



# ANNUAL REPORT 2021

THE REPORT IS ACCURATE. THE REPORT TIMELY PUBLISHES ALL KINDS OF INFORMATION. ALL KINDS OF INFORMATION ARE FULLY DISCLOSED.  
MAINLY INTRODUCE THE RESOLUTIONS OF THE GENERAL MEETING OF SHAREHOLDERS IN THAT YEAR.



 **ShanghaiTurbo**  
SHANGHAI TURBO ENTERPRISES LTD.  
上海动力发展有限公司

# CORPORATE INFORMATION

---

## BOARD OF DIRECTORS

### Mr. Hong Yong

Non-Executive Chairman and Lead Independent Director

### Dr. Daniel Liu Danjun

Non-Executive Non-Independent Director

### Mr. Zhang Wenjun

Non-Executive Non-Independent Director

*(resigned as Non-Executive Chairman and Lead Independent Director on 13 January 2021 and subsequently appointed as Non-Executive Non-Independent Director on 1 September 2021)*

### Mr. Simon Poh Siew Beng

Non-Executive Independent Director

### Mr. Foo Chee Meng

Non-Executive Independent Director

*(appointed on 2 May 2021)*

### Mr. Cheah Kian Choong

Non-Executive Independent Director

*(resigned on 2 May 2021)*

## AUDIT COMMITTEE (“AC”)

### Mr. Simon Poh Siew Beng (Chairman)

Mr. Hong Yong

Mr. Foo Chee Meng

## NOMINATING COMMITTEE (“NC”)

Mr. Hong Yong (Chairman)

Mr. Simon Poh Siew Beng

Mr. Foo Chee Meng

Dr. Daniel Liu Danjun

Mr. Zhang Wenjun

## REMUNERATION COMMITTEE (“RC”)

Mr. Hong Yong (Chairman)

Mr. Simon Poh Siew Beng

Mr. Foo Chee Meng

## SECRETARY

Mr. Chong Eng Wee

Ms. Wong Yoen Har

*(resigned on 6 October 2022)*

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

## BUSINESS OFFICE

No. 9, Yinghua Road, Zhonglou Economic Development Zone, Changzhou City, Jiangsu Province  
The People's Republic of China

## CAYMAN ISLANDS SHARE REGISTRAR

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive,  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

## SHARE TRANSFER AGENT

In.Corp Corporate Services Pte.Ltd.  
30 Cecil Street #19-08 Prudential Tower  
Singapore 049712

Boardroom Corporate & Advisory Services  
Pte.Ltd.

*(resigned on 18 January 2023)*

## EXTERNAL AUDITORS

RT LLP  
297 South Bridge Road  
Singapore 058839

Audit Partner-In-Charge Mr. Arumugam Ravintran  
Appointed with effect from financial year 2021

## INVESTOR AND MEDIA CONTACT

Shanghai Turbo Enterprises Ltd.

Mr. Hong Yong

Tel: 86 139 1799 0579

Email: yong.hong@shanghaiturbo.com

# CORPORATE PROFILE

---

**S**hanghai Turbo is a precision engineering group that specialises in the production of precision vane products, mainly stationary vanes, moving vanes and nozzles. These vanes are the key components of steam turbine generators used for power generation in power plants, power stations and/or substations. They are also essential components mounted onto steam turbine generators to maximise the efficiency of steam flow in the generation of electricity.

---

## CONTENTS

<b>02</b>	Letter to Shareholders
<b>03</b>	General Manager's Statement
<b>04</b>	Operational and Financial Review
<b>05</b>	Financial Highlights
<b>07</b>	Board of Directors
<b>10</b>	Key Management
<b>11</b>	Corporate Governance Report
<b>36</b>	Directors' Statement
<b>39</b>	Independent Auditor's Report
<b>98</b>	Shareholdings Statistics
<b>100</b>	Notice of Annual General Meeting
	Annual General Meeting – Depositor Proxy Form
	Annual General Meeting – Proxy Form

# LETTER TO SHAREHOLDERS

---

Dear Shareholders,

On behalf of the Board of Directors (“Board”), I hereby present the results of Shanghai Turbo Enterprises Ltd. (the “Company”, and together with its subsidiaries, the Group) for the financial year ended 31 December 2021 (“FY2021”).

## Changes to the Board

Mr. Zhang Wenjun (Non-Executive Non-Independent Director & NC Member) was appointed on 9 June 2020 and resigned on 13 January 2021. Mr. Cheah Kian Choong (Non-Executive Independent Director, AC Chairman, NC Member & RC Member) was appointed on 9 June 2020 and resigned on 3 February 2021.

The Board now comprises of 3 Non-Executive Independent Directors and 2 Non-Executive Non-Independent Director. Mr. Hong Yong (Non-Executive Chairman and Lead Independent Director, NC Chairman, RC Chairman & AC Member) was appointed on 30 September 2020, Mr. Simon Poh Siew Beng (Non-Executive Independent Director, AC Chairman, NC Member & RC Member) was appointed on 8 July 2020, Mr. Foo Chee Meng (Non-Executive Independent Director, AC Member, RC Member & NC Member) was appointed on 2 May 2021, together with the Dr. Daniel Liu Danjun (Non-Executive Non-Independent Director & NC Member) who was appointed on 1 May 2016 and Mr. Zhang Wenjun (Non-Executive Non-Independent Director & NC Member) was re-appointed on 1 September 2021. The Board will continue to monitor and maintain oversight over the process of the reporting on a quarterly basis.

## Business Challenges

China’s economy was the first to be hit by the COVID-19 pandemic outbreak, the first to be locked down, and the first to begin an economic recovery.

Jiangsu Power Curtailment Order New Provisions 2021 was issued in Jiangsu Province, China for the period from 15 September 2021 to 30 September 2021. On 15 September 2021, Jiangsu Province announced the implementation of power curtailment orders in some areas, and the power curtailment time was tentatively set for 15 days, starting from 0:00 on 15 September 2021 and ending at 24:00 on 30 September 2021. During the implementation of the blackout order, the industry was pulled out, the domestic electricity was retained, the office air conditioners were deactivated, and the street lights manipulation was halved. In Changzhou, Jiangsu Province, China, some companies were required to stop productions for 8 days. The production of CZ3D was also slightly affected and goods were delayed delivering to customers during such period. However, all the productions have been resumed after 30 September 2021.

Changzhou, Jiangsu, China has official locked-down from 23 March 2022 to 29 March 2022 actually resumed work on 30 March 2022. The manufacturing sites are now subjected to strict hygiene and social distancing requirements. We are fortunate that there has been no infection involving our China employees and their families throughout the year.

