the Group that have been issued but not yet effective:

Descriptions	Effective for annual periods beginning on or after
Amendments to IAS 1: <i>Presentation of Financial Statements and IFRS Practice Statement 2 (Disclosure of Accounting Policies)</i>	1 January 2023
Amendments to IAS 8: <i>Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)</i>	1 January 2023
Amendments to IAS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IAS 12: <i>Deferred Tax related to Pillar Two Income Taxes</i>	1 January 2023
Amendments to IAS 1: <i>Non-current Liabilities with covenants</i>	1 January 2024
Amendments to IAS 7 and IFRS 7: <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IAS 1: <i>Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current)</i>	1 January 2024

The directors expect that the adoption of the above amendments to standards will have no material impact on the financial statements in the year of initial adoption.

Group accounting

Subsidiaries

(a) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- had power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (Continued)

(a) *Basis of consolidation (Continued)*

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- The size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (Continued)

(b) *Acquisition of businesses*

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be premeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are premeasured to fair value at the acquisition date and any corresponding gain or loss is recognized in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognize them either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognized directly in profit or loss as a bargain purchase.

(c) *Disposals of subsidiaries or businesses*

The assets and liabilities of the subsidiary, including any goodwill, are derecognized when a change in the Company’s ownership interest in a subsidiary result in a loss of control over the subsidiary. Amounts recognized in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is premeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognized in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company’s statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognized in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are presented in Chinese Renminbi (“RMB”), which is the functional currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognized in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognized initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(iii) Translation of the Group’s financial statements

The assets and liabilities of foreign operations are translated into Chinese Renminbi at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognized includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognizes such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognized in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Construction in progress includes all cost of construction and other direct costs. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

Construction in progress are not depreciated. All other items of property, plant and equipment are depreciated using the straight-line method to write off the cost of the assets less estimated residual value over their estimated useful lives as follows:

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Leasehold buildings	5 to 20	10
Plant and machinery	2 to 10	10
Office equipment	2 to 5	10
Motor vehicles	4 to 5	10
Renovation	3	–

The residual value, estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognized in the profit or loss within “other operating income / (expenses)”.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and are recognized in profit or loss in the year in which the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

Acquired computer software licenses

Computer software licenses were acquired separately and are amortized on a straight line basis over its finite useful life of 2 years.

Right-of-use assets

The right of use assets which comprise only land use right, is initially measured at cost. Following initial recognition, land use right is measured at cost less accumulated amortization and accumulated impairment losses. The land use right is amortized on a straight-line basis over the remaining lease term of 34 years as at 31 December 2022.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is written back only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously. Such write back is recognized in the profit or loss.

Financial assets and liabilities

(i) Initial recognition and measurement

Trade receivables are initially recognized when they are originated. Other financial assets and financial liabilities are recognized on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables without financing component is initially measured at the transaction price in accordance with IFRS 15. Other financial assets or financial liabilities are initially recognized at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

(ii) Classification and subsequent measurement

Financial assets

Financial assets are classified and subsequently measured at amortized cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets, at the following categories:

- Amortized costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Financial assets at amortized costs

Unless designated at FVPL, financial assets are measured at amortized costs if:

- It is held within a business model with an objective to hold the assets to collect contractual cash flows; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets, mainly trade and other receivables including amount due from related parties, pledged bank deposits, cash and cash equivalents, are subsequently measured at amortized costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

Unless designated at FVPL, a debt investment is measured at FVOCI if:

- It is held within a business model with objectives of both collecting contractual cash flows and selling financial assets; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognized in profit or loss. Other net gains and losses (including changes in fair value) are recognized in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition. The Group does not hold such financial assets as at 31 December 2022 and 31 December 2021.

Equity investments at FVOCI

Unless held-for-trading, the Group may irrevocably elect on initial recognition, on an investment-by-investment basis, to present subsequent changes of fair value of the equity investments in OCI.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses (including changes in fair value) are recognized in OCI which will never be reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Financial assets at FVPL

All financial assets not at amortized cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI to be measured at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would otherwise arise.

Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis would be mandatorily measured at FVPL.

These assets are subsequently measured at fair value. Net gains or losses, including any interest income or dividend income are recognized in profit or loss.

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortized cost.

Financial liabilities

Financial liabilities are subsequently measured at amortized costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortized costs are subsequently measured at amortized costs using the effective interest rate method. Interest expense and foreign exchange differences are recognized in profit or loss. These financial liabilities mainly comprise trade and other payables including amount due to subsidiary, and loans and borrowings.

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognized in profit or loss. Directly attributable transaction costs are recognized in profit or loss as incurred.

As at the reporting date, the Group does not have other categories of financial liabilities except for financial liabilities at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(iii) Derecognition

Financial assets

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognized in profit or loss.

All regular way purchases and sales of financial assets are recognized or derecognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Financial liabilities

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Group applies impairment model in IFRS 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

- Financial assets at amortized costs (including trade and other receivables and pledged bank deposits)
- Contract assets (determined in accordance with IFRS 15)
- Debt investments at FVOCI
- Intragroup financial guarantee contracts

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortized costs.

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

Simplified approach

The Group applies simplified approach to all trade receivables. Impairment loss allowance is measured at lifetime ECL, which represents ECLs that result from all possible default events over the expected life of a financial instrument (‘life-time ECL’). In view that the Group only deals with small number of customers, the Group performs ECL assessment on an individual basis. The Group uses qualitative and quantitative information like profile of customers, historical credit loss experience, payment trends, trading history, taking into account industrial norm and whether there is any dispute with customer, and adjust for forward-looking information specific to the customers, in measuring the ECL.

General approach

The Group applies general approach on all other financial instruments, mainly deposits, and recognizes a 12-month ECL on initial recognition. 12-months ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter.

Impairment loss allowance or write back are recognized in profit or loss. Loss allowance on financial assets at amortized cost and contract assets are deducted from the gross carrying amount of those asset.

Credit-impaired

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Stage 2)

For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment loss allowance is measured at life-time ECL. When a financial asset is determined to have a low credit risk at reporting date, the Group assumes that there has been no significant increase in credit risk since initial recognition. For other cases, the Group uses reasonable and supportable forward-looking information available without undue cost or effort to determine, at each reporting date, whether there is significant increase in credit risk since initial recognition. In assessing whether there has been significant increase in credit risks, the Group takes into account factors such as:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor’s ability to meet its debt obligations;
- actual or expected significant adverse change in the regulatory, economic, or technological environment that are expected to cause a significant change in the debtor’s ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the debtors.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

If credit risk has not increased significantly since initial recognition or if the credit quality improves such that there is no longer significant increase in credit risk since initial recognition, loss allowance is measured at 12-month ECL.

Definition of default

The Group considers a financial asset to be in default when the counterparties are unlikely to pay its credit obligation in full, without recourse by the Group.

The Group considers a contract asset to be in default when the customer is unlikely to pay the contractual obligations to the Group in full without recourse by the Group.

Write-off policy

The Group writes off the gross carrying amount of a financial asset to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

Inventories

Inventories are stated at the lower of cost and net realizable value. Raw materials comprise purchase cost accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Where necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realizable value.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a Group entity is the lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (e.g. leases of tablet and personal computers, small items of office equipment and telephones). For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liabilities are presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Right-of-use assets The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The estimated useful lives are as follows:

	Years
Land use right	50

The right-of-use assets are presented within “right-of-use assets” in the statements of financial position.

The Group applies SFRS(I) 1-36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3 – Impairment of financial assets.

As a practical expedient, SFRS(I) 16 Leases permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease component as a single arrangement. The Group has not applied this practical expedient.

Provisions

A provision is recognized when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required for the Group to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is written back. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share capital

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

When contracts contain multiple performance obligations such as freight and insurance, the Group allocates the transaction price to the performance obligations in proportion of the relative stand-alone selling price:

- Revenue from sale of goods is recognized upon transfer of control to the customers, usually being when the goods have been delivered to customers and the acceptance criteria is met (either the customer has accepted the goods in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.) The Group normally invoices the customers upon customers’ acceptance of the goods with 90 days’ credit term.

Other revenue

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Employees’ benefits

(i) Retirement benefits

The subsidiary, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under the existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary’s employees.

Obligations for contributions to defined contribution retirement plans are recognized as an expense in the period in which the related service is performed.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortized costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorized for issue.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

(i) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising on investment in subsidiary, except where the Group is able to control the write back of the temporary difference and it is probable that the temporary difference will not write back in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets or liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(ii) Value-added-tax (“VAT”)

The Group’s sales of goods in the PRC are subjected to VAT at the applicable rate of 13% from 1 April 2019 onwards (before 1 April 2019: 16%) for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other receivables” or “Other payables” in the statement of financial position. The Group’s export sales are not subjected to VAT.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants and deferred capital grant

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognized as deferred government grant on the statement of financial position and is amortized to profit or loss over the expected useful life of the relevant asset on a straight line basis.

