

SHANGHAI TURBO ENTERPRISES LTD.

(Company Registration No.: CT-151624)

Incorporated in the Cayman Islands

RESPONSE TO QUERIES BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (SIAS)

The Board of Directors (the “**Board**”) of Shanghai Turbo Enterprises Ltd. (the “**Company**”) wishes to announce the following in response to the queries raised by Securities Investors Association (Singapore) (SIAS) on 30 April 2019 :

Q1. Revenue fell to RMB29.8 million in 2018 as the company was faced with operational issues and tension from the ongoing litigation between the company and Mr. Liu Ming.

Revenue was as high as RMB137.0 million in 2016.

As disclosed in the Operational and financial review, the group was disqualified as an approved vendor on 26 July 2018 by a major customer and thus has been unable to tender for new orders. The disqualification was mainly due the customer’s twin concerns of the on-going legal suits and quality control issues arising in 2Q FY 2018.

Since the requalification in January 2019, the group has tendered for and won a small tender for RMB0.55 million.

(i) Can management help shareholders understand the frequency of the tenders by its major customers? How often are such tenders opened up?

Company’s response :

On each working day, a sales personnel will check the availability of the online tender of the major customers. The Group has not missed any opportunity on the on-line tender process after re-qualification as approved supplier. Each month, the customers have offered few closed tenders for the various qualified suppliers to bid. We have successfully won certain online tenders from March to May 2019.

(ii) Does the group have the sufficient working capital to support larger tenders?

Company’s response :

Yes. The Group has enough working capital to support the larger tenders, as the Group has reached an out-of-court settlement with one of the major customer and certain fund has been received on hand

(iii) What is the remaining staff strength and morale of the team?

Company's response :

The staff strength is good enough to perform the job. The onboarding of the directors and the newly appointed general manager have a positive impact on the staff.

(iv) How much success has the group achieved in the new OEM markets?

Company's response :

The staff strength is good enough to perform the job. The morale is high and team work is good.

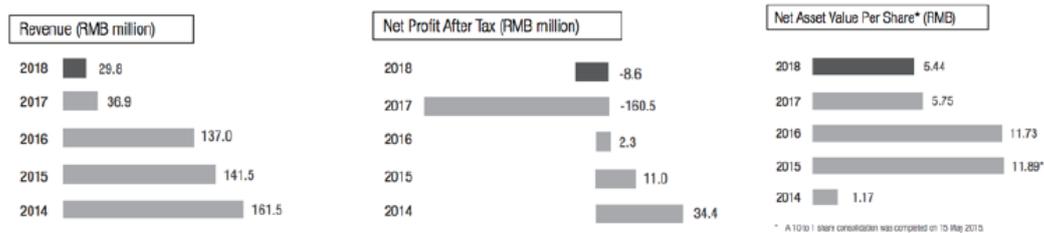
How does the group manage its counter-party risks with the newly acquired customers?

Company's response :

The Group has strong technical team members and they have eliminated the risks among the counter-party.

Q2. The group reported losses of RMB(160.5) million in 2017 and RMB(8.6) million in 2018, as a result of the internal tussle that also saw a violent stand-off between the two parties.

The financial highlight is shown on page 6 of the annual report and reproduced below:



(Source: Company annual report)

(i) In view of the major losses and the disruption to the business in the last two years, can the board restate and clearly articulate the group's business model?

Company's response :

The Group will continue working on the production of precision vane products with the current major customers as well as forklift's OEM Project and other OEM Projects.

(ii) What is the impact of the trade tension between USA and China, if any?

Company's response :

It is without any impact towards the Group. It is not applicable at this moment since the Group has not resumed the past relationship yet.

The group specialises in the production of precision vane products (mainly stationary vanes, moving vanes and nozzles) which are key components of steam turbine generators used for power generation in power plants, power stations and/or substations.

(iii) Can management help shareholders understand if the power generation segment is experiencing any slowdown (as China's growth is set to moderate)?

Company's response :

Yes, China's power generation segment is slowing down, but it is moderate. Moreover, the Group is an OEM Company which participates in the manufacture of a component of the complete steam turbine generators used for power generation in power plants, power stations and / or substations. As such the economic impact on the OEMs is proportionally smaller than other component suppliers. Moreover, the component which the Group supplies are subject to replacement and as such the demand is not constrained by the number of new power plants added to the segment.

(iv) Please state the key priorities of management in the next 12-18 months.

Company's response :

To resume its relationship with an existing customer after reaching an out-of-court settlement, and secure future sales orders from such customer. To actively participate in online bidding on new OEM product with an existing customer, with an private and confidential undertaking for non-disclosure.

Q3. As noted in the Corporate Governance report, an internal audit review was commissioned to assess the operating and internal control protocols of the company's subsidiary, Changzhou 3D. The review was conducted by BDO China Shu Lun Pan Certified Public Accounts LLP and was completed in accordance with the objectives as outlined in the engagement letter.

(i) Can the audit committee (AC) disclose the scope of the internal audit review?

Company's response :

The scopes of the review cover Sales & Receivables Cycle, Purchase & Payment Cycle and Expenses Cycle.

(ii) What were the main findings of the internal control report? What were the recommendations given by the internal auditor?

Company's response :

To emphasize the control on accruals of revenue and revenue recognition, receiving on procurement and delivery of goods as well as all the approval authority on expenses.

(iii) What guidance has the AC provided to management to implement the recommendations suggested by BDO China Shu Lun Pan Certified Public Accounts LLP? When will the changes to the processes and protocols be completed?

Company's response :

The AC has communicated with the internal audit manager on all his findings and certain prompt actions have been taken. The Company has changed the company processes by further updating the internal control policies and procedures. Since then, certain minor errors have been eliminated.

(iv) Can the company disclose who has possession of the company seals such as the corporate seal (公章), legal representative seal (法人章), financial seal (财务章) and contract seal (合同章)?

Company's response :

The corporate seal (公章), contract seal (合同章) and legal representative seal (法人章) are kept in the safe located in the CEO's office, while the financial seal (财务章) is kept in the safe of Finance Department.

**BY ORDER OF THE BOARD
SHANGHAI TURBO ENTERPRISES LTD.**

Loh Kai Keong
Independent Director (AC Chairman)

17 May 2019