



SHANGHAI TURBO ENTERPRISES LTD. †
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AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 PURSUANT TO RULE 704(5) OF THE LISTING MANUAL

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors ("**Board**") of Shanghai Turbo Enterprises Limited (the "**Company**") wishes to announce that the independent auditor of the Company, RT LLP, has issued a disclaimer of opinion in the independent auditor's report in respect of the Company's consolidated financial statements for the financial year ended 31 December 2020 ("**Independent Auditor's Report**").

The nature and contents of the disclaimer of opinion are contained in the Independent Auditors' Report annexed to this announcement.

BY ORDER OF THE BOARD

Hong Yong
Non-Executive Chairman and Lead Independent Director
5 August 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Shanghai Turbo Enterprises Ltd. For the Financial Year Ended 31 December 2020



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Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Shanghai Turbo Enterprises Ltd. (the “Company”) and subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Going concern assumption

As at 31 December 2020, the Group’s and the Company’s net current liabilities exceeded their current assets by RMB4,613,000 and RMB28,469,000 respectively (2019: Group’s net current assets of RMB11,625,000 and Company’s net current liabilities of RMB27,149,000). Additionally, the Group and the Company incurred net losses of RMB29,522,000 and RMB913,000 respectively for the year then ended (2019: Group’s loss of RMB55,568,000 and Company’s loss of RMB1,612,000). These conditions indicate the existence of material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns.

As disclosed in Note 2 to the financial statements, the directors have prepared the financial statements on a going concern basis based on the assumptions that are largely dependent on the ability of the sole operating subsidiary to generate sufficient cash flows from operation to improve its liquidity position; obtaining new loans from bank; and obtaining proceeds from placement shares. However, we have not been able to obtain sufficient audit evidence to support the realisation of these assumptions at the date of this audit report.

Accordingly, we were unable to assess the appropriateness of the management’s use of the going concern assumption in the preparation of the financial statements. The financial statements of the Group and the Company have been prepared on a going concern basis, which assumes that the Group and the Company will continue in operation at least for a period of twelve months from the end of this reporting period.

This means that the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue in operation in the foreseeable future. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

INDEPENDENT AUDITOR'S REPORT

To the Members of Shanghai Turbo Enterprises Ltd. For the Financial Year Ended 31 December 2020



Basis for Disclaimer of Opinion (Continued)

2. Impairment testing on property, plant and equipment

As at 31 December 2020, the carrying amounts of the Group's property, plant and equipment amounted to RMB74,473,000, stated after accumulated impairment loss of RMB4,273,000, which is determined to be a Cash-Generating Unit (CGU).

The Group performed an impairment assessment for the CGU by estimating its recoverable amounts based on value in use method. As disclosed in Note 7 to the financial statements, the recoverable amounts of CGU have been derived using its discounted cash flow forecast. We were unable to obtain sufficient appropriate audit evidence regarding the key assumptions applied to arrive at the recoverable amount of the CGU. Consequently, we were unable to determine whether any adjustments were necessary in respect of the accompanying statement of financial position of the Group as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity for the year ended 31 December 2020.

3. Impairment assessment of investment in subsidiaries

Following on from item 2 above, we were also unable to determine whether any adjustment to the carrying amount of the investment in subsidiaries of RMB156,346,000 (2019: RMB156,236,000) shown in the Company's statement of financial position was necessary.

4. Opening balances and comparative figures

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2019, which form the basis for the comparative figures presented in the current year's consolidated financial statements, was disclaimed by the predecessor auditor because of the following matters which remain unresolved in the current financial year ended 31 December 2020:

- a. Ongoing investigation of debt collection agent fees by Public Security authorities;
- b. Impairment assessment on property, plant and equipment; and
- c. Impairment assessment on investment in subsidiaries

We were unable obtain sufficient audit evidence to support the key assumptions applied in the discounted cash flow forecast for the financial year ended 31 December 2019. As a result, we were unable to determine whether any adjustment was required on the impairment of property, plant and equipment and investment in subsidiaries.

Also, the investigation of debt collection agent fees by Public Security authorities is still in progress and we could not obtain sufficient audit evidence to ascertain the economic substance and propriety of the debt collection agent fees.

In view of the abovementioned matters, we were unable to determine whether the opening balances of the Group as at 1 January 2020 and the comparative figures were fairly presented.

INDEPENDENT AUDITOR'S REPORT

To the Members of Shanghai Turbo Enterprises Ltd. For the Financial Year Ended 31 December 2020



Other Matter

The financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who expressed a disclaimer of opinion on those statements on 8 June 2020.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the International Financial Reporting Standards (IFRSs), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ravinthran Arumugam.

RT LLP

Public Accountants and
Chartered Accountants
Singapore

5 August 2021