

# SHANGHAI TURBO ENTERPRISES LTD.

(Company Registration No.: CT-151624)

Incorporated in the Cayman Islands

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## RESPONSE TO SGX QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 ("FY2023")

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### **Query #1**

It is disclosed in the Company's response to query 1 pursuant to the unaudited financial statements for the financial period ended 30 September 2023, announced on 21 December 2023, that "The balance of bank loans is RMB 44,500,000, a loan of RMB 30,000,000 will expire on January 16, 2024. For this loan, the Company has submitted new loan materials to the bank, and the bank's internal approval is in process. It is expected that a new loan of RMB 30,000,000 will be issued before 16 January 2024 and expire around in January 2025. For the other two loans of RMB 9,500,000 which will expire on 9 March 2024 and RMB 5,000,000 which will expire on 27 March 2024, the Company plans to submit new loan materials to the bank in February 2024. In principle, the bank will approve all the new loans as the Company's production and operation data are stable. "

Please provide an update on the Company's applications for new loans to repay the outstanding borrowings of RMB 44,500,000 as at 31 December 2023.

### **Company's Response to Query #1**

As at 5 March 2024, the balance of bank loans is RMB 44,500,000, kindly find the details as below:

- (i) The Company has repaid the bank loan of RMB 30,000,000 on 12 January 2024, and obtained a new loan of RMB 30,000,000 on the same day which will be expired on 12 January 2025.
- (ii) For the loan of RMB 9,500,000 expired on 9 March 2024, the Company has repaid the loan of RMB 4,500,000 on 27 February 2024, while obtaining a new loan of RMB 4,500,000 on 28 February 2024 which will be expired on 25 February 2025; the Company has repaid the loan of RMB 5,000,000 on 5 March 2024, while obtaining a new loan of RMB 5,000,000 on 5 March 2024 which will be expired on 4 March 2025.
- (iii) For the loan of RMB 5,000,000 which will be expired on 27 March 2024, the loan procedures are being handled and are expected to be completed before 27 March 2024.

### **Query #2**

It is disclosed on page 13 of the unaudited financial statements that "The recoverable amount of the land use rights was based on its fair value on 31 December 2022.". It is also disclosed in the Company's response to query 2, dated 21 December 2023, that "Land use rights are generally evaluated once after the end of each financial year, but the Company did not do the evaluation in time after the end of FY2020, FY2021 and FY2022. The Company started to evaluate the land use rights of the past three years in July 2023, so it could only refer to the fair value on 31 December 2019 then. For the recoverable value of land use rights for the financial period ending 30 September 2023, the Company will refer to the evaluation results as at 31 December 2022 after obtaining the evaluation report. However, by the end of the third quarter of 2023, the relevant

land use rights assessment was not completed.”.

(i) Please confirm if the evaluation results for the financial year ended 31 December 2023 has been completed.

(ii) Please clarify how the Company has assessed the recoverable value of its land use rights as at 31 December 2023, and its basis of assessment, including whether any material change is required with regard to the land use rights as at 31 December 2023, compared to 31 December 2022.

### **Company's Response to Query #2**

The assessment of land use rights as at 31 December 2023 has not commenced yet, and the Company will engage a professional evaluation agency to carry out the assessment and finalize it prior to the completion of the annual audit report for FY2023.

The evaluation of land use rights as at 31 December 2023 has not yet started, and the Company will entrust a professional evaluation agency to conduct the evaluation and complete it before the end of the 2023 annual audit report.

### **Query #3**

It is disclosed on page 14 of the unaudited financial statements that, “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.” Please elaborate on the impairment assessment conducted by the Company on the property, plant and equipment for the year ended 31 December 2023. Please also disclose the methodologies used in its impairment assessment, as well as Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used.

### **Company's Response to Query #3**

The assessment of property, plant and equipment as at 31 December 2023 has not commenced yet, and the Company will engage a professional evaluation agency to carry out the assessment and finalize it prior to the completion of the annual audit report for FY2023.

### **Query #4**

It is noted per page 17 of the unaudited financial statements that the Company has recognized other payables of RMB4,099,000. Please disclose the aging and nature of these other payables and whether the counterparties are related parties.