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person’s family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, excluding cash deposits pledged for a period of more than three months. Cash and cash equivalents are short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates, assumptions and judgements

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Impairment of non-financial assets*

Non-financial assets are tested for impairment as there are indicators that the carrying amounts may not be recoverable due to recent operating losses for the past 5 years.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or cash generating unit by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, management uses the value estimated by professional valuers to determine the fair values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions.

The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets and key assumptions used in estimating recoverable amounts are disclosed in Notes 7, 8 and 10 to the financial statements.

(b) *Impairment on investment in subsidiaries*

Investment in subsidiaries are tested for impairment as there are indicators that the carrying amounts may not be recoverable due to recent operating losses for the past 5 years. This requires an estimation of the recoverable amount of the cash generating units. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts and key assumptions used in estimating recoverable amounts are disclosed in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(c) *Impairment of financial assets*

Impairment allowance for financial assets measured at amortized costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions, and measures ECL on trade receivables on individual basis, using information such as profile of customers, historical credit loss experience, payment trends, trading history, business practices in the PRC and adjusting for forward-looking information specific to the customers. In assessing the probability of default, the Group also considers the industry norm, and whether there is any dispute with the customer. As the Group and Company does not hold any collateral to the financial assets, the expected loss rates will be the full amount of the financial assets if there is high risk of default.

The carrying amounts and further details of the key assumptions for the ECL assessment are disclosed in Note 28 (iii) to the financial statements.

(d) *Net realisable values of inventory*

An assessment of net realizable values is made periodically on inventory for excess inventory, obsolescence and declines in net realizable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products and assess the net realizable value by taking into consideration the status of the sales contracts, the gross loss margins recorded during the year, the historical trend of replacement items sales. This process is subject to estimation uncertainty as it involves estimation of future events. Possible changes in these estimates could result in revisions to the valuation of inventory.

As disclosed in Note 11, the net carrying amount of inventories of the Group as at 31 December 2022 is RMB11,435,000 (2021: RMB10,600,000).

(e) *Useful lives of plant and machinery*

The cost of plant and machinery for the manufacture of precision vane products are depreciated on a straight-line basis over the plant and machinery’s estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 2 to 10 years and the residual values to be 10% of the cost of these assets. These are common life expectancies and residual values applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group’s plant and machinery at 31 December 2022 was approximately RMB19,144,000 (2021: RMB17,825,000) (Note 7).

(ii) Critical judgements in applying the entity’s accounting policies

The management is of the opinion that any instances of judgements, other than those arising from the estimates described above, are not expected to have significant effect on the amounts recognized in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

4. SHARE CAPITAL

	Group and Company			
	2022	2021	2022	2021
	Number of ordinary shares at US\$0.25 each		US\$’000	US\$’000
Authorized	200,000,000	200,000,000	50,000	50,000
Issued and fully paid				
At beginning of the year	30,520,000	27,468,473	7,630	6,867
Issued for cash	-	3,051,527	-	763
At the end of the year	30,520,000	30,520,000	7,630	7,630
Equivalent to (RMB’000)			60,318	60,318

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

5. SHARE PREMIUM

	Group and Company	
	2022	2021
	RMB’000	RMB’000
At beginning and end of the year	79,803	78,470
Issued for cash	-	1,333
At end of the year	79,803	79,803

Under The Companies Law (revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

6. STATUTORY RESERVE

	Percentage of contribution from profit after tax	Group	
		2022	2021
		RMB’000	RMB’000
Statutory reserve fund	10%	30,526	30,526

In accordance with the Foreign Enterprise Law of the PRC, the subsidiary, being a wholly foreign-owned enterprise is required to make contributions to a statutory reserve fund. At least 10 per cent of the statutory after-tax profits as determined in accordance with the applicable PRC accounting standards and regulations is required to be allocated to the statutory reserve fund. If the cumulative total of the statutory reserve fund reaches 50% of the subsidiary’s registered capital, the enterprise will not be required to make any additional contribution.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

6. STATUTORY RESERVE (Continued)

The statutory reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to approval from the relevant PRC authorities and is not available for dividend distribution to the shareholders. The PRC enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Total RMB'000
Cost						
As at 1.1.2021	32,580	235,939	3,210	2,760	4,797	279,286
Additions	–	2,701	–	86	–	2,787
Disposals	–	(741)	(283)	–	–	(1,024)
As at 31.12.2021	32,580	237,899	2,927	2,846	4,797	281,049
Additions	–	53	202	–	–	255
Disposals	–	(224)	–	–	–	(224)
As at 31.12.2022	32,580	237,728	3,129	2,846	4,797	281,080
Accumulated depreciation						
As at 1.1.2021	22,702	181,002	2,770	2,341	4,797	213,612
Charge for the year	1,453	9,268	105	60	–	10,886
Disposals	–	(667)	(255)	–	–	(922)
As at 31.12.2021	24,155	189,603	2,620	2,401	4,797	223,576
Charge for the year	1,453	6,101	13	78	–	7,645
Disposals	–	(202)	–	–	–	(202)
As at 31.12.2022	25,608	195,502	2,633	2,479	4,797	231,019
Accumulated impairment losses						
As at 1.1.2021	6,747	37,328	347	434	–	44,856
Reversal of impairment	(1,409)	(6,857)	(109)	(67)	–	(8,442)
As at 31.12.2021	5,338	30,471	238	367	–	36,414
Impairment loss	–	–	34	–	–	34
Reversal of impairment	(1,527)	(7,389)	–	(166)	–	(9,082)
As at 31.12.2022	3,811	23,082	272	201	–	27,366
Net carrying amount						
As at 31.12.2021	3,087	17,825	69	78	–	21,059
As at 31.12.2022	3,161	19,144	224	166	–	22,695

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1. Impairment assessment – Cash-Generating Unit

During the year, the Group carried out a review of the recoverable amount of non-financial assets of Changzhou 3D which is determined to be a Cash-Generating Unit (“CGU”) arising from indicator for impairment based on facts and circumstances as described in Note 2 to the financial statements. The Group have recognised an impairment loss of RMB44,856,000 in FY2020 with respect to plant and equipment, as the Group has estimated the recoverable amount of the CGU to be lower than the net carrying amount. In FY2021 and FY2022, there was reversal of impairment on plant and equipment of RMB8,442,000 and RMB9,082,000 respectively.

The recoverable amount of the cash generating unit was based on the higher of fair value less cost of disposal of the right of use land or value in use (“VIU”) of Changzhou 3D. The fair value less costs of disposal is higher than the VIU for FY2020 and FY2021, hence, the recoverable amount of the relevant assets has been determined on the basis of their fair value less cost of disposal. Whereas, in FY2022, the fair value less costs of disposal are less than the VIU and hence the recoverable amount of the relevant assets has been determined on the basis of their VIU.

The VIU of Changzhou 3D, which is discounted cash flows based on 10 years (2022: 8 years) financial budgets approved by management which coincide with the remaining useful lives of the assets within the CGU. The management uses budgets beyond 5-years period as they are of the view that it is the appropriate period to reflect the plan for Changzhou 3D to recover to its historical track record prior to the business disruptions brought about by shareholders dispute occurred in 2017 as disclosed in Annual Report 2017, and to continuously grow the business thereafter. The key management assumptions underlying the computation as at reporting date are: -

	2022	2021
Next financial year		
- Forecasted revenue (RM’000)	70,000	100,000
- Gross profit margin	25%	21%
Subsequent years up to year 2030 (2021: year 2029)		
- Revenue growth rate (declining)	4.5% - 12.0%	56.8% - 5.0%
- Gross profit margin (increasing)	25.0% - 32.0%	21.3% - 23.2%
Discount rate	13%	12%

The management is cautiously confident in the business recovery of Changzhou 3D in 2022 despite the current economic environment in the PRC; and are of the view that the above key assumptions represent the best estimates based on available data and there are no reasonably possible changes that could result in substantial impairment in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

8. RIGHT-OF-USE ASSETS

Group	Land Use Right RMB'000
Cost	
As at 1.1.2021	12,547
Addition	–
As at 31.12.2021 and 1.1.2022	12,547
Addition	–
As at 31.12.2022	12,547
Accumulated depreciation	
As at 1.1.2021	3,492
Charge for the year	241
As at 31.12.2021 and 1.1.2022	3,733
Charge for the year	240
As at 31.12.2022	3,973
Net carrying amount	
As at 31.12.2021	8,814
As at 31.12.2022	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 34 years (2021: 35 years).

