

**SHANGHAI TURBO ENTERPRISES LTD.**

Company Registration No.: CT-151624

(Incorporated in the Cayman Islands)

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**RESPONSES TO QUERIES FROM SGX-ST**

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**Question 1**

It was disclosed in the 13 July 2020 Announcement that, “On 31 December 2019, the Board of Directors (“the Board”) informed shareholders that on 17 December 2019, the Zhonglou District People’s Court gave judgment in favour of its subsidiary, Changzhou 3D Technological Complete Set Equipment Co. Ltd (“CZ3D”), against Mr Liu Ming, Mr Yin Baoneng, Ms Huang Xia and Mr Shen Liangda for the total sum of RMB504,300.” And “Changzhou City Intermediate Court delivered a 50-page judgment which was found that Mr Liu Ming, Ms Huang Xia, Mr Shen Liangda and Mr Yin Baoneng had orchestrated the illegal occupation of the CZ3D factory and were found liable to compensate CZ3D”.

It was further disclosed in the 28 August 2020 Announcement that, “the Company had commenced proceedings against Mr Liu Ming in Singapore (vide: HC/S 571/2017) for the breach of his Service Agreement by, inter alia, failing to deliver up the factory premises of the Company’s operating subsidiary Changzhou 3D Technological Complete Set Equipment Co. Ltd (“CZ3D”). CZ3D had also commenced proceedings against Mr Liu Ming in China (vide: Zhonglou District People’s Court Suit (2017) Jiangsu 0404 Civil Case 4690 (“Civil Case 4690”)) for civil rights infringements in connection with the same events.” and that it had executed a Settlement Agreement with Liu Ming in relation to the above.

(a) Paragraph 5.7 of Practice Note 7.1 of the Listing Manual provides that an issuer must also comply with Listing Rule 210(5) on a continuing basis, which requires, among others, a consideration of the character and integrity of directors and management. Please provide the Nominating Committee’s assessment on Mr Liu Ming’s suitability as a director in view of the above, and the bases for such assessment.

**Company’s Response to Question 1 (a)**

Based on comprehensive investigation and communication on past cases and Liu Ming himself:

1. Mr. Liu Ming and others did not constitute a crime but a dispute of civil nature.
2. The handover was not done amicably both parties have their own claims on improper handover and engaged in infringement disputes that resulted in unnecessary costs and reduced profits for the Company. The court failed to reach a definitive judgment due to insufficient evidence.
3. Since September 2017, Mr. Liu Ming has not done any damage to Shanghai Turbo and the shareholders. Instead, Mr Liu Ming had put up his personal asset as collateral and his personal

unlimited liability guarantees to secure the much needed bank loans by Shanghai Turbo. He had and still made many contributions in winning more customers and businesses for Shanghai Turbo.

4. Over the last two years STE has been working hard to recover the Company's fund misappropriated by Zhang Rong, STE CEO/CZ3D Legal representative and Managing Director for the period September 2017 to May 2019. Zhang Rong and his accomplice has been arrested by Changzhou Public Security Department and waiting for the judgment of the District Court. STE is of the opinion that Mr Liu Ming and his team back then may have reacted impulsively in order to protect the interests of the company from the Zhang Rong.

**(b) Please explain why the aforementioned information has not been disclosed in the Company's 3 March 2023 Announcement and confirm if the disclosures in parts (a) to (k) in the 3 March 2023 Announcement are accurate.**

**Company's Response to Question 1 (b)**

The BOD has considered seriously and carefully on the appointment of Mr. Liu Ming as Executive Director despite his court case with STE previously. BOD has then taken a conservative approach to necessary disclosure, but all in the best interests of the company and shareholders. With regards to the disclosure parts (a) to (k), of March 3rd 2023 announcement, we have consulted with Mr. Liu Ming, and all these provisions are his self declaration and confirmation on those required forms and documents.