It is disclosed on page 18 of the unaudited financial statements that, the legal counsel advised that CZ3D shall actively apply for and complete the necessary legal procedures for the relevant properties. Please provide a status update in this regard.

### **Company's Response to Query #4**

We reviewed the statements data and found a reclassification error that RMB2,717,000 in other payables should be reclassified to trade and other receivables. After reclassification, the total trade and other receivables balance on page 16 should be RMB48,276,000; the balance of total trade and other payables on page 17 should be RMB29,102,000, of which other payables should

be RMB1,382,191.30 after reclassification. The natures of these other payables are as follows: rent received in advance amounting to RMB1,128,206.74, the company's canteen expenses amounting to RMB110,694 and petty payables amounting to RMB143,290.56. For the other payables, the aging of RMB20,000 has exceeded 3 years as the Company cannot get in touch with the counterparty and the others are all less than 1 year.

None of the counterparties is a related party.

There are no new developments at present about the legal matter which was disclosed on page 18 of the unaudited financial statements.

#### **Query #5**

It is disclosed on page 21 of the unaudited financial statements that "The other operating income consists mainly of sales of scraps and wastage iron and refunds from management personnel.". Please disclose the circumstances surrounding the refunds from former management Zhang Rong and Jiang Ronglin, including the roles of these former management, nature of such refunds and actions taken by the Company.

#### **Company's Response to Query #5**

Zhang Rong was the former president of CZ3D and Jiang Ronglin was the former vice-general managing director of CZ3D, they have been subjected to mandatory measures by public security agencies due to suspicions of engaging in illegal activities. The nature of the refund is to return illegal gains. The Company is currently in close communication with the Chinese public security organs, as the case has not yet reached a final judgment and the details are confidential, the Company will announce once the final judgment is formed.

#### **Query #6**

It is disclosed on page 21 of the unaudited financial statements that, revenue increased by 25% from RMB64.57 million in 4Q FY2022 to RMB80.96 million in 4Q FY2023 mainly due to the Subsidiary's orders fulfilled to local customers during 4Q FY2023. Please disclose the significant factors that led to the increase in revenue for the current financial period reported on.

#### **Company's Response to Query #6**

The main factors for the increase in revenue are as follows:

- (i) Increase in export business: Export business in FY2023 increased by RMB 7.67 million compared with FY2022.
- (ii) The Company optimized the production organization and implemented a series of positive employee incentive programs, which achieved such results in FY2023. The Company will strive to maintain a high level of production and operational efficiency in the future, with a strong focus on achieving further growth in sales revenue.

#### **Query #7**

Appendix 7.2, Paragraph 20 of the Listing Manual requires disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13). If there

are no such persons, the issuer must make an appropriate negative statement.

Please provide the relevant disclosure in this regard.

### **Company's Response to Query #7**

Name	Age	Family relationship with any director and /or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any ,during the year
LIU NING	37	Cousin	Marketing Department #2 of CZ3D, Vice Minister 14/02/ 2022	Nul

### **Query #8**

As at 31 December 2023, the Group has net current liability of RMB 10,815,000 with cash and cash equivalents of RMB 9,168,000. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

- (i) Please assess the Company's ability to operate as a going concern.
- (ii) Please assess the Company's ability to meet its debt covenants (if any).
- (iii) Please assess the Company's ability to meet its short-term obligations when they fall due.

### **Company's Response to Query #8**

(i) For the Company's ability to operate as a going concern.

(a)At present, the Company has a good development trend with sufficient orders, stable production and operation and the good market environment. It is expected that the revenue will continue to maintain stable growth in FY2024

(b) The Company will optimize its working capital management by implementing collection discounts based on production and operational requirements to expedite trade receivable collection and ensure sufficient cash flow.

(ii) For the Company's ability to meet its debt covenants and to meet its short-term obligations.

The Company's debt balance is a rolling data with the payment terms of 3-6 months, and the debt balance changes all the time in the production and operation. With the growth of the Company's sales revenue, the recovery of accounts receivable is enough to fulfill all maturing debts, so the Company has no performance risk.

Zhang Wenjun

Non-Executive Non-Independent Director

06 March 2024