Impairment testing of land use right

No impairment loss is recognized in 2022 (2021: RMB nil), as the Group has estimated the recoverable amount of the land use rights to be higher than the net carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

9. SUBSIDIARIES

	Company	
	2022	2021
	RMB’000	RMB’000
Unquoted equity shares, at cost		
At beginning of the year	161,889	156,236
Addition	–	5,653
Impairment loss	(90,277)	(90,577)
At end of the year	71,612	71,312

The details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest	
			2022	2021
			%	%
Held by the Company				
Best Success (Hong Kong) Limited (“Best Success”)	Investment holding	Hong Kong	100	100
Held by Best Success				
Changzhou 3D Technological Complete Set Equipment Co., Limited (“Changzhou 3D”)	Manufacturing of vane products and relating subcontracting services	PRC	100	100

Impairment assessment of investment in subsidiaries

During the year, management had performed an impairment assessment for the investment in Changzhou 3D arising from indicator of impairment based on facts and circumstances as described in Note 2 to the financial statements. The recoverable amount is defined as the higher of the subsidiary’s fair value (“FV”) less cost of disposal and its value in use (“VIU”). Management is of the view that there is basis for making a reliable estimate of the price, that is, fair value at which an orderly transaction to sell the asset could be reliably estimated, and therefore has compute the recoverable amount on the basis of fair value less cost of disposal and VIU.

For VIU, the recoverable amount was estimated based on its value in use calculation with the same management key assumptions as disclosed in Note 7, and applied a terminal growth rate of 2.5% to extrapolate cash flow projections from 2030 onwards (2021: 2029 onwards).

Impairment loss is recognized in 2021, as the Group has estimated the recoverable amount of the investment in subsidiaries to be lower than the net carrying amount. In 2022, there was a reversal of impairment loss of RMB300,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

10. INTANGIBLE ASSETS

Group	2022	2021
Software	RMB’000	RMB’000
Cost		
At beginning of the year	1,277	1,277
Additions	-	-
At end of the year	1,277	1,277
Accumulated amortization		
At beginning of the year	1,277	1,277
Charge for the year	-	-
At end of the year	1,277	1,277
Net carrying amount		
At end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

11. INVENTORIES

	Group	
	2022 RMB'000	2021 RMB'000
Statement of Financial Position:		
Cost:		
Raw materials	5,013	4,852
Work-in-progress	9,127	22,307
Finished goods	17,545	7,909
	31,685	35,068
Allowance for inventory obsolescence	(20,250)	(24,468)
	11,435	10,600
Carrying amounts:		
Raw materials	730	159
Work-in-progress	7,956	8,488
Finished goods	2,749	1,953
	11,435	10,600
Consolidated Statement of Profit or Loss and Other Comprehensive Income:		
Inventories recognized as expense in cost of sales, reduced by net write back of allowance	653	605
The movement in allowance for inventory obsolescence is as follows:		
	Group	
	2022 RMB'000	2021 RMB'000
At beginning of the year	24,468	24,468
Recovery of allowances during the year	(4,218)	–
At end of the year	20,250	24,468

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

12. TRADE RECEIVABLES

	Note	Group	
		2022	2021
		RMB’000	RMB’000
Trade receivables	A	35,335	51,629
Allowance for impairment of trade receivables	28 (iii)	(15,221)	(22,982)
		20,114	28,647
Bills receivables		3,294	7,839
Allowance for impairment of bill receivables	28 (iii)	–	–
		3,294	7,839
		23,408	36,486

Note A

Included in the Group’s trade receivables are unbilled trade receivables arising from revenue recognized on sales of goods but not invoiced to customers amounting to approximately Nil (2021: RMB4,022,000) as at 31 December 2022. The management is of the view that the Group has unconditional rights to trade receivables including unbilled trade receivables as at the reporting date.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group	
		2022	2021
		RMB’000	RMB’000
Advances to suppliers	A	15,203	512
Advances to employees		627	361
Prepayments		552	113
Tender deposits		200	200
Loan to a shareholder	B	–	4,000
Other receivables		140	71
		16,722	5,257

Note A

During the year, Changzhou 3D Technological Complete Set Equipment Co., Ltd (CZ3D) entered a contract with the supplier for the purchase of raw materials. Approximate 29% (RMB 15,203,000) of the total amount were paid upon request by the supplier.

Note B

On 21 May 2021, Changzhou 3D Technological Complete Set Equipment Co., Ltd (CZ3D) granted a loan in the principal amount of up to RMB 4,000,000 to Mr. Liu Ming, a major shareholder of the Company. The interest rate on the loan were charged at the rate of 4.35% per annum. As of 31 December 2022, the loan to shareholder has been fully settled with the last payment made on 28 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

14. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2022 RMB’000	2021 RMB’000	2022 RMB’000	2021 RMB’000
Cash in hand		863	124	–	–
Bank balances		12,839	5,607	7	10
Cash and bank balances as stated in the statement of financial position		13,702	5,731	7	10
Less: Pledged deposits	A	(1,753)	(5,179)	–	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		11,949	552	7	10

As at 31 December 2022, the Group has bank balances placed with banks in the PRC denominated in Chinese Renminbi (“RMB”) amounting to RMB10,878,000 (2021: RMB428,000). The RMB is not freely convertible to foreign currencies. Under the People’s Republic of China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorized to conduct foreign exchange business.

Note A

Bank balances of RMB1,753,000 (2021: RMB5,179,000) are pledged in connection with bills payable facilities (Note 15).

The movement in pledged deposits:

	Group	
	2022 RMB’000	2021 RMB’000
Balance at beginning of the year	5,179	589
(Withdrawal)/placement of pledged deposits	(3,426)	4,590
Balance at end of the year	1,753	5,179

15. TRADE PAYABLES

	Group	
	2022 RMB’000	2021 RMB’000
Trade payables	14,235	23,909
Bills payables	1,753	5,179
	15,988	29,088

Bills payables facilities are secured by a pledge of land use right (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

16. OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2022	2021	2022	2021
		RMB’000	RMB’000 (Restated*)	RMB’000	RMB’000
Accrued operating expenses		2,675	1,258	1,572	1,678
Accrued employee benefits		2,060	2,165	227	24
Accrued director fees		753	–	190	–
Advance from customers		560	364	–	–
Legal and professional fee payable		828	1,076	–	398
Electricity bill payable		338	300	–	–
Labor union expenditure payable		66	55	–	–
Value-Added Tax payables	A	1,988	356	–	–
Other taxes payable		519	338	–	–
Others		117	271	–	–
		<u>9,904</u>	<u>6,183</u>	<u>1,989</u>	<u>2,100</u>

* The comparative information is restated on prior year adjustments. See Note 30.

Note A

During the year, China’s State Council decided to provide tax payment deferral for manufacturing SMEs in an effort to boost economic growth by supporting the industry growth and innovation. Thus, this led to an increase in Value-Added Tax payables.

17. DEFERRED GOVERNMENT GRANTS

	Group	
	2022	2021
	RMB’000	RMB’000
Balance at the beginning of financial year	1,112	1,335
Transfer to profit or loss	(222)	(223)
Balance at the end of financial year	<u>890</u>	<u>1,112</u>
<i>Carrying amount of deferred government grants</i>		
Current	222	222
Non-current	668	890

This relates to import subsidies received from government in FY2017 for purchase of plant and machinery with a useful life of 10 years.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

18. BANK LOANS

	Group	
	2022 RMB’000	2021 RMB’000
Secured borrowings ⁽ⁱ⁾	30,000	9,490
Secured borrowing	–	4,400
Unsecured borrowings ⁽ⁱⁱ⁾	13,500	3,600
	43,500	17,490

18.1. These borrowings are secured by a pledge of the Group’s land use rights with carrying amount of RMB8,574,000 (Note 8) (2021: RMB8,814,000) as at 31 December 2022. Interest on secured bank loans were charged at the rate of 4.20% (2021: 5.91%) per annum. 3 Secured bank loans of RMB10,000,000 (2021: RMB5,990,000 and RMB3,500,000) are repayable in January 2023 (2021: July 2022) respectively.

18.2. Interest on non-secured bank loans were charged at the rate of 4.70% and 3.70% (2021: 4.35%) per annum. Non-secured bank loans of RMB5,000,000, RMB4,500,000 and RMB4,000,000 (2021: RMB1,600,000 and RMB2,000,000) are repayable in March 2023 (2021: March and June 2022) respectively.