**(c) Please also elaborate on the nomination process, including the Company's efforts to shortlist potential candidates for the role of Executive Director, if any.**

**Company's Response to Question 1 (c)**

STE BOD had scrutinized the nomination of Mr Liu Ming for the Executive Director position based on to his contributions as a valued team player and company leader in the last two years. The BOD had reviewed other potential ED candidate along the way but failed to find one on par with Mr Liu Ming.

STE BOD has deemed that it is fair and justify for Mr Liu Ming to be appointed as an Executive Director to serve as a strong motivation for him to continue to contribute and bring in clientele and improve the technologies and businesses of the Company, that is vital for the upcoming economic hard times.

**Question 2**

**We note that Liu Ming was previously appointed as the Chief Executive Officer and Executive Director of the Company from November 2005 till 15 April 2017 (the "Appointments") and his Appointments ceased after not being re-elected by Shareholders at the Annual General Meeting held on 15 April 2017. It was disclosed in the 3 March 2023 Announcement that, "Mr Liu was employed as the chief consultant of CZ3D with effect from 1 August 2021 to assist the general manager to carry out CZ3D's marketing, production, technology, quality management and other related work for a term of two years. The efforts of Mr Liu had led to a significant improvement in**

the financial performance of CZ3D and the Group”.

- (a) Please clarify if Mr Liu Ming's appointment as the chief consultant of CZ3D with effect from 1 August 2021 has been announced by the Company. If not, please explain why.**

**Company's Response to Question 2 (a)**

As mentioned in previous email, the BOD did decide then not to announce officially the engagement of Chief Consultant Liu Ming, as he was only joining and assisting CZ3D as a Consultant that is not a senior management designation. STE BOD had consulted our previous corporate secretary (Boardroom), previous Financial Controller and HR Director to confirm that in the Company's constitution, it is only requires to make announcement for engagement of GM, DGM and FC.

- (b) Please disclose the amount of consultant fees which have been paid to Mr Liu Ming and the percentage of such consultant fees compared to the Company's latest audited net tangible assets. Please clarify whether and how the Company has complied with Chapter 9 requirements of the Listing Manual.**

**Company's Response to Question 2 (b)**

In 2021, CZ3D paid Liu Ming a total of RMB218,665 (for 5months, average at RMB43,733/mth) and in 2022, a total of RMB368,245 (for 12 months, average at RMB30,687/mth). The reduced amount was due to slower business climate in 2022 year. Mr Liu Ming had agreed to this significant fee cut despite his consultancy workload had greatly increased in 2022. STE BOD had consulted our previous corporate secretary (Boardroom) and previous Financial Controller on the payment of consultant fees to Mr Liu Ming's, and this should have complied with Chapter 9 requirements of the Listing Manual then.

- (c) Please disclose if the Company has any other transactions with Mr Liu Ming aside from his appointment as chief consultant of CZ3D.**

**Company's Response to Question 2 (c)**

The company has another transaction with Mr. Liu Ming during the period of May 2021 to December 2022, whereby the company needed Mr Liu Ming's help to pledge his personal guarantee and property to local banks as collateral to secure more bank loans and higher loan amount. In return, the company had agreed to loan RMB4 million and RMB3.09 million to Mr. Liu Ming in year 2021 and 2022 respectively.

As mentioned in previous announcements, loan amount of RMB910,000 and interest of RMB15,279 were repaid on May 30th, 2022; loan amount of RMB490,000 and interest of RMB17,425.20 were repaid on Dec 2nd, 2022; and final loan amount of RMB2,600,000 and interest of RMB99,312.88 were repaid on Dec 28th, 2022. Mr Liu Ming's personal load had been fully repaid to the Company as of Dec 28th, 2022.

## **CAUTIONARY STATEMENT**

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, accountants and other professional advisers.

### **By Order of the Board**

Foo Chee Meng

Non-Executive Chairman and Independent Director

24 March 2023