

**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 PERIOD ENDED 30 SEPTEMBER 2023 IN RESPECT OF THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 ("FY2023") AND THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER FY2022 ANNOUNCED ON 4 DECEMBER 2023**

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**Query 1:**

Given the Group's significant short-term liabilities of RMB74,668,000 and cash and bank balance of only RMB1,700,000 and noting that the Company incurred losses of RMB5,414,000 for the first three quarter of FY2023, please disclose the Board's assessment (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of RMB74,668,000, including its bases of assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

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

(i) The Company's current assets are adequate to meet the Company's short term liabilities. The Company's short-term liabilities of RMB74,668,000 were mainly trade payables of RMB 25,795,000 and bank loans of RMB 44,500,000. The payment terms of trade payables are generally 3-6 months, so there is no large amount of payments in batch in the short term; Although the bank loan is the short-term loan, the Company's assets are all in good condition at current, it also has good credit and has never been late in repayment of loans. Meanwhile, Chinese government also requires banks and other financial institutions to increase support for manufacturing enterprises in terms of loan quotas and interest rates, so the Company does not have the risk of repayment of short-term loans.

The current assets of RMB 63,557,000 were mainly cash and bank balances amounting to RMB 1,700,000 and trade receivables amounting to RMB 41,262,000. The trade receivables contains RMB 10,253,000 of bank draft which can be converted into bank deposits at any time by means of discount in the bill market according to the use of capital. Meanwhile, the receivables collection is stable monthly, so the Company has a safe cash flow guarantee.

(ii) The Company's plan to meet significant payment obligations over the next 12 months.

The Company's significant liabilities are mainly trade payables and bank loans.

(1) As replied in question (i), the Company's trade payables balance is a rolling data with the payment terms of 3-6 months, the Company will timely and proactively pay the suppliers according to the payment terms.

(2) 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.

**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 2019.". It is also disclosed in the Company's response to query 6, dated 15 September 2023, that "The Company has been hiring a third-party firm to perform impairment assessment on the relevant assets this year, and the assessment dates are 31 December 2020, 31 December 2021 and 31 December 2022. And the Company will hire third-party firm to assess every year." Please explain why the recoverable amount of land use rights was based on its fair value on 31 December 2019 instead of 30 September 2023. Please clarify whether and how the Company has assessed the recoverable value of its land use rights for the financial period ended 30 September 2023, and its basis of assessment.

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

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.

**Query 3:**

It is disclosed on page 12 of the unaudited financial statements that "There is no material related party transaction apart from those disclosed elsewhere in the financial statements.". However, it is later disclosed on page 24 that "There is material related party transactions apart from those disclosed elsewhere in the financial statements.". Please reconcile these two statements and provide more information about the amount and nature of the "material related party transactions apart from those disclosed elsewhere in the financial statements", if any.

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

The statement on page 24 is inaccurate and should be corrected. There are no material related party transactions other than those disclosed elsewhere in the financial statements.

**Query 4:**

It is disclosed on page 16 of the unaudited financial statements that, "Other receivables amounting to RMB 2,770,000 in YTD 3Q FY2023 as compared to RMB 1,970,000 in YTD 4Q

FY2022 as The Subsidiary has completed some purchase business and received the invoices from suppliers.”. Please explain how the purchase business and receipt of invoices from suppliers led to higher other receivables.

**Company’s Response to Query 4:**

The purchase business and receipt of invoices from suppliers resulted in a change from RMB 516,000 to 374,000 in the balance of other receivables. In addition, the increase in other receivables was mainly due to increase in advances to employees (3Q FY2023: RMB 1,116,000; 4Q FY2022: RMB 627,000) and increase in tender deposits (3Q FY2023: RMB 400,000 ; 4Q FY2022: RMB 200,000).

**Query 5:**

5. Please provide explanations for the following material variance between the unaudited and audited figures for the financial year ended 31 December 2022:

1. Net loss from RMB 14,863,000 to RMB 9,220,000
2. Non-current assets from RMB 54,221,000 to RMB 31,269,000
3. Net assets from RMB 44,600,000 to RMB 21,881,000
4. Non-current liabilities from RMB 1,112,000 to RMB 890,000
5. Net cash used in operating activities from RMB 14,031,000 to RMB 16,521,000
6. Net cash generated from financing activities from RMB 24,042,000 to RMB 8,150,000

**Company’s Response to Query 5:**

Kindly find the details as below:

Item	Unaudited	Audited	Differences	Reason for significant differences
	RMB'000	RMB'000	RMB'000	
Net loss	14,863	9,220	-5,643	The difference mainly attributable to the recovery of provision of obsolesces stock during the year.
Non-current assets	54,221	31,269	-22,952	The difference mainly attributable to the impairment of property, plant and equipment.
Net assets	44,600	21,881	-22,719	The difference mainly attributable to the impairment of property, plant and equipment.
Non-current liabilities	1,112	890	-222	The difference mainly attributable to the yearly amortisation of the deferred government grants.
Net cash used in operating activities	14,031	16,521	2,490	The difference mainly due to the change of trade and other receivables balance as at the reporting date. The change is mainly attributable of a reclassification of advances to suppliers in trade payables to trade receivables after netting of the expected credit losses adjustment for trade receivables.
Net cash generated from financing activities	24,042	28,150	4,108	The difference mainly attributable to the withdrawal of a pledged deposit during the year.

