

# 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 JUNE 2024 ("Q2FY2024 FINANCIAL STATEMENTS")

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### **Query #1**

We note that the recoverable amount of land use rights was based on its fair value on 31 December 2022 and it is disclosed in the Company's response to SGX queries in the 27 May 2024 announcement entitled "Response to SGX queries" on the Company's unaudited financial statements for the financial period ended 31 March 2024 ("27 May 2024 Response") that, "The assessment of land use rights as at 31 December 2023 has not commenced yet, the Company will engage a professional evaluation agency and expects to carry out the assessment in mid-June, and finalize it prior to the completion of the annual audit report for FY2023."

Please provide an update on the evaluation of land use rights by professional evaluation agency as at 31 December 2023 and 30 June 2024. 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 as well as the carrying value of its land use rights, including whether any material change is required with regard to the land use rights as at 30 June 2024, compared to 31 December 2022.

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

As the evaluation and audit work are closely linked, the evaluation of land tenure, plant and equipment will be carried out in parallel. The indicative timetable for the assessment is as follows:

Revised Date	Events
By 25 September 2024	Actually start the assessment
Between 25 September 2024 to 20 November	Review Evaluation draft completed
By 25 December 2024	Issuance of signed Evaluation's Report

### **Query #2**

We also note from the 27 May 2024 Response that "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 and expects to carry out the assessment in mid-June, and finalize it prior to the completion of the annual audit report for FY2023."

Please provide an update on the evaluation of property, plant and equipment by professional evaluation agency as at 31 December 2023 and 30 June 2024. 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 as well as the carrying value of its property, plant and equipment.

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

As the evaluation and audit work are closely linked, the evaluation of land tenure, plant and equipment will be carried out in parallel. The indicative timetable for the assessment is as follows:

Revised Date	Events
By 25 September 2024	Actually start the assessment
Between 25 September 2024 to 20 November	Review Evaluation draft completed
By 25 December 2024	Issuance of signed Evaluation's Report

### **Query #3**

It is disclosed on page 6 of the unaudited financial statements that the Company adjusted for a "Transfer from deferred capital grant" of RMB 2.003 million before arriving at its operating loss before working capital changes. Please elaborate on the nature of the "deferred capital grant" and the circumstances surrounding the transfer.

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

Due to the company's investment in a number of equipment in 2016, the Management Committee of Changzhou Zhonglou Economic Development Zone paid the company 2225900.00 yuan in August 2017 as a reward for the enterprise's fixed asset investment. At that time, the financial staff included 10% of the amount in the government subsidy income, and the other 90% (2003,310.00 yuan) was mistakenly included in the "long-term payable" account, but the amount is a one-time subsidy given to the enterprise by the government department and does not need to be returned. It was not until May 2024 that the company found this problem when it checked the accounts, and then made an accounting adjustment in May 2024, writing down the "long-term payable" 200,3310.00 yuan, while adjusting and increasing the "earnings of previous years".

### **Query #4**

Please explain (i) the increase in inventories from RMB9.7m to RMB15.7m from 31 Dec 2023 to 30 June 2024; (ii) the decrease in trade receivables from RMB31.8m to RMB25.4m from 31 Dec 2023 to 30 June 2024.

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

(i) Inventories increased by RMB 6 million from 31 Dec 2023 to 30 June 2024, mainly due to an increase of RMB 3.85 million in work-in-process inventory and an increase of RMB 1.71 million in finished goods. Due to the Company's wide range of products and inconsistent production cycles, the amount of WIP changes significantly at the end of a certain accounting period. As the production progresses, all WIP will be completed and sold; the increase in finished products was mainly due to some finished products not yet shipped for sale. These finished products will be

shipped as soon as we receive the customer's confirmation. The goods of Company are produced by sales order, so there is little slow-moving inventory.

(ii) Trade receivables changed on the rolling basis with the Company's sales performance and money collection. Trade receivables decreased from RMB 31.8 million to RMB 25.4 million from 31 Dec 2023 to 30 June 2024, mainly due to the Company received the previous payment for goods from customers during this period. At the same time, the Company actively promoted the money collection in daily business to reduce the balance of trade receivables to increase working capital. In addition, the Company's trade payables also decreased during the same period, so the Company's current assets fully covered the current liabilities.

#### **Query #5**

Please clarify whether a forecast, or a prospect statement, has been previously disclosed to shareholders. If yes, please disclose any variance between it and the actual results.

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

The Company disclosed in the unaudited financial statements for the financial period ended 31 March 2024 that its 2024 sales target is around 5% increased. Compared to the same period in 2023, sales in the second quarter of 2024 increased by 8% and the sales growth for the full year is expected to meet the target. However, as the market is competitive, sales price of the products is about 5% lower than that of 2023, the added value of the Company's main products is reduced, and the gross profit margin of the products is reduced due to the rise in raw material and labor costs.

The Company is improving its performance through some ways, such as actively exploring the market, developing new customers, strengthening cost control etc.

Zhang Wenjun

Non-Executive and Lead Independent Director

10 September 2024