2020, 2021 and up to March 2022 were full of challenges brought about by the COVID-19 pandemic. We had devoted a lot of our resources to regain our key clients’ confidence in the capabilities of Changzhou 3D Technological Complete Set Equipment Co., Ltd (“CZ3D”). The entire sales and production processors had been enhanced with the ultimate intention to increase customer satisfaction in all areas. As such, we have been reinforcing our pool of skilled workers and sourcing new talents through on-job training.

Since 2020 till now, we strived to rebuild our existing overseas customers’ confidence in us and continued to explore other new OEM products in worldwide. We had consumed a lot of new resources to establish and sustain the business opportunities. We will continue to venture into new industries and innovative products. On the other hand, we continue to focus on current precision vane product and other precision vane products at lower profit margins as these core products help to greatly cover our overhead costs.

In the next 3 years, we will maintain our core business of vane production while transforming and diversifying to become a qualified supplier of aviation blades, OEM product for medical, robotic and automotive components. Our target is to reduce our 100% reliance on income from vane products to 50% or less.

## Moving On

The Board is comforted that management had made efforts to continue expanding the business by increasing the local sales and overseas sales. The Board believes that with the support of shareholders, the Company can continue to strive to move the business forward.

## Appreciation

The Board would like to express gratitude to the shareholders, management and staff, and all corporate advisors. The Board are thankful that all of you have continued to keep faith with the Company. The Board would like to thank the previous Board and current Board for all their contributions and efforts in 2021.

## Hong Yong

Non-Executive Chairman and Lead Independent Director

For and on behalf of Board of Directors  
Shanghai Turbo Enterprises Ltd.

# GENERAL MANAGER'S STATEMENT

---

Dear Shareholders,

China's economy expanded 8.1% last year, far exceeding the government's own targets. But weakening growth in the closing months of 2021 suggests that trouble is still on the horizon as the country contends with a deepening real estate crisis, renewed COVID-19 outbreaks ("the Pandemic") and Beijing's strict no-tolerance approach to controlling the virus. The Group is not directly involved in the sectors which are severely impacted by the Pandemic. Fortunately, the Group is not directly involved in the sectors most severely impacted by COVID-19.

The Group has taken aggressive steps in bidding for the tender awards from the major customer since 2019 to 2021. The awarded contracts for years 2019 to 2021 amounted to RMB203.13 million, the contract to be signed on hand amounted to RMB109.69 million as at 31 December 2021. The sales revenue in FY2021 is RMB62.56 million.

The gross loss was RMB3.901 million in FY2020, the gross profit was RMB14.776 million in FY2021, with a gross profit rate of 23.62%. The business of the company gradually improved.

The Group has explored various options to increase its cash holdings, which precludes discounting on commercial bills receivables to realize cash, increased efforts on collections and reassessment of its operating assets. The Group had obtained bank loans RMB20 million from Jiangnan Bank as at 14 February 2022 and RMB10 Million as at 16 February 2022 by pledging its land use right with personal guarantee from the shareholder, Mr Liu Ming. The Group had further obtained non-secured bank loan amounting to RMB4 million from Bank of Communications as at 31 March 2022 with personal guarantee from the shareholder, Mr Liu Ming. The Group had further obtained non-secured bank loan amounting to RMB5 million from Wuxi Rural Commercial Bank as at 30 March 2022 with personal guarantee from the shareholder, Mr Liu Ming and RMB4.5 million from Wuxi Rural Commercial Bank as at 31 March 2022 through the shareholder, Mr Liu Ming pledging his only owned personal property as well as his personal guarantee.

The company always believes in the enterprise spirit of "Integrity-based, innovation for reality, the pursuit of excellence ", the first thing to emphasize is the principle of "integrity" in CZ3D's operating activities. To win the trust with sincerity, only the sincerity can win the trust, on the basis of trust, the enterprise can win long-term development.

Throughout the development of CZ3D, the enterprise development has come to the key stage of transformation into an innovative enterprise. CZ3D should inherit 20 years of development accumulation, adhere to management innovation, institutional innovation and technological innovation by learning from the experience of advanced enterprises at home and abroad, promote enterprise development through technological innovation, improve enterprise efficiency through management innovation, and gear to international standards through institutional innovation.

CZ3D has been working hard today, and CZ3D will be worthy of your expectation tomorrow. Looking back on the past and looking forward to the future, we sincerely invite you to go forward hand in hand and create brilliant.

## **Gao Zhong**

General Manager  
Changzhou 3D Technological Complete  
Set Equipment Co., Ltd

# OPERATIONAL AND FINANCIAL REVIEW

## Statement of Profit or Loss and Other Comprehensive Income

Group revenue increased by 83% from RMB34.27 million in FY2020 to RMB62.56 million in FY2021 mainly due to the Subsidiary's prompt delivery of orders as requested by the 2 major local customers during FY2021. During FY2021, the Subsidiary has aggressively bid for tenders and the major customer has awarded the Subsidiary with a tender amounting to RMB50.51 million (FY2020: RMB125.66 million). The Subsidiary has also signed a few contracts amounting to RMB31.23 million in FY2021 (FY2020: RMB63.03 million) and delivered goods amounting to RMB35.19 million during FY2021 (FY2020: RMB24.80 million).

Cost of sales increased by 25% from RMB38.17 million in FY2020 to RMB47.78 million in FY2021 mainly due to the increase in revenue from RMB34.27 million in FY2020 to RMB62.56 million in FY2021. The cost of sales in FY2021 represented 76% as compared to revenue and the cost of sales in FY2020 represented 111% as compared to revenue.

The Group's achieved a gross profit amounting to RMB14.78 million in FY2021 as compared to a gross loss of RMB3.90 million in FY2020. The gross profit was due to cost cutting measures on purchasing of certain raw material such as cutters and spare parts for production. In addition, the Subsidiary has closely monitored the direct and in-direct overheads during the year

Selling and distribution expenses increased by 34% from RMB2.64 million in FY2020 to RMB3.54 million in FY2021 mainly due to increase in sales quality control expenses ( FY2021: RMB0.56 million; FY2020: RMB0.06 million), sales tender cost ( FY2021: RMB0.45 million; FY2020: RMB0), repair and maintenance expenses ( FY2021: RMB0.06 million; FY2020: RMB0.01 million), travelling expenses ( FY2021: RMB0.06 million; FY2020: RMB0.05 million), staff costs ( FY2021: RMB0.72 million; FY2020: RMB0.71 million) and decrease in entertainment expenses ( FY2021: RMB1.67 million; FY2020: RMB1.80 million).

