

SHANGHAI TURBO ENTERPRISES LTD.

(Company Registration No.: CT-151624)

Incorporated in the Cayman Islands

RESPONSE TO SGX QUERIES ON COMPANY'S FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2022 PUBLISHED ON SGXNET ON 13 MAY 2022

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 Singapore Exchange Securities Trading Limited ("SGX-ST") on the Company's financial statements for the three months ended 31 March 2022 published on SGXNet on 13 May 2022:-

Question #1:

In Section 14 "Trade and other receivables", it is stated that the total other receivables as at 31 December 2021 is RMB 5,301,000. The items under "Other receivables", viz. Advances to suppliers (RMB 367,000), Advances to employees (RMB 71,000), Prepayments (RMB 286,000), Tender deposits (RMB 100,000) and Other receivables (-) do not add up to RMB 5,301,000. Please explain the reason.

Company's Response

We have wrongly disclosed the figure of 4Q FY2020 instead of 4Q FY2021 for the disclosure table of other receivables. The correct disclosure will be as follows :

	Note	The Group		The Company	
		31 March 2022	31 December 2021	31 March 2022	31 December 2021
		RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables					
Bill receivables		5,342	2,834	-	-
Trade receivables		31,167	32,089	-	-
Total trade receivables		36,509	34,923	-	-
Other receivables					
Advances to suppliers		439	479	-	-
Advances to employees		462	362	-	-
Prepayments		244	260	-	-
Tender deposits		200	200	-	-
Other receivables		4,000	4,000	-	-
Total other receivables		5,345	5,301	-	-
Total trade and other		41,854	40,224	-	-

The items under "Other receivables", viz. Advances to suppliers (RMB 479,000), Advances to employees (RMB 362,000), Prepayments (RMB 260,000), Tender deposits (RMB 200,000) and Other receivables (RMB4,000,000), overall total is RMB5,301,000.

Question #2:

In section F paragraph 6 Interested person transaction (“IPT”), it is stated for the period from 21 May 2021 to 31 December 2021 that there is an IPT with a major shareholder, holding 26.998% Mr Liu Ming, of RMB 4,106, 784 (comprising a loan of RMB 4million and the interest payable of RMB 106,307). As at 31 December 2021 and as at 31 March 2022, the loan amount is indicated as RMB 3,224, 415 (comprising a loan of RMB 3.09 million and interest payable of RMB 134,415). It is also stated that it is a “New (emphasis ours) Loan of RMB 3.09million granted to Mr Liu Ming...”.

- (a) Please explain if these are the same loans extended to Mr Liu Ming. If so, please explain the difference in the amounts stated. Has the loan of RMB 4million plus interest been repaid by Mr Liu Ming? If it had been repaid partially, please state the amount paid to the Company so far.

Company's Response

The old IPT loan was RMB4 million for the period from 21 May 2021 to 31 December 2021 with interest payable of RMB106,783.56, totaled amount of RMB4,106,783.56. The new IPT loan is RMB3.09 million for the period from 31 December 2021 to 31 December 2022 with interest payable of RMB119,227 due to changes of interest rate since 31 March 2022, totaled amount of RMB3,209,227.

Mr Liu Ming has paid the interest of RMB106,783.56 in cash on 31 December 2021.

Loan Tenure Period	Principal Amount	Interest Rate	No. Of Days	Interest Payables	Total Principal & Interest Payables
	RMB'000	%		RMB'000	RMB'000
21 May 2021 - 31 Dec 2021	4,000	4.35%	224	106.784	4,106.784
1 Jan 2022 - 30 Mar 2022	3,090	4.35%	89	32.775	
31 Mar 2022 - 31 Dec 2022	3,090	3.70%	276	86.452	
1 Jan 2022 - 31 Dec 2022	3,090		365	119.227	3,209.227

(b) What is the basis for the Company extending the loan(s) to Mr Liu Ming? In your reply, please explain how the grant of the loan(s) is beneficial to the Company and its shareholders.

Company's Response

Borrowings :

Description	Note	RMB'000	Started Date	Expired Date	Interest Rate Per Annum
Secured Loan	*#	5,990	2 Nov 2021	14 Feb 2022	5.910%
Secured Loan	*#	3,500	2 Nov 2021	14 Feb 2022	5.910%
Unsecured Loan	~#	4,400	31 Mar 2021	31 Mar 2022	4.350%
Unsecured Loan	~#	1,600	31 Mar 2021	31 Mar 2022	4.350%
Unsecured Loan	~#	2,000	30 Jul 2021	31 Mar 2022	4.350%
		17,490			
Secured Loan	*	10,000	14 Feb 2022	26 Jan 2023	4.200%
Secured Loan	*	10,000	14 Feb 2022	26 Jan 2023	4.200%
Secured Loan	*	10,000	16 Feb 2022	26 Jan 2023	4.200%
Unsecured Loan	~	5,000	30 Mar 2021	28 Mar 2023	4.700%
Unsecured Loan	~	4,500	31 Mar 2021	28 Mar 2023	4.700%
Unsecured Loan	~	4,000	31 Mar 2022	29 Mar 2023	3.700%
Total loans at 31 March 2022		43,500			
*# Secured by right-of-use assets and repaid at 14 Feb 2022.					
~# Unsecured loan repaid at 31 Mar 2022.					
* Secured by right-of-use assets since February 2022.					
~ Unsecured loan since March 2022. RMB9.5 million from Wuxi Rural Commercial Bank and RMB4 million from Bank Of Communications.					

In the beginning of year 2021, as the Lender needed to take an additional bank loan as working capital to keep its business going, it had applied for a business loan amounting to RMB8 million from the Bank of Communications (“BOC”), Changzhou, Jiangsu China. Despite the recommendations of credible references secured by the Lender’s General Manager, BOC requested the Lender to provide collateral for the loan of RMB8 million.

