

## SHANGHAI TURBO ENTERPRISES LTD.

(Company Registration No.: CT-151624)

Incorporated in the Cayman Islands

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### RESPONSE TO SGX'S QUERIES

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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") on the Company's announcement dated 27 May 2021 relating to the loan agreement ("Loan Agreement") entered into on 21 May 2021 between Changzhou 3D Technological Complete Set Equipment Co., Ltd (the "Lender") with Mr Liu Ming ("the Borrower") of RMB4 million in aggregate (the "Aggregate Loan Amount") (the "Loan"):

#### SGX's Question (i)

Please disclose whether any members of the Company's Board is related or connected (including any current or former business relationships) with the Borrower. If yes, please provide details.

#### The Company's Response

No member of the Company's Board has any connection or relationship with the Borrower.

#### SGX's Question (ii)

Listing Rule 905(1) requires issuers to make immediate announcements of any interested person transactions of a value equal to, or more than, 3% of the group's latest audited net tangible assets.

We note that the Loan Agreement was entered into on 21 May 2021. In this regard, please explain why the Company only released the announcement on the Loan Agreement on 27 May 2021.

#### The Company's Response

At 3:45 p.m. on 21 May 2021, all members of the Company's Board had agreed to release the announcement in the board meeting. The Company had also informed the corporate lawyer in Singapore to obtain a quote on the cost of writing up the announcement on the Loan Agreement. The corporate lawyer only sent their quotation to the Company on 24 May 2021. The Company eventually decided to draft the announcement based on the Changzhou 3D Technological Complete Set Equipment Co., Ltd's ("CZ3D") board meeting resolution and the Loan Agreement. The draft announcement was reviewed and approved by all the Independent Directors of the Company before it was formally published on the SGX portal.

#### SGX's Question (iii)(a)

We refer to the following:

"The Loan will be utilised by the Borrower for his personal use as he had pledged his personal residential property as collateral and secured the bank loan of RMB4.4 million from BOC.

Having reviewed the above, the Board is of the view that the Loan to the Borrower is in the interests of the Company and CZ3D.

The Audit Committee of the Company, having considered, the terms, rationale and benefits of the Loan, is of the view that the Loan is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders."

We note that the Aggregate Loan Amount extended by the Lender to the Borrower is RMB4 million at an interest rate of 4.35% per annum. The loan secured by the Lender from BOC pursuant to the Borrower's pledge of his residential property is RMB4.4 million at an interest rate of 4.35% per annum. In this regard:

- (a) Please provide the assessment and basis of the Board and Audit Committee on whether and how the Loan is in the interest of the Company and the Lender, taking into account that, inter alia, the interest charged to the Borrower is the same as the interest charged by BOC to the Lender.

## **The Company's Response**

CZ3D was in need of business cash flow and had submitted RMB8 million business loan application to the Bank Of Communications WuJing Branch in Changzhou, China ("BOC"). Despite the recommendations of credible references secured by CZ3D's General Manager, BOC requested CZ3D to provide collateral for this RMB8 million loan to be granted to CZ3D.

As the CZ3D's right-of-use-asset certificate had been mortgaged to the JiangNan Bank, Zhong Lou District Branch in Changzhou, China, CZ3D sought help from the Borrower to put up his personal asset as the collateral. The Borrower had agreed and put forth his private housing property with an evaluated value of RMB4.4 million as collateral to secure the RMB4.4 million loan from BOC to CZ3D.

CZ3D's Board foresaw that more cash flow will be needed to support the forecasted business growth and had agreed to accept the Borrower's offer to put up his RMB4 million private housing property as the mandated collateral to secure the RMB4.4 million loan from BOC to CZ3D.

In return for the Borrower's willingness to put up his personal asset as the collateral to secure the RMB4 million loan from BOC to CZ3D, CZ3D's Board had agreed to loan the Borrower as much as RMB4 million if his personal need would arise during the RMB8 million BOC loan duration.

This is why CZ3D is only charging the Borrower 4.375% interest rate per annum, the same interest rate charged for the RMB8 million BOC loan.

### **SGX's Question (iii)(b)**

- (b) Please elaborate on how the Audit Committee, having considered the terms, rationale and benefits of the Loan, formed the conclusion that the Loan is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. In the response, please address whether there are any internal controls or policies in the Company relating to the assessment of interested person transactions, and if yes, whether and how these internal controls or policies were taken into account by the Audit Committee.

## **The Company's Response**

CZ3D's daily company operations strictly adhere to the China Company Laws and the Company's internal control policies. CZ3D is the wholly-owned subsidiary of Best Success (Hong Kong) Limited and Best Success (Hong Kong) Limited is in turn the wholly-owned subsidiary of the Company. As such CZ3D is obligated to promptly report all matters pertaining to the Listing Rules of the Singapore Exchange and Securities Trading Limited's Listing Manual .

### **SGX's Question (iv)(a)**

We refer to the following statements:

"In the beginning of year 2021, as the Lender needed to take an additional bank loan as working capital to keep its business going, ...

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 that 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."

- (a) Please provide the names of the Lender's Board members, and address whether and how any members of the Lender's Board is related or connected (including any current or former business relationships) with the Borrower.

## **The Company's Response**

There are three members sitting on the CZ3D's Board, namely, Mr. Hong Yong, Mr Gao Zhong and Mr Dai Xiaolong.