Administrative expenses increased by 4.7% from RMB23.84 million in FY2020 to RMB24.96 million in FY2021. The decrease was mainly due to decrease in depreciation cost ( FY2021: RMB6.43 million; FY2020: RMB6.78 million), staff cost ( FY2021: RMB5.42 million; FY2020: RMB5.63 million), legal fee ( FY2021: RMB0.09 million; FY2020: RMB1.16 million), audit fee ( FY2021: RMB0.77 million; FY2020: RMB0.78 million), staff welfare expenses ( FY2021: RMB0.84 million; FY2020:

RMB0.9million), office expenses ( FY2021: RMB0.06 million; FY2020: RMB0.15 million), and increase in employee social benefit expense ( FY2021: RMB4.01 million; FY2020: RMB1.54 million), employee compensation costs ( FY2021: RMB1.27 million; FY2020: RMB0.21 million), motor vehicle expenses ( FY2021: RMB0.37 million; FY2020: RMB0.11 million) and water and electricity ( FY2021: RMB0.82 million; FY2020: RMB0.71 million).

The Group ended FY2021 with a net loss of RMB10.66 million, compared to RMB29.23 million net loss in FY2020.

## Statement of Financial Position

As at 31 December 2021, the Group's non-current assets stood at RMB62.01 million, a decrease from RMB70.46 million, mainly due to the depreciation of Property, plant and equipment (PPE).

Over the same period, current assets decreased from RMB35.36 million to RMB58.07 million, mainly the receivables increased by RMB13.53 million.

The Group's total liabilities increased from RMB41.31 million as at 31 December 2020 to RMB60.22 million as at 31 December 2021 as trade payables increased from RMB17.69 million 31 December 2020 to RMB29.09 million as at 31 December 2021 due to increase in procurement for trading activities in YTD FY2021.

## Statement of Cash Flows

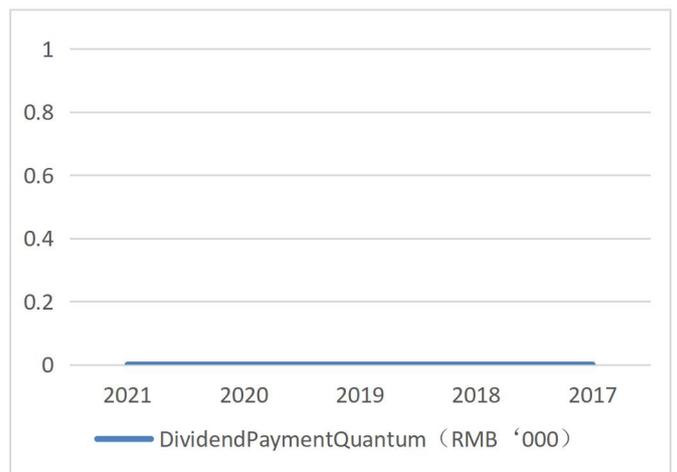
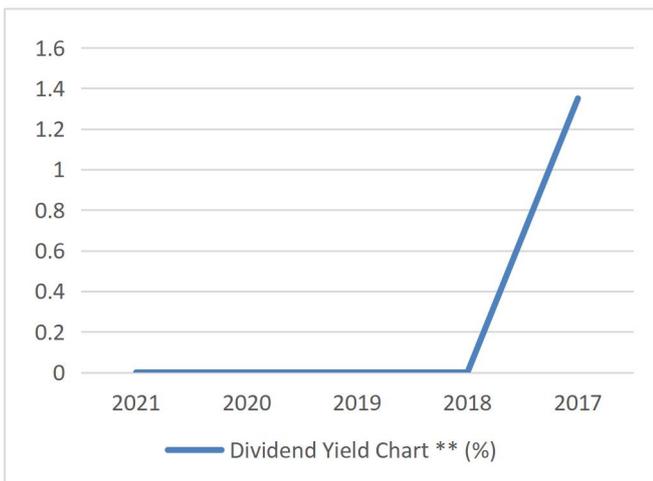
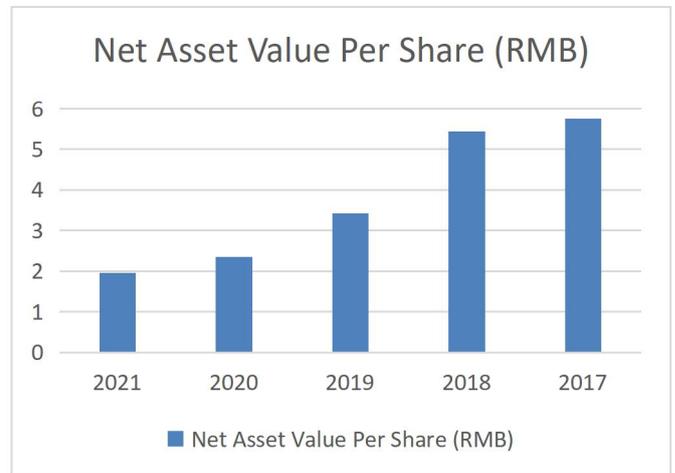
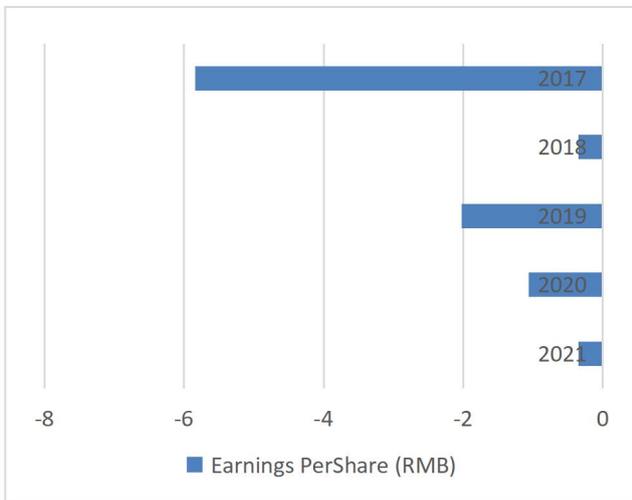
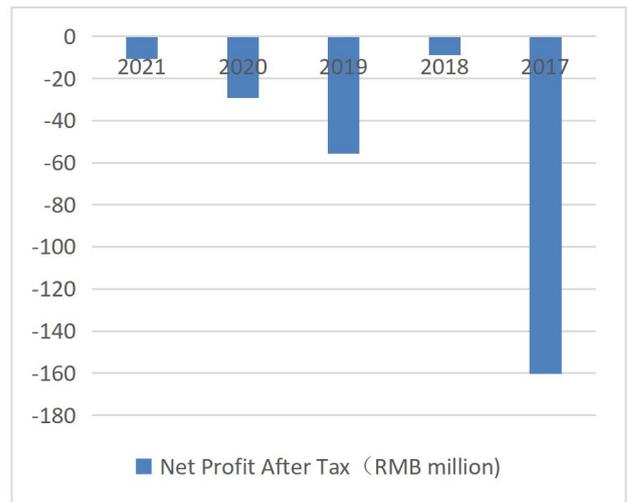
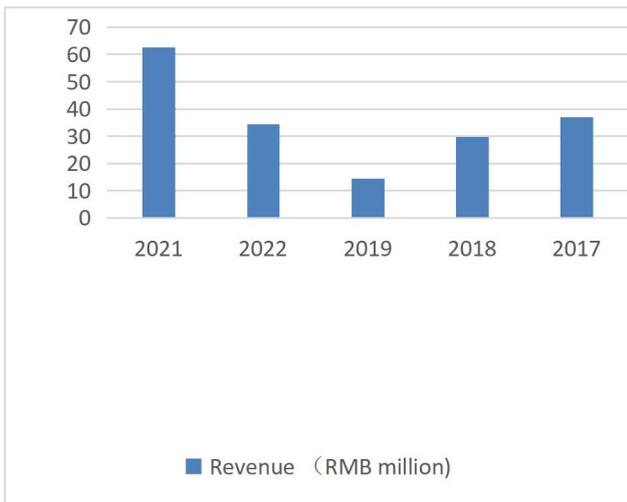
The Group's net cash expenditure from operating activities amounting to RMB3.84 million in FY2021.

