SHANGHAI TURBO ENTERPRISES LTD.

(Company Registration No.: CT151624)
Incorporated in the Cayman Islands

RESPONSES TO SGX QUERIES

The Board of Directors (the "**Board**") of Shanghai Turbo Enterprises Ltd. (the "**Company**") sets out below the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 7 October 2022 in relation to the Company's announcement released on 23 September 2022.

SGX-ST Query 1:

It is disclosed in the Company's response to SGX queries that, "The remuneration committee also tried to communicate with shareholders through the board of directors about not paying the former directors' fees for 2020. The shareholders clearly stated that the reasons for non-payment were while the former board of directors was in office, the company's production and operation conditions continued to deteriorate, production and sales were basically stagnant, and other incidents occurred. High management costs. The board of directors has not played its due role in the operation and management of the company."

We also note from the Company's Annual Report for the year ended 31 Dec 2019 that, "Based on feedback, customer's lack of confidence arising from ongoing legal cases against Mr Liu Ming has been as a contributing factor to this loss of orders, aggravated by CZ3D suing its largest customer for inability to pay its amount owing".

a. *Please disclose when the discussions between the remuneration committee and shareholders took place. If the discussions were held during the Company's AGM/EGM, please disclose if the above were included in the minutes of AGM/EGM.*

Company's Response to Query (a):

The current Board of Directors was formed at or after the Annual General Meeting of Shareholders held on June 30, 2020. The current Board of Directors and the Remuneration Committee were not privy to or fully aware of the history or the details pertaining to directors' fees payable to former Directors. After receiving an email from the former directors on the directors' fees, the directors approached and communicated with certain substantial shareholder(s) to better understand the situation without written records of such communications being kept. The communication with shareholders was not during an AGM or EGM of the Company and therefore not included in the Company's minutes of AGM/EGM.

b. *Please elaborate on the high management costs incurred by the Company.*

Company's Response to Query (b):

Please refer to the information disclosed in the 2019 Annual Report (P5) and the 2020 First Quarter (P13) for the main components for the high management costs.

c. *Please disclose efforts made to improve the Company's conditions given concerns that the fees to Ex-Directors should not be paid due to "the company's production and operation conditions was deteriorating continuously while production and sales were basically stagnant."*

Company's Response to Query (c):

After the former directors were not re-elected at the Annual General Meeting of Shareholders on June 30, 2020, a new Board of Directors was formed. The new Board of Directors and the management of Changzhou 3D made extensive changes to the Company's original production mode, business philosophy, management model and talent motivation/ retention, with obvious results achieved in areas such as sales performance and cost control. The Company achieved sales of RMB 26.70 million in the second half of 2020. While the sales figures were not high, but there is a fundamental change/ improvement compared with the corresponding results of 2019 and the first half of 2020, and the Company's operating results are gradually improving.

d. *Provision 7.1 of the Code of Corporate Governance 2018 (the "Code") provides that, "A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company."*

Provision 7.2 of the Code provides that, "The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities."

It is disclosed in the Company's response to SGX queries that, "Based on the above, the Board of Directors and the Compensation Committee fully support the shareholders' decision."

In view of provision 7.1 and 7.2 of the Code above, please explain why the financial performance of the Company has been taken into consideration in determining whether to approve the remuneration of non-executive directors.

Company's Response to Query (d):

As disclosed previously, the Board understands that the reasons of such shareholder(s) (whom the Directors have communicated with) for not approving the directors' fees for the former directors were that in the views of the shareholders, such former directors have not played their due role in overseeing the operations and management of the Company which in turn led to the poor financial performance and high management costs being incurred by the Company and may be indicative of the sufficiency of the contributions made, and the time and effort expended by such former directors in discharging their duties.

SGX-ST Query 2:

Please disclose the Company's process for the selection and appointment of directors to the Board, including the criteria used to identify and evaluate potential new independent directors, how independent directors are being sourced and assessed for suitability, as well as the role of the Nominating Committee in this process.

Company's Response to Query 2:

The process of appointing directors to the Board of Directors is as follows:

The Board of Directors/ shareholders may make recommendations to the Nomination Committee or release recruitment information to the Singapore Institute of Directors. The Nomination Committee will collate the curriculum vitae/ resumes of prospective candidates, and gain a more in depth understanding of the occupation, education, professional qualifications, specific work experience and principal commitments of the prospective candidates. Suitable candidates may then be invited for interviews before the candidate is deemed to be most suitable to be selected and submitted to the Board of Directors/ Annual General Meeting of Shareholders for consideration and approval.

BY ORDER OF THE BOARD
SHANGHAI TURBO ENTERPRISES LTD.

Hong Yong
Non-Executive Chairman and Lead Independent Director
10 October 2022