



SHANGHAI TURBO ENTERPRISES LTD. ↵

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AUDITORS' OPINION ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 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, Crowe Horwath First Trust 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 2018 ("**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

Mr Philip Leng Yew Chee
Non-Executive Director & Audit Committee Chairman
12 April 2019



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD.

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 its subsidiaries (the "Group") set out on pages 7 to 65, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, 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 and statement of changes in equity 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

For the current financial year, the Group reported loss after tax and negative operating cash flows of RMB 8,578,000 and RMB 27,996,000 respectively. In addition, the Group has incurred a gross loss of RMB 16,518,000 or a gross loss margin of 55%. These conditions, and the operational uncertainties as described in Note 2 (i) to (iii) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concern.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2 to the financial statements. However, based on the information available to us, we have not been able to satisfy ourselves as to the appropriateness of those assumptions on which the going concern basis is premised for the preparation of the financial statements. The operational uncertainties may also have further impact on the financial statements in addition to those matters described below.

2. Impairment testing on property, plant and equipment

As at 31 December 2018, the carrying amount of the Group's property, plant and equipment ("PPE") amounted to RMB 87,628,000, which is stated after impairment loss of RMB 4,803,000. In view of the facts and circumstances described in matter 1 above, the Group performed an impairment test and did not recognise additional impairment loss for the current year. As disclosed in Note 9 to the financial statements, the Group has estimated the recoverable amount of the cash generating unit ("CGU") containing the PPE based on value in use calculation. However, we were unable to obtain sufficient appropriate audit evidence regarding the reasonableness of the key assumptions applied to arrive at the value in use of the CGU containing the PPE. Consequently, we were unable to determine whether any adjustments to the carrying amount of PPE as at 31 December 2018 were necessary. Any additional impairment loss would have decreased the carrying amount of PPE and increased the loss for the year.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A)



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD. (Continued)

Basis for Disclaimer of Opinion (Continued)

3. Recoverability of trade receivables

As disclosed in Note 33 (iii) to the financial statements, the Group recognised an income arising from write back of expected credit loss ("ECL") on trade receivables totalling RMB 58,393,000 during the current year, out of which RMB 40,950,000 relate to a former major customer. The Group has collected RMB 24,425,000 from the customer during the year, which has resulted in part of the write back of ECL. In November 2018, the Group initiated legal proceeding against the customer to recover remaining sums amounting to approximately RMB 43,765,000. Notwithstanding this, management believes that RMB 30,000,000 can be recovered in 2019. However, we were not able to obtain sufficient appropriate audit evidence to support management's view in this regard. Consequently, we were unable to determine whether any adjustments to the write back and the carrying amount of RMB 30,000,000 were appropriate. Any reduction of the write back and hence the carrying amount would have increased the loss for the current year.

4. Impairment of investment in subsidiaries

As at 31 December 2018, the carrying amount of the Company's investment in subsidiaries was RMB 156,236,000. In view of the facts and circumstances described in matter 1 above, the Company performed an impairment test and did not recognise any impairment loss for the current year. As disclosed in Note 10 to the financial statements, the Company has estimated the recoverable amount of the investment in subsidiaries based on value in use calculation. However, similar to the matter 2 above, we were unable to obtain sufficient appropriate audit evidence regarding the reasonableness of the key assumptions applied to arrive at the value in use of the investment in subsidiaries. Consequently, we were unable to determine whether any adjustments to the carrying amount of the investment in subsidiaries as at 31 December 2018 were necessary. Any impairment loss would have decreased the carrying amount of investment in subsidiaries and increased the accumulated loss of the Company as at that date.

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 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SHANGHAI TURBO ENTERPRISES LTD. (Continued)**

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of 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 Company 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 Alfred Cheong Keng Chuan.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

12 April 2019