The Group's investing activities in 2Q FY2021. There was a private placement completed on 24 May 2021 with capital of RMB4.91 million and share premium of RMB1.33 million received. The Group has also received proceeds for the sale of plant and machinery amounting to RMB0.06 million during FY2021. The Group has purchased plant and machineries amounting to RMB2.70 million in 4Q FY2021.

The Group's net cash generated from financing activities amounting to RMB8.01 million mainly due to the Group has obtained a new non-secured loan amounting to RMB7.99 million from Bank with interest payment for bank loan amounting to RMB1.63 million in FY2021.

In view of the above, there was a net decrease in cash and cash equivalents of about RMB2.45 million in FY2021, compared to a net decrease of RMB2.96 million in FY2020.

# FINANCIAL HIGHLIGHTS



Source: Bloomberg

\*\* Dividend paid in Singapore Dollar is converted using a yearly average SGD/CNY exchange rate. Dividend yield is computed using the adjusted closing share price on the last traded day in the calendar year.

# FINANCIAL HIGHLIGHTS

	2017	2018	2019	2020	2021
<b>Statement of Profit or Loss and Other Comprehensive Income (in RMB'000)</b>					
Revenue	36,875	29,845	14,402	34,273	<b>62,556</b>
Gross profit/loss	-1,160	-16,764	-15,132	-38,174	<b>14,776</b>
Profit/loss before tax	-160,420	-10,161	-55,060	-29,228	<b>-10,660</b>
Net profit/loss after tax	-160,478	-8,782	-55,568	-29,329	<b>-10,882</b>
<b>Statement of Financial Position (in RMB'000)</b>					
Property, plant and equipment	112,673	97,286	83,769	70,455	<b>62,013</b>
Inventories	1,629	1,983	2,850	7,773	<b>10,600</b>
Trade receivables	54,787	81,815	29,575	22,953	<b>36,486</b>
Cash and bank balances	28,612	14,285	7,526	3,811	<b>552</b>
Trade payables	28,928	17,660	7,733	17,685	<b>29,088</b>
Other payables and accruals	5,905	9,434	5,124	8,419	<b>8,157</b>
Provision-	4,373	4,373	4,373	4,373	<b>4,373</b>
Bank loan	-	16,000	13,300	9,497	<b>17,490</b>
Shareholders' equity	158,169	149,387	93,836	64,507	<b>59,867</b>
Total assets	201,390	198,635	126,420	105,816	<b>120,087</b>
Total liabilities	43,221	49,248	32,584	41,309	<b>60,220</b>
<b>Statement of Cash Flows (in RMB'000)</b>					
Operating activities	-12,877	-27,996	-1,877	1,314	<b>-3,839</b>
Investing activities	2,108	-1,480	-694	235	<b>-6,621</b>
Financing activities	-9,840	16,405	-2,603	-4,506	<b>8,012</b>
Net movement	-20,609	-13,071	-5,174	-2,957	<b>-2,448</b>
<b>Financial Ratios</b>					
Earnings per share (RMB)	-5.84	-0.32	-2.02	-1.06	<b>-0.35</b>
Net asset value per share (RMB)	5.75	5.44	3.42	2.35	<b>1.96</b>
Dividend yield (%)	1.35	-	-	-	
Dividend payment quantum (RMB'000)	-	-	-	-	

# BOARD OF DIRECTORS

---

## MR. HONG YONG / AGE 51

Non-Executive Chairman &  
Lead Independent Director

Ph.D. in Economics, Nankai University  
Master Degree in History, Nankai University  
Degree. in English Language, Chaohu University (China)

Date of appointment  
as Non-Executive Independent Director and  
Lead Independent Director:  
30 September 2020

### Serves on the following Board Committees

- Audit Committee – Member
- Nominating Committee – Chairman
- Remuneration Committee – Chairman

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- NIL

### Directorships in other listed companies held over the preceding three years (2019-2021)

- NIL

### Background and experience

Mr. Hong is currently a Chief Executive Officer (“CEO”) of Shanghai Yunzi Capital Co, Ltd in China. He is a professional member who can make the right decision making and handling the difficulties matters of the Group and his own company. He has actively engaged in social charity work.

## MR. SIMON POH SIEW BENG / AGE 60

Non-Executive Independent Director

Bachelor of Accountancy, National University of Singapore (NUS)  
Master of Business Administration (NUS)  
Fellow CA (ISCA), ATA (Income Tax & GST), MSID

Date of appointment  
as Non-Executive Independent Director:  
8 July 2020

### Serves on the following Board Committees

- Audit Committee – Chairman
- Nominating Committee – Member
- Remuneration Committee – Member

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- Associate Professor at NUS

### Directorships in other listed companies held over the preceding three years (2019-2021)

- NIL

### Background and experience

Mr. Poh is a Fellow Chartered Accountant with over 20 years of experience working in international accounting and taxation firms. He has strong accounting and taxation experiences. Mr. Poh is currently an Associate Professor (Practice) at the NUS Business School where he teaches taxation modules.