Reconciliation of liabilities arising from financing activities:

	As at 1 January 2022 RMB’000	Financing cash flows RMB’000	As at 31 December 2022 RMB’000
Bank loans			
- current	17,490	26,010	43,500
	17,490	26,010	43,500
	As at 1 January 2021 RMB’000	Financing cash flows RMB’000	As at 31 December 2021 RMB’000
Bank loans			
- current	9,497	7,993	17,490
	9,497	7,993	17,490

19. DUE TO SUBSIDIARIES (NON-TRADE)

These non-trade balances are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

		Group	
		2022	2021
		RMB’000	RMB’000
Timing of recognition			
Sale of goods	Point in time	64,566	62,556

The following table provides a disaggregation disclosure of the Group’s revenue from continuing operations by primary geographical market.

	2022	2021
	RMB’000	RMB’000
People’s Republic of China	62,633	58,112
Korea	1,933	4,444
	64,566	62,556

21. OTHER OPERATING INCOME

	Note	Group	
		2022	2021
		RMB’000	RMB’000
Gain on sale of scrap materials		1,074	2,049
Amortization of deferred government grants	17	222	223
Interest income			
- Bank deposits		446	45
- Loan to a shareholder		33	106
Recovery of provision of obsolesces of inventory		4,218	-
Recovery of impairment loss on property, plant and equipment		9,049	8,442
Reversal of impairment loss on trade receivables		-	2,102
Others		75	309
		15,117	13,276

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

22. PERSONNEL EXPENSES

	Group	
	2022 RMB’000	2021 RMB’000
Wages, salaries and bonuses *	20,747	17,511
Other personnel expenses	2,527	10,266
Short-term employees’ benefits	23,274	27,777
Termination benefits	-	1,275
	<u>23,274</u>	<u>29,052</u>

* This includes directors’ remuneration as disclosed in Notes 23 and 25.

23. LOSS BEFORE INCOME TAX

This is determined after charging / (crediting) the following:

	Note	Group	
		2022 RMB’000	2021 RMB’000
Depreciation of property, plant and equipment	7	7,739	10,886
Depreciation of right-of-use assets	8	240	241
Directors’ fee			
- Directors of the Company	25	1,125	928
Audit fees			
- auditors of the Company		784	897
- other auditors		15	404
Personnel expenses ⁽ⁱ⁾	22	23,274	29,052
Impairment loss/(Reversal of impairment loss) on trade receivables	28 (iii)	6,750	(2,102)
Loss on disposal of property, plant and equipment		8	42
Legal and professional fee		318	85
		<u>318</u>	<u>85</u>

⁽ⁱ⁾ Includes directors’ remuneration as disclosed in this note.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

23. INCOME TAX EXPENSES

Major components of income tax expenses for the year ended 31 December were:

	Note	Group	
		2022	2021
		RMB’000	RMB’000
Current income tax		-	-

The reconciliation of the tax expense and the product of accounting loss multiplied by the applicable rate is as follows:

	Group	
	2022	2021
	RMB’000	RMB’000
Loss before income tax	(9,220)	(244)
Tax at the PRC statutory tax rate of 25% (2021: 25%)	(2,305)	(61)
Tax effects of:		
- income not subject to tax	(3,317)	(2,636)
- expenses not deductible for tax purpose	612	167
- expenses incurred in tax-free jurisdictions	1,150	241
- deferred tax asset not recognized	3,500	1,937
- others	360	352
Current income tax	-	-

Unrecognised tax losses

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of RMB161,907,000 (2021: RMB147,907,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses can be carried forward for ten years starting from the year subsequent to the year in which the loss was incurred.

The Company:

The Company is operating in a tax-free jurisdiction. The dividend received which is eliminated has no tax consequences; and the corporate expenses incurred are included in the “expenses incurred in tax-free jurisdiction” line item in the tax reconciliation above.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

23. INCOME TAX EXPENSES (Continued)

Subsidiaries:

- a. Best Success, which is subject to Hong Kong tax rate of 16.5% (2021: 16.5%), does not have taxable profit since its incorporation on 23 April 2005.
- b. In accordance with the Income Tax Law of the PRC for High Technology Enterprises and various approval documents issued by the PRC Tax Bureau, Changzhou 3D being awarded the “High Technology Enterprise” status, enjoys a concessionary tax rate of 15%, as compared to the statutory tax rate for PRC companies of 25%. The concessionary income tax status is valid for 3 years and is subjected to renewal when it expires in December 2022. This benefit will be disclosed under the tax incentive in the tax reconciliation. However, Changzhou 3D is in tax loss position since financial year 2017.

24. LOSS PER SHARE

Basic earnings per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
Net loss attributable to equity holders of the Company (RMB’000)	(9,220)	(244)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	30,520,000	30,520,000
Basic and diluted loss per share (RMB cents per share)	(30.21)	(0.80)

Diluted loss per share is the same as the basic loss per share as no share options, warrants or other compound financial instruments with dilutive effect were granted during the financial year or outstanding at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

25. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 3) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	Note	Group	
		2022 RMB’000	2021 RMB’000
<u>Key management personnel compensation</u>			
Directors of the Company:			
- Directors’ fee	23	1,125	928
Other key management personnel			
- Salaries and bonus		1,141	1,442
		<u>2,266</u>	<u>2,370</u>
Total compensation comprises:			
Short-term employee benefits		1,141	1,442
		<u>1,141</u>	<u>1,442</u>

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors, Financial Controller, General Manager and Deputy General Manager are considered key management personnel.

26. PROVISION FOR GOVERNMENT FINE AND CONTINGENT LIABILITY

Changzhou 3D was served a notice dated 2017 by 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

Changzhou 3D received a notice from government agency with a fine of RMB3,060,000 on 13 May 2019. Up to 31 December 2022, the management confirms that Changzhou 3D has received neither further information regarding the investigation nor notification of the specific necessary rectification from the government agency and has not paid the fine yet.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

26. PROVISION FOR GOVERNMENT FINE AND CONTINGENT LIABILITY (Continued)

Provision for government fine (Continued)

The balance of provision is as follows:

	Group	
	2022 RMB’000	2021 RMB’000
At beginning and at end of the year	4,373	4,373

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 Changzhou 3D 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 Changzhou 3D has received neither further information regarding the investigation nor notification of the specific necessary rectification from the government agency.

27. SEGMENT INFORMATION

The Group operates in only one operating segment, i.e. the manufacture and sale of vane products.

The operating segment has been identified on the basis of internal management reports that are regularly reviewed by management of the Group. Management of the Group reviews the overall results of the Group as a whole to make decisions about resource allocation. Accordingly, no further analysis of this single reporting segment has been prepared.

The major customers in the PRC contributing 10% or more to the Group’s revenue is disclosed in Note 28 (iii). The Group’s entire non-current assets are located in PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are market risks (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

It is the Group’s policy not to trade in derivative contracts.

(i) Market risk

(a) Foreign exchange risk

Currently, the PRC government imposes control over foreign currencies, RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People’s Bank of China or other authorized financial institutions. The Group has not entered into any derivative instruments for hedging or trading purposes. The Group’s currency exposure is as follows:

Group 2022	Singapore dollars RMB’000	Chinese Renminbi RMB’000	Hong Kong dollars RMB’000	Total RMB’000
<u>Financial assets</u>				
Cash and cash equivalents	7	13,674	21	13,702
Trade receivables	–	23,408	–	23,408
Other receivables	–	16,170	–	16,170
	7	53,252	21	53,280
<u>Financial liabilities</u>				
Trade payables	–	15,988	–	15,988
Other payables and accruals	1,991	5,406	–	7,397
Bank loans	–	43,500	–	43,500
	1,991	64,894	–	66,885
Net financial (liabilities) / assets	(1,984)	(11,642)	21	(13,605)
Net financial liabilities/(assets) denominated in the respective entities’ functional currencies	–	11,642	(21)	(11,621)
Foreign currency exposure	(1,984)	–	–	(1,984)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

28. FINANCIAL INSTRUMENTS (Continued) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2021	Singapore dollars RMB'000	Chinese Renminbi RMB'000	Hong Kong dollars RMB'000	Total RMB'000
<u>Financial assets</u>				
Cash and cash equivalents	10	5,615	106	5,731
Trade receivables	–	36,486	–	36,486
Other receivables	–	5,144	–	5,144
	<u>10</u>	<u>47,245</u>	<u>106</u>	<u>47,361</u>
<u>Financial liabilities</u>				
Trade payables	–	29,088	–	29,088
Other payables and accruals	2,100	3,389	–	5,489
Bank loans	–	17,490	–	17,490
	<u>2,100</u>	<u>49,967</u>	<u>–</u>	<u>52,067</u>
Net financial (liabilities) / assets	(2,090)	(2,722)	106	(4,706)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	–	2,722	(106)	2,616
Foreign currency exposure	<u>(2,090)</u>	<u>–</u>	<u>–</u>	<u>(2,090)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

28. FINANCIAL INSTRUMENTS (Continued) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued) (a) Foreign exchange risk (Continued)