As the Lender’s right-of-use assets certificate has been mortgaged to Jiangnan Bank, Changzhou, Jiangsu, China, the Lender could only request the Borrower to put up his personal asset as the collateral.

The Borrower has then put forth his private residential property with an evaluated valuation of RMB4.4 million as collateral and secured the bank loan of RMB4.4 million from BOC.

In addition, the Lender’s General Manager, Gao Zhong (“the GM”), who is holding 3,051,527 ordinary shares of the Company, has provided his personal guarantee to secure another bank loan from BOC amounting to RMB3.6 million for the Lender.

Based on the terms and conditions mandated by BOC, the Borrower and the GM have signed the loan agreement with BOC for the total bank loan amounting to RMB8 million.

The Board of the Lender had held a Board Meeting on 26 March 2021 and approved the application of loan of RMB8 million from BOC.

The Borrower has obtained a non-secured loan from the Lender on 21 May 2021, as the Board of the Lender recognizes the efforts that the Borrower has pledged his private residential property as collateral to secure the RMB4.4 million loan from BOC for the Lender.

The loan has obtained from BOC as follows in 2021 :

Description	Note	RMB'000	Started Date	Expired Date	Interest Rate Per Annum
Unsecured Loan	~	4,400	31 Mar 2021	18 Mar 2022	4.350%
Unsecured Loan	~	1,600	31 Mar 2021	30 Mar 2022	4.350%
Unsecured Loan	~	2,000	30 Jul 2021	18 Jun 2022	4.350%
		8,000			

As at 31 March 2022, CZ3D has fully paid all the loan of BOC, please kindly refer to the table below :

Description	Note	RMB'000	Started Date	Expired Date	Interest Rate Per Annum
Unsecured Loan		4,400	31 Mar 2021	31 Mar 2022	4.350%
Unsecured Loan		1,600	31 Mar 2021	31 Mar 2022	4.350%
Unsecured Loan		2,000	30 Jul 2021	31 Mar 2022	4.350%
		8,000			

As at 31 March 2022, CZ3D has granted a new loan from BOC as follows :

Description	Note	RMB'000	Started Date	Expired Date	Interest Rate Per Annum
Unsecured Loan		4,000	31 Mar 2022	29 Mar 2023	3.700%

The loan provided by BOC is no longer required the pledging of Mr Liu Ming's property as BOC has requested personal guarantee of RMB4 million from Mr Liu Ming for the non-secured loan.

Since the CZ3D's Board Resolution as at 31 December 2021 stipulated that the loan interest will be followed the interest rate of BOC. Therefore, the interest rate for the period from 31 December 2021 to 30 March 2022 for the RMB3.09 million will be at 4.35% per annum and the interest rate for the period from 31 March 2022 to 31 December 2022 will be at 3.7% per annum.

The IPT loan of RMB3.09 million has been approved by the Board of CZ3D on 31 December 2021 and a loan agreement was signed between CZ3D and Mr Liu Ming.

CZ3D has obtained 2 new loans from Wuxi Rural Commercial Bank ("WX"), the released of loan from WX as follows :

Description	Note	RMB'000	Started Date	Expired Date	Interest Rate Per Annum
Unsecured Loan	~	5,000	30 Mar 2022	28 Mar 2023	4.700%
Unsecured Loan	~	4,500	31 Mar 2022	28 Mar 2023	4.700%
		9,500			

WX has requested Mr Liu Ming to pledge his property worth RMB4.5 million and personal guarantee worth RMB5 million for granting of such loan to CZ3D as stated in the above schedule.

Mr Liu Ming has provided personal guarantee of RMB9 million and the pledged his property worth RMB4.5 million to obtain loan of RMB13.5 million from WX and BOC for the purposes of assisting the Group's business expansion and growth.

(c) What is the tenure of the loan(s) to Mr Liu Ming?

Company's Response

The old tenure loan to Mr Liu Ming is for the period from 21 May 2021 to 31 December 2021. The new tenure loan to Mr Liu Ming is for the period from 31 December 2021 to 31 December 2022.

(d) In the notes to "Other receivables", the Company disclosed that "the Subsidiary has provided loan to interested person transaction amounting to RMB 4million for the period from 21 May 2021 to 31 December 2022. This is inconsistent with the amount of RMB 3,224,415 stated in the IPT for the same period. Please explain (i) whether both numbers refer the same loan to Mr Liu Ming and (ii) the reason(s) for the difference in the numbers reported.

Company's Response

(i) whether both numbers refer the same loan to Mr Liu Ming

Yes. "Other Receivables" has disclosed the principal amount due from Mr Liu Ming for the period from 31 December 2021 to 31 March 2022 are for the same loan which incurred IPT since 21 May 2021.

(ii) the reason(s) for the difference in the numbers reported.

Description	Note	The Group		The Company	
		31 March 2022	31 December 2021	31 March 2022	31 December 2021
		RMB'000	RMB'000	RMB'000	RMB'000
Other receivables		4,000	4,000	-	-
IPT Loan		3,090	3,090	-	-
Non-payables of IPT principal		910	910	-	-

Mr Liu Ming has not paid any principal IPT loan since 31 December 2021 till 31 March 2022.

Description	Note	The Group		The Company	
		30 May 2022	31 December 2021	30 May 2022	31 December 2021
		RMB'000	RMB'000	RMB'000	RMB'000
Other receivables		3,090	4,000	-	-
IPT Loan		3,090	3,090	-	-
Non-payables of IPT principal		-	910	-	-

Mr Liu Ming has paid the principal IPT loan amount of RMB0.91 million in cash on 30 May 2022.

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

Hong Yong
Non-Executive Chairman & Lead Independent Director

31 May 2022