# BOARD OF DIRECTORS

## MR. FOO CHEE MENG / AGE 54

### Non-Executive Independent Director

University Of Toronto (Ontario, Canada)  
Bachelor of Applied Science (With Honor,  
Mechanical Engineering)  
Singapore Polytechnic  
Diploma in Manufacturing Engineering

Date of appointment  
as Non-Executive Independent Director:  
2 May 2021

#### Serves on the following Board Committees

- Audit Committee – Member
- Nominating Committee – Member
- Remuneration Committee – Member

#### Present directorships in other listed companies

- NIL

#### Present principal commitments

(other than directorships in other listed companies)

- NIL

#### Directorships in other listed companies held over the preceding three years (2019-2021)

- NIL

#### Background and experience

Mr. Foo, a seasoned management team member with over 20 years of work experiences in various manufacturing operations of American and Singaporean multinational companies of office IT hardware, Electronic Manufacturing Services, Packaging & Printing products. He had worked in the manufacturing industries in Product Engineering, Program Management, Procurement, Sourcing, Supply Chain Business Development and Management functions. He is currently working with a multinational company to develop and grow their medical devices and industrial equipment manufacturing business in Asia.

## DR. DANIEL LIU DANJUN / AGE 53

### Non-Executive Non-Independent Director

Ph.D in Electrical Engineering and Automation  
Master's and Bachelor's degrees in Material Science  
and Engineering  
Harbin Institute of Technology (China)

Date of appointment  
as Non-Executive Non-Independent Director:  
1 May 2016

Date of last re-election  
as Non-Executive Non-Independent Director:  
30 June 2020

#### Serves on the following Board Committees

- Nominating Committee – Member

#### Present directorships in other listed companies

- NIL

#### Present principal commitments

(other than directorships in other listed companies)

- NIL

#### Directorships in other listed companies held over the preceding three years (2019-2021)

- NIL

#### Background and experience

Dr. Liu started his career as a Research Associate Professor at Beijing University of Technology's Department of Automation, before moving to Intel's China Research Centre as a Senior Researcher for Human-Computer Interaction Technology. Thereafter, he held technical and sales positions at electronics and technology companies, and various industry groups, as well as being Chairman for a number of technology companies.

# BOARD OF DIRECTORS

---

## MR. ZHANG WENJUN / AGE 52

Non-Executive Non-Independent Director

Bachelor of Engineering Degree, Xi'an Jiaotong University(China)

Date of appointment:  
9 June 2020

Date of cessation:  
13 January 2021

Date of re-appointment:  
1 September 2021

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- NIL

### Directorships in other listed companies held over the preceding three years (2019-2021)

- NIL

### Background and experience

Mr Zhang Wenjun is a senior professional with almost 20 years of management experience in the growing Chinese financial markets, having worked in China Merchant Bank, Shanghai Pudong Development Bank and Ping An Bank before joining Ping An Securities Company as General Manager for its Shanghai Operation in 2015.

Mr Zhang has strong expertise and experiences in banking operations, business reorganizations and/or restructuring, merger and acquisitions, IPOs and capital markets.

Mr Zhang is a member of China Banking Association and Securities Association of China (SAC)

## MR. CHEAH KIAN CHOONG / AGE 51

Non-Executive Independent Director

Date of appointment as Non-Executive Independent Director:

9 June 2020

Date of cessation:  
3 February 2021

# KEY MANAGEMENT

---

## MR. GAO ZHONG / AGE 53

General Manager, Changzhou 3D Technological Complete Set Equipment Co., Ltd. ("GM")

Bachelor Degree In Financial Management,  
Beijing Foreign Studies University

Date of appointment:  
5 November 2020

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- NIL

### Directorships in other listed companies held over the preceding three years (2019-2021)

- NIL

### Background and experience

Mr. Gao has served in various companies for the past 20 years, assuming roles of general manager in China. He acquired diverse operational experience and knowledge in various industries. He has well established his reputation in Changzhou, China. He has good relationship with a lot of bankers in Changzhou, China. He has actively engaged in social charity work in Changzhou, China.

## MS. ELAINE LEOW SIEW PHAIK / AGE 49

Financial Controller,  
Shanghai Turbo Enterprises Ltd. ("FC")

Date of appointment:  
16 January 2019

Date of cessation:  
1 September 2022

## MR. DAI XIAOLONG / AGE 46

Director,  
Changzhou 3D Technological Complete Set  
Equipment Co., Ltd

Date of appointment:  
15 April 2017

Date of cessation:  
9 July 2021

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

The Board of Directors (the “**Board**”) and Management of Shanghai Turbo Enterprises Ltd. (the “**Company**”) and together with its subsidiaries, the “**Group**”) place great importance on high standard of corporate conduct to uphold good corporate governance practices. This commitment and continuous support of the Code of Corporate Governance 2018 (the “**Code**”) can be seen from the efforts of the Board and Management to promote and maintain values that emphasise transparency, accountability, integrity and proper conduct at all times, in the business operations and dealings of the Company so as to create value for its stakeholders and safeguard the Company’s assets.

The report describes the practices the Company has undertaken with respect to each of the principles and guidelines, and the extent of its compliance with the Code and the Mainboard Rules (the “**Listing Rules**”) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). This report should be read as a whole, instead of being read separately under the different principles and guidelines of the Code. The Company has complied in all material aspects with the principles and guidelines set out in the Code and any deviations from the Code are explained in this report.

## BOARD MATTERS

### The Board’s Conduct of Affairs

---

**Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.**

---

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its success. Management also plays a pivotal role in providing the Board with complete, adequate and timely information to assist the Board in the fulfilment of its responsibilities.

#### *Provision 1.1*

#### **Role of the Board**

The Company is headed by an effective Board comprising five directors, two of whom are Non-Executive Non-Independent Directors and three are Non-Executive Independent Director. Their combined wealth and diversity of skills, experience and knowledge of the Company enables them to contribute effectively to the strategic growth and governance of the Company.

The Board sets the overall business direction, provides guidance on the Company’s strategic plans, with particular attention paid to growth and financial performance and oversees the Management of the Company.