Company 2022	Singapore dollars RMB’000	Chinese Renminbi RMB’000	Total RMB’000
<u>Financial assets</u>			
Cash and cash equivalents	7	–	7
<u>Financial liabilities</u>			
Other payables and accruals	1,989	–	1,989
Due to subsidiaries (non-trade)	–	33,197	33,197
	1,989	33,197	35,186
Net financial liabilities	(1,982)	(33,197)	(35,179)
Add: Net financial liabilities denominated in the Company’s functional currency	–	33,197	33,197
Foreign currency exposure	(1,982)	–	(1,982)
<u>Company 2021</u>			
	Singapore dollars RMB’000	Chinese Renminbi RMB’000	Total RMB’000
<u>Financial assets</u>			
Cash and cash equivalents	10	–	10
<u>Financial liabilities</u>			
Other payables and accruals	2,100	–	2,100
Due to subsidiaries (non-trade)	–	28,179	28,179
	2,100	28,179	30,279
Net financial liabilities	(2,090)	(28,179)	(30,269)
Add: Net financial liabilities denominated in the Company’s functional currency	–	28,179	28,179
Foreign currency exposure	(2,090)	–	(2,090)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

28. FINANCIAL INSTRUMENTS (Continued) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued) (a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 5% (2021: 5%) increase and decrease in the Chinese Renminbi against the relevant foreign currencies. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

If the Chinese Renminbi strengthens by 5% (2021: 5%) against the relevant foreign currencies with all the other variables held constant, loss for the year will increase / (decrease) by:

	Singapore dollars RMB’000
Group	
2022	
Loss for the year	<u>(99)</u>
2021	
Loss for the year	<u>(78)</u>
Company	
2022	
Loss for the year	<u>(99)</u>
2021	
Loss for the year	<u>(78)</u>

The Group is also exposed to currency translation risk arising from its net investment in its foreign operation in Hong Kong including intragroup balances. The Group’s net investment in Hong Kong is not hedged as currency position in Hong Kong Dollar is considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

The Group obtains additional financing through bank borrowings.

The Group’s policy is to obtain the most favorable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilize interest rate swap or other arrangements for trading or speculative purposes. As at 31 December 2022, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The Group’s total comprehensive loss is not affected by changes in interest rates as the interest-bearing loans carry fixed interest (Note 18) and are measured at amortized cost. As such, sensitivity analysis is not provided.

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group’s operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. The Group actively manages its operating cash flows so as to finance the Group’s operations. As part of its overall prudent liquidity management, the Group minimizes liquidity risk by ensuring availability of funding through an adequate amount of credit facilities subject for approval from a PRC bank and maintains sufficient level of cash to meet its working capital requirements.

All the financial liabilities of the Group as at 31 December 2022 are repayable on demand or due within 1 year from the reporting date. The carrying amount recorded represents the contractual cash flows of these financial liabilities.

(iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group’s major class of financial assets are cash and cash equivalents, pledged deposits and trade and other receivables. Cash and cash equivalents and pledged deposits are placed with state-owned financial institutions in the PRC and a Singapore-based reputable bank. Bills receivables (Note 12) are mainly redeemable from government controlled commercial banks in the PRC. Therefore, credit risk arises mainly from the inability of its customers to make payments when due.

For trade receivables, the Group mainly deals with long-time customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. The counterparty’s payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Board of Directors. The average credit period on sales of goods is 90 days (2021: 90 days). No interest is imposed on overdue trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position. The amounts presented in the statement of financial position are net of allowances for impairment of trade receivables, estimated by management based on prior experience and the current economic environment.

The credit risk for trade receivables based on the information provided to key management is as follows:

<i>Carrying amount</i>	Group	
	2022 RMB’000	2021 RMB’000
<u>By geographical areas</u>		
- PRC	20,114	28,647
<u>By types of customers</u>		
Non-related parties		
- Government linked companies	16,687	24,461
- Private companies	3,427	4,186
	<u>20,114</u>	<u>28,647</u>

The Group’s major customers are located in the PRC and principally engaged in development and manufacture of power equipment. Revenue, carrying amount of trade receivables and net impairment loss on financial assets written back / (made) of major customers are disclosed as follows.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi ("RMB'000")

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

write Group	Revenue RMB'000	Trade receivables		Net RMB'000	Write back /write off/ (Additional) ECL RMB'000
		Gross RMB'000	ECL RMB'000		
2022					
<u>Not credit-impaired</u>					
Customer A	49,615	18,146	(55)	18,091	3,601
<u>Credit-impaired</u>					
Customer B	2,681	10,741	(8,949)	1,792	3,702
Customer C	12,270	6,448	(6,217)	231	458
At end of year	64,566	35,335	(15,221)	20,114	7,761

Group	Revenue RMB'000	Trade receivables		Net RMB'000	Write back / (Additional) ECL RMB'000
		Gross RMB'000	ECL RMB'000		
2021					
<u>Not credit-impaired</u>					
Customer A	35,187	19,215	(3,656)	15,559	855
<u>Credit-impaired</u>					
Customer B	9,592	19,574	(12,651)	6,923	2,927
Customer C	2,440	828	-	828	3,888
Others	15,337	12,012	(6,675)	5,337	(5,568)
At end of year	62,556	51,629	(22,982)	28,647	2,102

Customer A

Out of the carrying amount of RMB18,091,000 (2021: RMB15,559,000) as at 31 December 2022, the management computes ECL of the credit exposure using probability of default taking into account historical credit loss experience, payment trend, industry norm and forward looking information, resulting in an ECL of RMB55,000 (2021: RMB3,656,000) as at 31 December 2022.

Customer B

Out of the carrying amount of RMB1,791,000 (2021: RMB6,923,000) as at 31 December 2022, the management computes ECL of the credit exposure using probability of default taking into account historical credit loss experience, payment trend, industry norm and forward looking information, resulting in a ECL of RMB8,949,000 (2021: RMB12,651,000) as at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Customer C

Out of the carrying amount of RMB231,000 (2021: RMB828,000) as at 31 December 2022, the management computes ECL of the credit exposure using probability of default taking into account historical credit loss experience, payment trend, industry norm and forward looking information, resulting in a ECL of RMB6,217,000 (2021: RMB nil) as at 31 December 2022.

Expected Credit Losses

The Group manages credit loss based on Expected Credit Losses (ECL) model. The Group and Company have the following financial assets subject to lifetime ECL under Simplified Approach:

Group 2022	Trade receivables RMB’000 (Note 12)	Bill receivables RMB’000 (Note 12)	Total RMB’000
Gross amount of financial assets subject to ECL	35,335	3,294	38,629
<u>Movement of lifetime ECL:</u>			
Balance at 1 January 2022	22,982	–	22,982
ECL recognized during the year	6,750	–	6,750
ECL written back during the year	–	–	–
ECL write off	(14,511)	–	(14,511)
- due to recovery in cash and bills receivable	–	–	–
	(7,761)	–	(7,761)
Balance at 31 December 2022	15,221	–	15,221
Carrying amounts of financial assets, representing net exposure as at reporting date	20,114	3,294	23,408

Customer C with a contractual amount of RMB14,511,000 was written off during the year as it is confirmed the balance will not be collectable.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

Group 2021	Trade receivables RMB’000 (Note 12)	Bill receivables RMB’000 (Note 12)	Total RMB’000
Gross amount of financial assets subject to ECL	51,629	7,839	59,468
<u>Movement of lifetime ECL:</u>			
Balance at 1 January 2021	25,084	–	25,084
ECL recognized during the year	8,843	–	8,843
ECL written back during the year	(10,945)	–	(10,945)
- due to recovery in cash and bills receivable	(2,102)	–	(2,102)
Balance at 31 December 2021	22,982	–	22,982
Carrying amounts of financial assets, representing net exposure as at reporting date	28,647	7,839	36,486

The Group considers the above ECL to be Stage 3 ECL (credit impaired) considering that:

- Trade receivables which are unlikely to pay its credit obligation in full, without recourse by the Group
- Ongoing dispute with customer
- Historical credit loss experience, payment trend and past due status.

The management assesses that there are no material ECL on other receivables (Note 13) as the balances are mainly contributed from advances to suppliers and employees.

Credit risk concentration

The carrying amount of financial assets recorded in the consolidated financial statements and the statement of financial position of the Company, represents the Group’s and the Company’s maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Financial instruments by category

The carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2022 RMB’000	2021 RMB’000	2022 RMB’000	2021 RMB’000
Financial assets				
Financial assets at amortized cost	53,280	47,361	7	10
Financial liabilities				
Financial liabilities at amortized cost	66,885	52,067	1,800	2,100

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, net of cash and cash equivalents, and the equity attributable to equity holders of the parent, comprising issued capital and reserves as disclosed in Notes 4 to 6.