On 26 March 2021, two Board members of CZ3D held a Board meeting in compliance with Chapter 5, Article 24 of CZ3D's Articles of Association which states that at least two-third of the Board members must be in attendance for the Board meeting to proceed, and every resolution can only be passed with at least half the number of attending members voting in favor. The resolution relating to

the Loan Agreement was passed with TWO Board members voting in favor with no objection. The TWO Board members that had attended the CZ3D's Board meeting held on 26 March 2021 via telephone were Mr. GAO Zhong (CZ3D's GM) and Mr. HONG Yong (Lead Independent Director of the Company). Both Mr. GAO and Mr. HONG are not related or connected (including any current or former business relationships) with the Borrower.

**SGX's Question (iv)(b)**

- (b) We note that the Board of the Lender approved the application of the loan of RMB8 million from BOC on 26 March 2021. For completeness, when were the funds of RMB8 million disbursed to the Lender, and what percentage of the funds obtained from BOC has been utilized by the Lender for working capital as at 21 May 2021?

**The Company's Response**

As of 31 March 2021, CZ3D has drawn a total of RMB6 million from the RMB8 million BOC loan. CZ3D had used all the RMB6 million to pay for account payable due to suppliers. The RMB4 million loan to the Borrower on 21 May 2021 was drawn from the CZ3D's cash flow.

In return for the Borrower's willingness to put up his personal asset as the collateral to secure the RMB8 million loan from BOC to CZ3D, CZ3D is only charging the Borrower the same 4.375% interest rate charge for the RMB8 million BOC loan.

**SGX's Question (iv)(c)**

In view of the Lender's need to "take an additional bank loan as working capital to keep its business going", please elaborate on why the Lender extended a loan of RMB4 million to the Borrower in light of its own need for borrowed funds for working capital. In the response, please also provide the assessment and basis of the Company's Board and Audit Committee on whether and how the Loan of RMB4 million is in the interest of the Company and the Lender.

**The Company's Response**

CZ3D is grateful to the fact that the Borrower had put his personal asset at risk by putting up his RMB4 million personal asset as the collateral to secure the RMB8 million loan from BOC to CZ3D serving as the business operating cash flow. The Borrower had a sudden and unexpected need for money to settle a personal emergency and it would impact CZ3D gravely if the Borrower had to withdraw his personal asset that had been put up as guaranteed collateral for CZ3D's RMB8 million BOC loan. CZ3D would not be able to return the RMB8 million BOC loan in such short notice.

**SGX's Question (iv)(d)**

- (d) Please address whether the Lender will continue to have sufficient resources to meet its present working capital needs and capital commitments, after extending the Aggregate Loan Amount of RMB4 million to the Borrower.

**The Company's Response**

CZ3D does have sufficient resources to meet its present working capital needs and capital commitments after extending the Aggregate Loan Amount of RMB4 million to the Borrower.

**SGX's Question (iv)(e)**

- (e) Is the Lender under any pressure from its bankers to repay any of its existing borrowings?

**The Company's Response**

CZ3D is not under any pressure from its bankers to repay any of its existing borrowings.

### **SGX's Question (iv)(f)**

- (f) Please provide details of the Lender's source of funds in respect of the Aggregate Loan Amount of RMB4 million.

In particular, we note that in respect of the Lender's loan from BOC, "The Total Agreeable Loan amounting to RMB8 million will be used solely as working capital of the Lender." For the avoidance of doubt, please address whether any amounts from the loan of RMB8 million will be used towards providing the Aggregate Loan Amount of RMB4 million to the Borrower. If yes, please explain whether and how this would be in line with the intended use of the loan amount of RMB8 million from BOC.

### **The Company's Response**

CZ3D did not take any amount from the RMB8 million BOC to form the RMB4 million being lent to the Borrower. The RMB4 million lent to the Borrower was taken from the operating cash flow of CZ3D. In return for the Borrower's willingness to put up his personal asset as the collateral to secure the RMB8 million loan from BOC to CZ3D, CZ3D Board had agreed to loan RMB4 million to the Borrower at the same 4.375% interest rate charged for the RMB8 million BOC loan.

### **SGX's Question (v)(a)**

We refer to the Company's announcement dated 28 August 2020 (available here: [https://links.sgx.com/FileOpen/General%20Announcement-Further%20Development%20Relating%20To%20Legal%20Proceedings\\_28%20Aug%202020.ashx?App=Announcement&FileID=629726](https://links.sgx.com/FileOpen/General%20Announcement-Further%20Development%20Relating%20To%20Legal%20Proceedings_28%20Aug%202020.ashx?App=Announcement&FileID=629726)) on the settlement of its outstanding legal proceedings against the Borrower in the courts of Singapore and the People's Republic of China.

- (a) Please address whether the said Loan of RMB4 million has any connection to the settlement agreement executed between the Company and the Borrower on 28 August 2020. If yes, please provide details.

### **The Company's Response**

There is no connection between the said Loan of RMB4 million and the settlement agreement executed between the Company and the Borrower on 28 August 2020.

### **SGX's Question (v)(b)**

- (b) Please address whether the Company's Board, in determining that "the Loan to the Borrower is in the interests of the Company and CZ3D", has also taken into account the previous legal proceedings against the Borrower. If yes, please provide details of Board's assessment and basis. If no, why not?

### **The Company's Response**

The Company's Board confirms that the Loan to the Borrower is in the interest of the Company and CZ3D without considering the previous law suit against the Borrower as the out-of-court settlement had closed the previous law suit permanently. Going forward, the Company will focus on profitably operating and growing the business.

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

Hong Yong  
Non-Executive Chairman and Lead Independent Director

1 June 2021