The principal functions of the Board, apart from its statutory responsibilities, include:

1. setting the overall strategy of the Group, supervising and working with the Management to make objective decisions in the interest of the Group including establishing goals and priorities for the Management and reviewing the Management’s performance by monitoring the achievement of these goals;
2. establishing policies on matters such as financial control, financial performance and risk management procedures, thereby taking responsibility for the overall corporate governance of the Group;
3. setting objective performance criterion to evaluate the Board’s performance and succession planning process;
4. reviewing the adequacy and effectiveness of the Group’s risk management and internal controls framework including financial, operational, compliance and information technology controls and establishing risk appetite and parameters to safeguard shareholders’ interests and the Company’s assets;

# CORPORATE GOVERNANCE REPORT

---

5. reviewing and approving key operational and business initiatives, major funding proposals and other corporate actions, significant investment and divestment proposals, including determining the Group's operating and financial performance, the Group's annual budget and capital expenditure, release of the Group's half-year and full-year financial results (including quarterly financial results if applicable) and other strategic initiatives proposed by Management;
6. approving all Board appointments/re-appointments and appointment of Key Management Personnel<sup>1</sup>, evaluating their performance and reviewing their remuneration packages;
7. identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;
8. setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
9. considering sustainability issues (where applicable), e.g. environmental and social factors, as part of its strategic formulation.

All Directors discharge their duties and responsibilities objectively at all times as fiduciaries in the interest of the Company. The Board puts in place a code of conduct and ethics and ensures proper accountability within the Company. The Board has clear policies and procedures for dealing with conflict of interest. Directors facing conflicts of interest is required to immediately declare his or her interest to the Board, remove himself or herself from the information flow and recuse themselves from participating in any further discussions and/or decisions relating to the subject matter of the conflict of interest.

## ***Provision 1.2***

### **Director Induction, Training and Development**

The Company conducts briefing and orientation programs for new Directors to familiarise themselves with the Company's structure and organisation, businesses and governance policies. Upon appointment, each newly appointed Director will be briefed by the Board and/or Management on the business activities of the Company and its strategic directions, as well as setting out their duties and responsibilities as Directors. The aim of the orientation program is to give Directors a better understanding of the Company's businesses and allow them to assimilate into their new roles. New Directors are also informed about matters such as policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company's securities and restrictions on disclosure of price sensitive information. A formal letter of appointment is furnished to every newly-appointed director upon his or her appointment explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board.

The Directors and Key Management Personnel are encouraged to attend relevant training programmes, courses, conference and seminar on new laws, regulations and updates on commercial areas conducted by relevant professional organisation from time to time. Changes to regulations and accounting standards are monitored closely by the Management. During the financial year ended 31 December 2021 ("**FY2021**"), the Board had received updates on changes in listing rules, regulatory requirements, corporate governance guidelines and best practices on regular basis. There is no new director appointed during the financial year.

To keep pace with regulatory changes, the Company provides opportunities for on-going education on Board processes and best practices, as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST that will affect the Company and/or Directors in discharging their duties. Board members are also encouraged to attend seminars and

---

<sup>1</sup> Key Management Personnel: the General Manager and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

# CORPORATE GOVERNANCE REPORT

receive training to improve themselves in the discharge of their duties as Directors. The Company may fund the appropriate training and development programmes for the Directors. The Company works closely with professionals to provide the Directors with pertinent information in relation to changes to relevant laws, regulations and accounting standards on key aspects to gain insight for better understanding of the Company's business and operations.

## ***Provision 1.3***

### **Matters Requiring Board Approval**

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Matters that specifically require Board's approval are those involving annual budget, major funding and investment proposals, mergers and acquisition transactions, release of results announcements and any other announcements, appointment of Directors and Key Management Personnel, interested person transactions and all other matters of material importance. The Board will review the guidelines on a periodical basis to ensure their relevance to the operations of the Company. The Management is responsible for the day-to-day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

## ***Provision 1.4***

### **Board Committees**

To ensure the smooth and effective running of the Company and facilitate decision making, the Board has delegated some of its powers and functions to various Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") (collectively, the "Board Committees"). These Board Committees are chaired by Independent Directors and operate within clearly written terms of reference and operating procedures, compositions, authorities and duties, including reporting back to the Board and playing an important role in ensuring good corporate governance in the Company. The Board recognises that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board. The terms of reference of the Board Committees are reviewed by the Board and the respective Board Committee on a regular basis to ensure their continued relevance and to enhance the effectiveness of these Board Committees. The roles and responsibilities of these Board Committees are provided for in the latter sections of this Corporate Governance Report.

## ***Provision 1.5***

### **Meetings of Board and Board Committees**

The schedule of all Board and Board Committees meetings for a calendar year is usually given to all Directors well in advance. Besides the scheduled half yearly meetings, the Board members meet on an ad-hoc basis as warranted by particular circumstances. When required, Board members meet to exchange views outside the formal environment of Board meetings. Board meetings will be convened when they are deemed necessary to review the Company's business operations, conduct strategic review of the business affairs and address other specific significant matters that arise. The Company's Articles of Association ("Articles") provides for the Board to convene meetings via telephonic and other electronic means. The Board also approves transactions through board resolutions, which are circulated to the Board together with all relevant information relating to the proposed transaction. The agenda for meetings is prepared in consultation with the Non-Executive Chairman and/ or the Chairman of the Board Committees.

The agenda and meeting materials are circulated to the Board and Board Committees in advance of the scheduled meetings. Members of the management are invited to attend the meetings to present information and/or render clarification when required. The Directors are encouraged to make enquiries on any aspects of the Company's operations or business issues from the Management. The Non-Executive Chairman or the Company Secretary will make the necessary arrangements for briefings, informal discussions or explanations, as and when required.

# CORPORATE GOVERNANCE REPORT

During the financial year, the Board members had met four (4) times. The number of meetings held and the attendance of each member at the Board and Board Committee meetings for the financial year ended 31 December 2021 (“FY2021”) are disclosed in the table reflected below:

## Attendance Report of the Directors

Directors	Number of meetings held			
	AC Meeting	RC Meeting	NC Meeting	Board Meeting
<b>Number of meetings</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>4</b>
Mr Hong Yong	4	1	1	4
Mr Simon Poh Siew Beng	3	1	1	3
Dr Daniel Liu Danjun	1	0	0	4
Mr Zhang Wenjun <sup>(1)</sup>	2	0	0	2
Mr Foo Chee Meng <sup>(2)</sup>	3	1	1	4
Mr Cheah Kian Choong <sup>(3)</sup>	0	0	0	0

### Notes:

- (1) Mr Zhang Wenjun resigned as a Non-Executive Non-Independent Director of the Company on 13 January 2021 and was subsequently appointed as a Non-Executive Non-Independent Director on 1 September 2021.
- (2) Mr Foo Chee Meng was appointed as a Non-Executive Independent Director of the Company on 2 May 2021.
- (3) Mr Cheah Kian Choong resigned as a Non-Executive Independent Director of the Company on 3 February 2021.

The Directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Company and its businesses. As such, we believe that each individual Director’s contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committees meetings.

All Directors are required to declare their board representations. Despite some of the Directors having multiple board representations, the NC had reviewed the directorship of the Directors and is satisfied that these Directors are able to ensure that sufficient time and attention are given to the affairs of the Company and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal commitments of these Directors.

Currently, the NC and Board do not limit the maximum number of listed board representations which any Director may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company. The NC and Board believe that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, having regard to his or her other commitments.

### **Provision 1.6**

#### **Access to Information**

The Directors are provided with Board papers and related materials, background or explanatory information in advance of each Board meeting to enable them to be properly informed of matters to be discussed and/or approved, as well as ongoing reports relating to operational and financial performance of the Company. Directors are also informed of any significant developments or events relating to the Company and have unrestricted access to the Company’s records and information so as

# CORPORATE GOVERNANCE REPORT

---

to enable them to carry out their duties. In addition, the Directors are entitled to request from Management such additional information as needed to make informed decisions. Management ensures that any additional information requested for is provided to the Directors in a timely manner.

## ***Provision 1.7***

### **The Company Secretary and Other Professional Advisers**

Board members have separate and independent access to the Company Secretary. The Company Secretary and/or his or her representative will attend all meetings of the Board and Board Committees and assists in ensuring that relevant procedures are followed and reviewed such that the Board and Board Committees operate effectively. The decision to appoint or remove the Company Secretary is made by the Board as a whole. Should Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional adviser to render such advice at the Company's expense.

### **Board Composition and Guidance**

---

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.**

---

The Company endeavours to maintain a strong and independent element on the Board and will continue to review the Board size to ensure that it is appropriate and effective to facilitate decision making. The Board and NC will continue to review the composition and Board size as and when the circumstances arise.

### ***Provisions 2.1, 2.2 and 2.3***

The NC, in its determination in respect of the independence of a Director, takes into account, among others, the criteria set out in the Listing Rules and the Code. The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers or its substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Company. The NC, having reviewed the 'Confirmation of Independence' forms completed by each Independent Director, is satisfied as to their independence. The independence of each Director is reviewed annually by the NC in accordance with the guidance provided in the Code and Listing Rules. No individual or group of individuals dominates the Board's decision making.

The Chairman of the Board is an Independent Director and majority of the Board is made up of Independent Directors. As at date of this Report, the Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affair in the best interests of the Group as three out of five members of the Board are Independent Directors including the Non-Executive Chairman who is also the Lead Independent Director. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively. The Board confirms that none of the Independent Directors has served on the Board beyond nine (9) years from the date of his first appointment.

### ***Provision 2.4 and 2.5***

#### **Board Diversity**

The Board comprises Directors who possess the relevant core competencies, experience and knowledge in business, finance and management skills critical to the Company's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. In particular, the Non-Executive Directors, who are mostly professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent and objective judgement during Board deliberations or when challenging Management's proposals or decisions constructively on business

# CORPORATE GOVERNANCE REPORT

---

activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business. The Directors, having reviewed the composition of the Board, are satisfied that the present size and composition of the Board is effective for decision making.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive can be found under the "Board of Directors" section of the Annual Report.

The Company recognises and embraces Board diversity as an essential element in supporting the achievement of business objectives and sustainable development in the ever-changing business environment. The Board has adopted a Board Diversity Policy.

The Board's Internal policy in Identifying directors is primarily to have an appropriate mix of members with complementary skills, core competencies and experience that could effectively contribute to the Group, regardless of gender. The Board is mindful that diversity is not specific to gender or certain personal attributes but would extend to sectorial diversity, diversity as to experience and skills across various disciplines and would strive to ensure the diversity would enhance the long-term success of the Group. In reviewing the composition of the Board, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Company, the role of the Non-Executive and Independent Directors are particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the Company conducts business. The Independent Directors help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance. When necessary, the Independent Directors and/or Non-Executive Directors will meet and discuss on the Company's affairs without the presence of the Management and feedback on issues discussed is thereafter provided to the Chairman of the Board.

To facilitate a more effective check on the Management, the Board meets at least once a year with the external auditors without the presence of the Management. The Board also communicate with each other from time to time without the presence of the Management to discuss the performance of the Management and any matters of concern.

As at the date of this report, the composition of Board is as follows:

<b>Directors:</b>	<b>Designation</b>
Mr Hong Yong	Non-Executive Chairman and Lead Independent Director
Dr Daniel Liu Danjun	Non-Executive Non-Independent Director
Mr Zhang Wenjun	Non-Executive Non-Independent Director
Mr Simon Poh Siew Beng	Non-Executive Independent Director
Mr Foo Chee Meng	Non-Executive Independent Director

## **Chairman and Chief Executive Officer**

---

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and the Management, and no one individual has unfettered powers of decision-making.**

---

# CORPORATE GOVERNANCE REPORT

## **Provisions 3.1, 3.2 and 3.3**

The Company does not have a CEO. However, the responsibility to perform the duties typically performed by a CEO is assumed by Mr Gao Zhong, the General Manager of Changzhou 3D Technological Complete Set Equipment Co., Ltd ("CZ3D") (the "GM"), who is responsible for the management of the day-to-day operations of the Group.] The Company has a clear separation of responsibilities set out in writing between the Chairman and the GM to ensure an appropriate balance of power, increased accountability and greater capacity for the Board in terms of independent decision making. Mr Hong Yong is the Non-Executive Chairman of the Board and Lead Independent Director of the Company. Mr Hong Yong is responsible for the overall leadership of the Board and engages Management regularly on pertinent issues, He also leads the Board meetings and sets the Board meeting agenda in consultation with the Company Secretary and ensures that Board members are provided with complete, adequate and timely information. The Chairman and the GM are not related.

As the Lead Independent Director, Mr Hong Yong is also the principal liaison to address shareholders' concerns, for which direct contact through normal channels of communication with the Management has failed to resolve or for which such contact is inappropriate. He also facilitates periodic meetings with the other Independent Directors on board matters, when necessary and provides his feedback to the Management after such meetings.

The other specific roles and responsibilities of the Lead Independent Director are as follows:

- (a) acting as liaison between the Non-Executive Directors and the Executive Directors of CZ3D to provide non-executive perspectives; and
- (b) assisting the Board and Company officers in better ensuring compliance with and implementation of corporate governance. During FY2021, the Company's Non-Executive Directors have communicated between themselves, without the presence of the management as and when the need arises.