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on guidance of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt. The Group’s overall strategy remains unchanged from 2022.

As disclosed in Note 6, the PRC incorporated subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute to and to maintain a non-distributable statutory reserve fund, the utilization of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial year ended 31 December 2022.

29. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair values in 2022.

The carrying amounts of cash and cash equivalents, pledged deposits, trade and other receivables, and trade and other payables (including amounts due to subsidiaries) are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

30. PRIOR YEAR ADJUSTMENTS

a) Unrealised foreign exchange gain/loss

During 2022, the Group discovered that unrealised foreign exchange gain/loss on amount due to intercompany at foreign currency balance has been omitted in its financial statements since 2020. As a consequence, the impact of the unrealised foreign exchange gain/loss has been erroneously recognised in translation reserves instead of expenses in profit and loss. The errors have been corrected by restating each of the affected financial statement line items for prior period.

b) Impairment on property, plant and equipment and investment in subsidiaries

As per the IAS 36, the standard defines recoverable amount as the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use. In FY2020 and FY2021, the management has not assessed the fair value less cost of disposal of an asset to compare the higher value of recoverable amount for the impairment assessment.

Hence, the Group have engaged an independent valuer to re-performed the impairment assessment on property, plant and equipment and investment in subsidiaries for the financial year 2020 and 2021. The valuer has determined the recoverable amount of the cash-generating unit’s using the fair value less cost of disposals and its value in use.

The fair value less costs of disposal is higher than the value in use for FY2020 and FY2021, hence, the recoverable amount of the relevant assets has been determined on the basis of their fair value less cost of disposal. The carrying amount of the property, plant and equipment for FY2020 and FY2021 were RMB70,455,000 and RMB62,031,000 whereas the recoverable amount of the cash-generating unit’s are amounted to RMB25,600,000 for both financial years. Hence, impairment loss for FY2020 and FY2021 are amounted to RMB44,855,000 and RMB36,413,000 respectively.

The carrying amount of the investment in subsidiary for FY2020 and FY2021 are amounted to RMB116,177,000 whereas the recoverable amount of the cash-generating unit are amounted to RMB25,600,000 for both financial years. Hence, the impairment loss for both years are amounted to RMB90,577,000.

Management corrected the material prior period’s error identified above retrospectively by restating the comparative amounts for the prior period’s statement of financial position in accordance with SFRS (I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors.

c) Accruals

The Group has discovered that FY2021 accruals have been overstated by RMB2,683,000 as this balance was related to expenses incurred in FY2018 to FY2020. In addition, prior year audit fees of RMB709,000 has been omitted in its financial statements in financial year 2021. As a consequence, the impact of other payables and administrative expenses have been overstated. The errors have been corrected by restating each of the affected financial statement line items for prior period.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

30. PRIOR YEAR ADJUSTMENTS (Continued)

The following tables summarise the impacts on the Group’s consolidated financial statements.

	<u>As reported</u> RMB’000	<u>Prior year</u> <u>adjustments</u> RMB’000	<u>As restated</u> RMB’000
Statements of Financial Position			
At 1 January 2021			
Group			
<u>Equity</u>			
Translation (deficit)/reserves	(3,456)	8,589	5,133
Accumulated losses	(96,442)	(49,171)	(145,613)
<u>Assets</u>			
Property, plant and equipment	61,400	(40,582)	20,818
Company			
<u>Equity</u>			
Accumulated losses	(6,000)	(90,577)	(96,577)
<u>Assets</u>			
Subsidiaries	156,236	(90,577)	65,659
At 31 December 2021			
Group			
<u>Equity</u>			
Translation (deficit)/reserves	(3,678)	8,657	4,979
Accumulated losses	(107,102)	(38,823)	(145,925)
<u>Assets</u>			
Property, plant and equipment	53,199	(32,140)	21,059
<u>Liabilities</u>			
Other payables and accruals	8,157	(1,974)	6,183

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

30. PRIOR YEAR ADJUSTMENTS (Continued)

The following tables summarise the impacts on the Group’s consolidated financial statements.

	<u>As reported</u> RMB’000	<u>Prior year</u> <u>adjustments</u> RMB’000	<u>As restated</u> RMB’000
Statements of Financial Position			
At 31 December 2021			
Company			
<u>Equity</u>			
Accumulated losses	(8,171)	(90,577)	(98,748)
<u>Assets</u>			
Subsidiaries	161,889	(90,577)	71,312
Consolidated statement of profit or loss and other comprehensive income			
At 31 December 2021			
Group			
<u>Expenses</u>			
Other operating income	4,834	8,442	13,276
Administrative expenses	27,067	(1,974)	25,093
Statement of cash flows			
At 31 December 2021			
Group			
Loss before income tax	(10,660)	10,416	(244)
Reversal of impairment loss on PPE	-	(8,442)	(8,442)
Trade and other payables	11,141	(1,974)	9,167

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022 Amounts in thousands of Chinese Renminbi (“RMB’000”)

31. ONGOING INVESTIGATION OF DEBT COLLECTION AGENT FEES BY PUBLIC SECURITY AUTHORITIES

In 2018 and 2019, a subsidiary, Changzhou 3D Technological Complete Set Equipment Co., Limited (“Changzhou 3D”) (through its former director), entered into seven debt collection service agreements with two purportedly third party companies (“Debt Collection Agents”) to collect certain trade receivables on behalf of Changzhou 3D. The amounts to be collected by these Debt Collection Agents as stipulated under these agreements were approximately RMB11.5 million and RMB14.1 million for FY 2018 and FY 2019 respectively; the actual amounts collected were RMB11.0 million and RMB14.1 million respectively. The debt collection agent fees amounted to approximately RMB 3.33 million and RMB 3.15 million for FY 2018 and FY 2019 respectively, and were grouped under and classified as administrative expenses in the Group’s consolidated statement of profit or loss and other comprehensive income in those financial years.

In June 2019, Changzhou 3D appointed a local accounting firm in China (“Chinese Accounting Firm”) to carry out an ad hoc internal control review over some issues, including the appropriateness of the debt collection agent fees incurred as described above. As stated in the internal control report issued in the same month, the Chinese Accounting Firm raised concerns on the cost-effectiveness of these debt collection agent fees given that the proportion of the debt collection agent fees to the amounts of receivables to be collected was inexplicably significant (ranging from 16% to 68%).

Following the issuance of the internal control review report by the Chinese Accounting Firm, in July 2019, Changzhou 3D sought legal opinion (“Legal Opinion”) from its legal counsel (“Chinese Legal Counsel”) on those concerns, observations and remarks noted in the report (including the debt collection agent fees). The Chinese Legal Counsel was of the view that, among others, based on their findings, the debt collection agent fees were patently exorbitant and there was no evidence of debt collection activities carried out by these Debt Collection Agents, thereby characterizing these debt collection agent fees as potential misappropriation of company’s property by the then management personnel authorizing such transactions and the payments. In that regard, the Chinese Legal Counsel recommended Changzhou 3D to make a report to the Chinese Public Security authorities for further investigation of the matter. Based upon the Legal Opinion, Changzhou 3D accordingly reported the matter to the Chinese Public Security authorities in October 2019.

In November 2019, Changzhou 3D received the Notice of Filing from the Chinese Public Security authorities (“Notice of Filing”) and consulted the Chinese Legal Counsel regarding the significance of the document. The Chinese Legal Counsel advised that the Notice of Filing generally indicates the acknowledgement by the Chinese Public Security authorities that it had preliminarily considered that the facts and information of the complaint being reported and decided to formally conduct further investigation into the complaint. As at the date of these financial statements, the investigation by Chinese Public Security is still ongoing and the outcome of it is presently unknown.

SHAREHOLDINGS STATISTICS

As at 22 November 2023 Amounts in thousands of Chinese Renminbi (“RMB’000”)

Class of equity securities	Number of equity securities	Voting rights
Ordinary at 22 November 2023	30,520,000	One vote per share

There is no treasury share and subsidiary holding in the issued share capital of the Company.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	17	2.70	807	0.00
100 – 1,000	255	40.41	163,343	0.54
1,001 – 10,000	321	50.87	1,150,400	3.77
10,001 – 1,000,000	32	5.07	1,975,763	6.47
1,000,001 AND ABOVE	6	0.95	27,229,687	89.22
TOTAL	631	100.00	30,520,000	100.00

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name	NUMBER OF ORDINARY SHARES			
	Direct Interest	%	Deemed Interest	%
Liu Ming	8,240,000	27.00	0	0.00
Shanghai Suan Ni Li Enterprise Management Consulting Service Partnership (LP)	3,673,800	12.04	0	0.00
Yugen Kaisha Simon Murray And Company Japan	3,300,000	10.81	0	0.00
Yonehara Shinichi ⁽¹⁾	0	0.00	3,300,000	10.81
Gao Zhong	3,051,527	10.00	0	0.00

Notes:

- Yonehara Shinichi is the 100% shareholder of Yugen Kaisha Simon Murray And Company Japan and is therefore deemed to be interested in the shares of the Company by virtue of Section 4 of the Securities and Future Act 2002 of Singapore.