**Query 6:**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration of (i) each individual director and the CEO; and (ii) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000, and there were no explanations provided for in your FY2022 annual report on how it is consistent with the intent of Principle 8 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

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

The Company had adopted practices that were consistent with the intent of Principle 8 of the Code, which required transparency on the Company's remuneration policies, the level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation. Relevant extracts of the practices adopted as disclosed in various pages of our Annual Report FY2022 are as follows:

- Pages 21 and 22 of Annual Report FY2022

**"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***

As at the date of this report, the RC currently comprises of three members, all of whom including the Chairman are Non-Executive Independent Directors:

1. Mr Hong Yong (Chairman)
2. Mr Simon Poh Siew Beng
3. Mr Foo Chee Meng

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. It has adopted written terms of reference that defines its membership, roles, functions and administration.

The RC meets at least once a year and at other times as required. The number of RC Meeting held and the attendance of each member at the meeting during FY2022 are disclosed in the table reflected under Provision 1.5.

The RC has reviewed the framework of remuneration for the Directors and Key Management Personnel and has determined specific remuneration packages for the

Key Management Personnel. The recommendations of the RC are made in consultation with the Non-Executive Chairman and submitted for endorsement by the entire Board.”

- [Page 22 of Annual Report FY2022](#)

**“Provision 6.3**

All aspects of remuneration, including but not limited to Directors’ fees, salaries, allowances, bonuses, share option scheme and benefit-in-kind shall be covered 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 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 the professional advice of external experts in the area of remuneration, where required. No remuneration consultants were engaged by the Company in FY2021.”

- [Page 22 of Annual Report 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**

The Company does not have any executive directors. However, the RC sets and reviews remuneration linked to the key performance indexes for the GM for every financial year and assesses his performance. Key performance indices are not only tied to corporate performance but also linked with certain risk control measurements. For FY2022, the GM has not met the key performance indices set by the RC.

The Company does not have a 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. The RC intends to extend the same to other Key Management Personnel.

"The RC will ensure that appropriate remuneration packages are established for its Directors and key management personnel based on established framework and review the same periodically to ensure that they remain relevant."

### ***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."

In addition, the Company has disclosed on page 23 of the Annual Report FY2022, its deviation from Provision 8.1 of the Code – the relevant extract is set out below:

"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 believes that although the remuneration was not disclosed in dollar terms, there was disclosure on the level and mix of remuneration in percentage terms. The foregoing information (as extracted from pages 21 to 24 of the Annual Report FY2022) would have provided shareholders with an understanding of the Company's remuneration framework and policies and consistent with the intent of Principle 8 of the Code.

### **Query 7:**

Listing rule 1207(18B)(c) requires issuers to provide an explanation on how the issuer has complied with the requirement to disclose its commitment to ensure protection of the whistleblower against detrimental or unfair treatment. Please clarify whether and how the Company has complied with listing rule 1207(18B)(c).

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

The Company has put in place a whistleblowing 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.

The Company does not tolerate victimisation of the whistleblower or any employee who may be involved as witnesses to any investigation or allow any whistleblower or witness to be subject to any reprisal. Disciplinary action will be taken against employees who victimise or take any form of reprisal against the whistleblower or witnesses and in appropriate cases, the relevant employees may be dismissed. The Company will take all necessary steps to ensure that the employment of the whistleblower will be protected even if the report proves to be unfounded, provided the report was made in good faith.

The Company ensures that the confidentiality of the whistleblower's identity will be strictly maintained by having a designated email address to receive whistleblowers' complaints to which only the AC members have access to. In circumstances where the nature of the investigation necessitates the disclosure of the whistleblower's identity, the AC Chairman or members of the AC or any such person heading the investigation will inform and explain to the whistleblower of the need to reveal his/her identity.

The AC will review the whistle-blowing framework from time to time to ensure that they remain relevant and comply with Listing Rule 1207(18B).

**Query 8:**

Listing Rule 710A states that an issuer must describe in its annual report its board diversity policy, including the following:

- (a) the issuer's targets to achieve diversity on its board;
- (b) the issuer's accompanying plans and timelines for achieving the targets;
- (c) the issuer's progress towards achieving the targets within the timelines; and
- (d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

Please disclose whether and how Listing Rule 710A has been complied with.

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

Please refer to Page 7-8 of the 2022 Annual Report for the members of the Board of Directors and relevant introductions. The members come from the financial industry, manufacturing industry and other industries with rich experience.

**By Order of the Board**

Zhang Wenjun

Non-Executive Non-Independent Director

21 December 2023