SHAREHOLDINGS STATISTICS

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	IFAST FINANCIAL PTE. LTD.	7,473,930	24.49
2	UOB KAY HIAN PRIVATE LIMITED	6,786,127	22.24
3	CITIBANK NOMINEES SINGAPORE PTE LTD	5,194,683	17.02
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,301,000	10.82
5	LIU MING	3,296,217	10.80
6	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,177,730	3.86
7	TAN ENG CHUA EDWIN	741,400	2.43
8	RAFFLES NOMINEES (PTE.) LIMITED	313,207	1.03
9	YONG WOON CHONG	162,200	0.53
10	DBS NOMINEES (PRIVATE) LIMITED	151,715	0.50
11	BOON KIA IN VINCENT (WEN JIAYIN)	65,000	0.21
12	MAYBANK SECURITIES PTE. LTD.	59,000	0.19
13	KOH TECK YEOW	35,500	0.12
14	CHEW CHIN SING	30,800	0.10
15	LIM SIAN KOK	30,000	0.10
16	LYE SOO MENG	30,000	0.10
17	LIM LEE KWAN	29,000	0.10
18	KOO WEE KHIAT ALVIN	27,400	0.09
19	PAN ZHAOJIN	21,900	0.07
20	TEO BOCK HENG	21,801	0.07
	TOTAL	28,948,610	94.87

PERCENTAGE OF SHAREHOLDING IN HANDS OF PUBLIC

Based on the information available to the Company as at 22 November 2023, approximately 40.15% of the issued ordinary shares of the Company were held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (the “**AGM**”) of Shanghai Turbo Enterprises Ltd. (the “**Company**”) will be held at The National University of Singapore Society Suntec City Guild House, 3 Temasek Boulevard #02-401/402 Suntec City Mall, Singapore 038983 on Wednesday, 20 December 2023 at 2.00 p.m., to transact the following businesses:

ORDINARY BUSINESSES

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Independent Auditors’ Report thereon.
(Resolution 1)
2. To re-elect the following Director retiring pursuant to Article 85(6) of the Company’s Constitution:
Mr. Gao Zhong **(Resolution 2)**
Mr. Gao Zhong will, upon re-election as Director of the Company, remain as an Executive Director and member of the Nominating and Remuneration Committee.
3. To re-elect the following Director retiring pursuant to Article 86(1) of the Company’s Constitution:
Mr. Foo Chee Meng **(Resolution 3)**
Mr. Foo Chee Meng will, upon re-election as Director of the Company, remain as Non-Executive Independent Director, Chairman of Nominating and Remuneration Committee and member of the Audit Committee.
4. To approve the payment of Directors’ Fees of RMB1.125 million for the financial year ending 31 December 2023 (FY2022: RMB1.125 million)
(Resolution 4)
5. To re-appoint Messrs. RT LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 5)
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Chong Eng Wee
Company Secretary
Singapore, 4 December 2023

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTES:

1. PROXY AND VOTING AT THE AGM

- 1.1. Shareholders may attend, speak and vote at the AGM or appoint proxy or proxies to attend, speak and vote on their behalf at the AGM. A proxy need not be a member of the Company.
- 1.2. If a shareholder wishes to appoint a proxy or proxies to vote on their behalf at the AGM, duly executed proxy forms must be submitted through any one of the following means:
 - (a) if submitted by post, to be deposited at the registered office of the Company's Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
 - (b) if submitted electronically, to be submitted via email in Portable Document Format (PDF) to the Company's Singapore Share Transfer Agent, at shareregistry@incorp.asia,

in either case, not less than forty-eight (48) hours before the time appointed for the holding of the AGM and/or any adjournment thereof. A member who wishes to submit the proxy form must complete and sign the proxy form, before submitting it by post to the address provided above, or by scanning and sending it by email to the email address provided above.

- 1.3. In appointing the Chairman of the AGM as proxy, shareholders should specifically indicate in the proxy form how they wish to vote for or vote against (or abstain from voting on) the resolution set out in this Notice of AGM, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
- 1.4. The proxy form must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a proxy form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 1.5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

2. QUESTIONS

- 2.1. Shareholders and duly appointed proxy or proxies will be able to ask questions relating to the resolutions to be tabled for approval at the AGM. The Company will endeavour to respond to and address substantial and relevant questions as far as reasonably practicable during the AGM. Where there are substantially similar questions, the Company will consolidate such questions and consequently not all questions may be individually addressed.
- 2.2. Alternatively, Shareholders may submit questions related to the resolutions which will be tabled for approval at the AGM in advance either via:
 - (a) if submitted by post, to be deposited at the registered office of the Company's Singapore Share Transfer Agent, In. Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712; or
 - (b) if submitted electronically, to be submitted via email to the Company, at shareregistry@incorp.asia,

by 2 p.m on 11 December 2023. Shareholders who submit questions in advance of the AGM should identify themselves by stating his/her/its full name as it appears on his/her/its CDP share records,

NOTICE OF ANNUAL GENERAL MEETING

contact number and NRIC/Passport/Company Registration Number and state the manner in which he/she/it holds his/her/its shares in the Company for verification purposes.

- 2.3. Shareholders are encouraged to submit their questions via one of the foregoing means as soon as possible so that they may have the benefit of the answers to their questions (where substantial and relevant to the agenda of the AGM) prior to submitting their proxy forms. Please note that substantial and relevant questions (as may be determined by the Company at its sole discretion) from shareholders submitted in advance and received by the Company would be addressed by the Company and published on the SGX website no later than 48 hours before the deadline for submission of the proxy forms. The Company will also address any subsequent clarifications sought, or follow-up questions, prior to, or at, the AGM in respect of substantial and relevant matters.

3. AGM DOCUMENTS

The Annual Report, Notice of AGM and Proxy Form will be despatched to shareholders and published on SGXNet at the URL <https://www.sgx.com/securities/company-announcements>.

Personal data privacy:

“**Personal data**” in this Notice has the meaning ascribed to it pursuant to the Personal Data Protection Act 2012 of Singapore. By submitting (a) details for the registration to observe or participate in the proceeding of the AGM, or (b) an instrument appointing the Chairman of the AGM (or any person other than the Chairman) as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, (c) any questions prior to the AGM in accordance with this Notice of AGM, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman as proxy for the AGM (or any person other than the Chairman), processing the registration for purpose of granting access to members (or their appointed proxies) to observe and participate in the proceedings of the AGM, addressing relevant and substantial questions from members received before the AGM and if necessary, following-up with the relevant members in relation to such questions, and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM, and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

Photographic, sound and/or video recordings at the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

SHANGHAI TURBO ENTERPRISES LTD.(Incorporated in the Cayman Islands)
(Company Registration No. CT-151624)**ANNUAL GENERAL MEETING – DEPOSITOR PROXY FORM**

We, The Central Depository (Pte) Limited (“CDP”), being a shareholder of **SHANGHAI TURBO ENTERPRISES LTD.**, pursuant to a proxy form lodged or to be lodged by us with the Company, have appointed, or will be appointing the person(s) whose name and particulars are set out in Part I below (the “**Depositor(s)**”), in respect of such number of shares (the “**Depositor(s) Shares**”) set out against his/her/its name in the Depository Register maintained by CDP as at 18 December 2023 (the “**Cut Off Date**”), as our proxy or proxies to vote on our behalf at the annual general meeting of the Company to be held at The National University of Singapore Society Suntec City Guild House, 3 Temasek Boulevard #02-401/402 Suntec City Mall, Singapore 038983 on Wednesday, 20 December 2023 at 2.00 p.m., and at any adjournment thereof (the “**Annual General Meeting**”), hereby appoint

Part I

Name and Address	No. of shares held
	NRIC No. / Passport No.

OR in the event the Company receives this Depositor Proxy Form which is:

(a) duly completed and signed/executed by the Depositor(s); and

(b) submitted by the requisite time and date, and to the requisite office as indicated overleaf,

we hereby appoint the person(s) (the “**Appointee(s)**”) whose details are given in Part II, provided that such details have been verified in Part V by the affixing of the seal or signature of or on behalf of the Depositor(s) named in Part I, and on the basis that such Appointee(s) are authorised to vote in respect of the proportion of the shareholder referred to in Part II or if no proportions are so reflected, in respect of the entirety of the shareholding.

Part II

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

*and/or (delete as appropriate)

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OR failing whom, the Chairman of the Annual General Meeting (“**AGM**”) be appointed as my/our proxy to vote for me/us on my/our behalf at the AGM. We direct my/our proxy/proxies* to vote for, against or to abstain from voting on the resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, my proxy/proxies* may vote or abstain from voting at his or her discretion. Where the Chairman of the Meeting is appointed as proxy, in the absence of specific directions as to voting, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

Part III

No.	Resolutions relating to:	For	Against	Abstain
Ordinary Business				
1	Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2022			
2	Re-election of Mr Gao Zhong as Director of the Company pursuant to Article 85(6) of the Company’s Constitution			
3	Re-election of Mr Foo Chee Meng as Director of the Company pursuant to Article 86(1) of the Company’s Articles of Association			
4	To approve the payment of Directors’ Fees of RMB1.125 million for the financial year ending 31 December 2023 (FY2022: RMB1.125 million)			
5	Re-appointment of Messrs. RT LLP as the Independent Auditors of the Company			

Notes: Voting will be conducted by poll. If you wish to exercise all your votes “For” or “Against”; or to “Abstain” from, the relevant resolution, please indicate with an “X” within the relevant box provided. Alternatively, if you wish to exercise your votes in a proportion of “For”, “Against” or/and to “Abstain” from the relevant resolution, please indicate the number of shares in the boxes provided.

Part IV

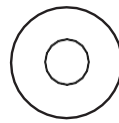
The Central Depository (Pte) Limited



Signature of Director

Part V

TO BE COMPLETED BY DEPOSITOR(S) IF HE/SHE/IT WISHES TO APPOINT AN APPOINTEE(S) OR THE CHAIRMAN OF THE AGM AS PROXY

For Individuals:	For Corporations:	
Signature of Direct Account Holder	Signature of Director	

IMPORTANT: - PLEASE READ NOTES BELOW

Notes:

Part II If a Depositor(s) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it may nominate not more than two Appointees who shall be natural persons, to attend and vote in his/her/its place as proxy for CDP in respect of the number of the Depositor(s) Shares by completing Part II or may appoint the Chairman of the Annual General Meeting (the "Chairman") as his/her/its proxy.

A Depositor(s) who wishes to nominate more than one Appointee must specify the proportion of the number of the Depositor(s) Shares (expressed as a percentage of the whole) to be represented by each Appointee. If no proportion of the number of the Depositor(s) Shares is specified, the Appointee whose name appears first shall be deemed to carry 100 per cent of the number of the Depositor(s) Shares of his/her appointer and the Appointee whose name appears second shall be deemed to be nominated in the alternate.

Part III Please indicate with an "X" in the appropriate box against each resolution how you wish the Appointee to vote. Depositor(s) should specifically direct the Appointee on how they wish to vote for or vote against (or abstain from voting on) the resolution in Part III of this Depositor Proxy Form. If this Depositor Proxy Form is deposited without any indication as to how the Appointee shall vote, the Appointee may vote or abstain from voting at his/her discretion. If a Depositor(s) marks the abstain box for a particular resolution, he/she/it is directing the Appointee not to vote on that resolution and the votes will not be counted in computing the required majority when a poll is called.

Part V If a Depositor(s) wishes to nominate an Appointee/Appointees, this Depositor Proxy Form must be signed by the Depositor(s) or his/her/its attorney duly authorised in writing. In the case of joint Depositor(s), all joint Depositor(s) must sign this Depositor Proxy Form. If the Depositor(s) is a corporation, this Depositor Proxy Form must be executed under its common seal or under the hand of an officer or its attorney duly authorised in writing. The power of attorney appointing the attorney or other authority, or a notarially certified copy thereof, if any, under which this Depositor Proxy Form is signed, must (unless previously registered with the Company) be attached to this Depositor Proxy Form.

This Depositor Proxy Form, duly completed, together with the abovementioned power of attorney appointing the attorney or other authority, or a notarially certified copy thereof, if applicable, **must be:**

- a) **deposited by the Depositor(s) at the office of the Company's Share Transfer Agent in Singapore, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 or**
- b) **submitted by email to shareregistry@incorp.asia,**

in either case, by no later than 2.00 p.m. on 18 December 2023, or not less than 48 hours before the time appointed for the holding of the AGM and/or any adjournment thereof, in accordance with the instructions stated herein and in the Notice of Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting this proxy form, the shareholder(s) accept and agree to the personal data privacy terms set out in the Notice of AGM dated 4 December 2023.

GENERAL

The Company shall be entitled to, at its discretion, reject any Depositor Proxy Form, which is incomplete, improperly completed or illegible or where the true intentions of the Depositor(s) are not ascertainable from the instructions of the Depositor(s) specified on any Depositor Proxy Form. It is the Depositor(s)' responsibility to ensure that this Depositor Proxy Form is properly completed. Any decision to reject this Depositor Proxy Form on the grounds that it is incomplete, improperly completed or illegible will be final and binding; and neither the Company, CDP nor In.Corp Corporate Services Pte. Ltd. accepts any responsibility for the consequences of such a decision. In addition, the Company may, at its discretion, reject any Depositor Proxy Form lodged if a Depositor(s), being the appointer, is not shown to have shares entered against his/her/its name in the Depository Register, as supplied by CDP to the Company, as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

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

PROXY FORM

ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

I/We* _____(Name) _____(NRIC/Passport No./Company Registration No.)

of _____(Address) being a member/ members of **SHANGHAI TURBO**

ENTERPRISES LTD. (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

*and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

or failing whom, the Chairman of the Annual General Meeting ("AGM" or "Meeting") as my/our* proxy/proxies* to attend, speak and vote for me/us* on my/our* behalf at the AGM of the Company to be held at The National University of Singapore Society Suntec City Guild House, 3 Temasek Boulevard #02-401/402 Suntec City Mall, Singapore 038983 on Wednesday, 20 December 2023 at 2.00 p.m. and at any adjournment thereof.

I/We* direct my/our* proxy/ proxies* to vote for, against or to abstain from voting on the resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, my proxy/proxies* may vote or abstain from voting at his or her discretion. Where the Chairman of the Meeting is appointed as proxy, in the absence of specific directions as to voting, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

Please indicate your vote "For" or "Against" or "Abstain" with an "X" within the box provided below. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

No.	Resolutions relating to:	For	Against	Abstain
Ordinary Business				
1.	Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2022			
2.	Re-election of Mr Gao Zhong as Director of the Company pursuant to Article 85(6) of the Company's Constitution			
3.	Re-election of Mr Foo Chee Meng as Director of the Company pursuant to Article 86(1) of the Company's Articles of Association			
4.	To approve the payment of Directors' Fees of RMB1.125 million for the financial year ending 31 December 2023 (FY2022: RMB1.125 million)			
5.	Re-appointment of Messrs. RT LLP as the Independent Auditors of the Company			

*Delete whichever not applicable

Dated this _____ day of _____ 2023

Total number of Shares in:	Number of Shares
Register of Members	

Signature of Shareholder(s)
and/or Common Seal of Corporate Shareholder

Notes:

- (1) A member should insert the total number of shares held by him/her registered in his/her name in the Register of Members of the Company. If no number is inserted, this proxy form will be deemed to relate to all the shares held by the member in the Register of Members of the Company.
- (2) This proxy form, duly executed, must be submitted through any one of the following means:
 - (a) if submitted by post, to be deposited at the registered office of the Company's Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
 - (b) if submitted electronically, to be submitted via email in Portable Document Format (PDF) to the Company's Singapore Share Transfer Agent, at shareregistry@incorp.asia,

in either case, not less than forty-eight (48) hours before the time appointed for the holding of the AGM and/or any adjournment thereof. A member who wishes to submit the proxy form must complete and sign the proxy form, before submitting it by post to the address provided above, or by scanning and sending it by email to the email address provided above.

- (3) The proxy form must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a proxy form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- (4) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
- (5) A shareholder including a Relevant Intermediary (as defined below) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where such shareholder's proxy form appoints more than one (1) proxy, the proportion of his/her/its shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

A "Relevant Intermediary" is:

- (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

By submitting this proxy form, the shareholder(s) accept and agree to the personal data privacy terms set out in the Notice of AGM dated 4 December 2023.

GENERAL

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the Member(s) are not ascertainable from the instructions of the Member(s) specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Register of Members, the Company may reject any instrument appointing the Chairman of the AGM (or any person other than the Chairman of the Meeting) as proxy lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Register of Members as at 48 hours before the time appointed for holding the Meeting.



SHANGHAI TURBO ENTERPRISES LTD

上海动力发展有限公司

No. 9 Yinghua Road, Zhonglou Economic Development Zone,
Changzhou City, Jiangsu Province, The PRC

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