## **Board Membership**

---

**Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.**

---

## **Provisions 4.1 and 4.2**

The Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment and re-appointment of Directors, making recommendations for Directors who are due for retirement by rotation to seek re-election at a general meeting of the Company and determining the independence of each Director. As at the date of this report, the NC has five members, the majority of whom, including the NC Chairman, are Independent Directors:

- (1) Mr Hong Yong (Chairman)
- (2) Dr Daniel Liu Danjun
- (3) Mr Zhang Wenjun
- (4) Mr Poh Siew Beng
- (5) Mr Foo Chee Meng

The NC Chairman is the Lead Independent Director who has no relationship with the Company, its related corporations, its substantial shareholders or its officer and is not directly associated with substantial shareholders. The NC is established for the purposes of ensuring that there is a formal and transparent process for all board appointments. It has adopted written terms of reference defining its membership, administration and duties.

The NC meets at least once a year and at other times as required. The number of NC Meeting held and the attendance of each member at the meeting during FY2021 are disclosed in the table reflected under Provision 1.5.

# CORPORATE GOVERNANCE REPORT

The NC is regulated by its terms of reference and its key duties and functions are outlined as follows:

1. to make recommendations to the Board on all Board appointments and re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation, candour, and any other salient factors);
2. to ensure that all directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
3. to determine annually whether a director is independent, in accordance with the independence guidelines contained in the Code;
4. to review whether a director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple Board representations; and
5. to consider how the Board's performance may be evaluated and to propose objective performance criteria.

#### **Provision 4.4**

The NC reviews annually the independence of each Director based on the definition and criteria set out in the Listing Rules and the Code. Each Independent Director is required to complete a "Confirmation of Independence" form for the NC's review and recommendation to the Board. As at the date of this Report, none of the Directors have served on the Board for more than nine years from the date of his first appointment. Taking into consideration the foregoing, the NC is of the view that Mr Hong Yong, Mr Simon Poh Siew Beng and Mr Foo Chee Meng are deemed to be independent and each of the aforesaid Directors have also confirmed their independence.

#### **Provisions 4.3 and 4.5**

Article 86(1) of the Company's Articles require that every director on the Board shall retire at least once every three (3) years. A retiring director shall be eligible to offer himself for re-election. Pursuant to Article 85(6) of the Company's Articles, any new director appointed by the Board during the year shall retire at the next annual general meeting ("AGM") of the Company and shall then be eligible for re-election. The NC is responsible for the nomination of retiring Directors for re-election.

Mr Zhang Wenjun and Dr Daniel Liu Danjun, who are retiring pursuant to Article 85(6) and Article 86(1) of the Company's Articles respectively, will be put forward for re-elections at the forthcoming AGM. The NC has recommended, and the Board has approved the re-election of Mr Zhang Wenjun and Dr Daniel Liu Danjun at the forthcoming AGM for FY2021. The details of the Director seeking for re-election are found in Table A set out on page 31 to page 35 of this Annual Report.

Mr Zhang Wenjun will, upon re-election as Director of the Company, remain as Non-Executive Non-Independent Director and member of the NC. Dr Daniel Liu Danjun will, upon re-election as Director of the Company, remain as Non-Executive Non-Independent Director and member of the NC.

Each member of the NC shall abstain from voting on any resolutions and making recommendation and/or participating in any deliberations of the NC in respect of his or her re-nomination as a Director.

The dates of first appointment and last election of each Director, together with their Directorships in other listed companies, are as follows:

<b>Name of Directors</b>	<b>Appointment</b>	<b>Date of first appointment / Date of last re-election</b>	<b>Directorships in other listed companies</b>	<b>Past directorships in other listed companies and other major appointments over the preceding three (3) years</b>
--------------------------	--------------------	---	--	---

# CORPORATE GOVERNANCE REPORT

---

Mr Hong Yong	30.09.2020	30.09.2020	[NIL]	[NIL]
Mr Simon Poh Siew Beng	08.07.2020	08.07.2020	[NIL]	[NIL]
Dr Daniel Liu Danjun	01.05.2016	30.06.2020	[NIL]	[NIL]
Mr Zhang Wenjun	01.09.2021	01.09.2021	[NIL]	[NIL]
Mr Foo Chee Meng	02.05.2021	02.05.2021	[NIL]	[NIL]

Currently, the Company does not have any alternate director.

The NC decides how the Board's performance is evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders' value. The Board also implemented a process to be carried out by the NC to evaluate the effectiveness of the Board as a whole and its Board Committees annually.

Despite some of the Directors having multiple Board representation, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company, after taking into consideration the number of listed company board representations and other principal commitments. Currently, the Board has not determined the maximum number of listed board representations which any Director may hold. The Board believes that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, bearing in mind his or her other commitments. The NC and the Board will review the requirement to determine the maximum number of listed board representations as and when it deems fit.

In respect to FY2021, the NC conducts an annual review of the balance, diversity and size of the Board to determine any changes are required in relation to the Board composition. Where a vacancy arises, the NC will consider each candidate based on the selection criteria determined after consultation with the Board and after taking into consideration the qualification, experience, ability to contribute effectively to the Board and to add value to the Company's business, in line with its strategic objectives before recommending the suitable candidate to the Board for approval. There is no new director appointed on Board during the year.

Candidates may be suggested by Directors and Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his or her responsibilities, good decision-making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment of any candidate and such candidate may be appointed by way of a Board resolution, with the Board taking into account the evaluation and recommendation by the NC. Any such director appointed will be subject to re-election at the next AGM of the Company pursuant to Article 85(6) of the Articles.

In respect to FY2021, the NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs and is satisfied that the Directors are able to and have adequately carried out his or her duties as Directors of the Company and has contributed to the effectiveness of the Board as a whole and its Board Committees.

## Board Performance

---

**Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.**

---

### *Provisions 5.1 and 5.2*

In line with the principles of good corporate governance, the Board has implemented a structure process to be carried out by the NC to assess and evaluate the performance and effectiveness of the Board as a whole, its Board Committees and individual Directors annually. The evaluation process involves each Director completing an evaluation form on the overall effectiveness of the Board, covering areas such as Board composition, processes, accountability, succession planning of key executives and risk management and internal controls. Each Board Committee member is

# CORPORATE GOVERNANCE REPORT

---

also required to complete an evaluation form in respect of the effectiveness of their respective Board Committees. Any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration and appropriate measures to be taken.

The NC and the Board had approved and adopted a set of performance criteria for the assessment of each individual Director. The performance criterion includes their contribution, expertise, independence and industry knowledge. This encourages constructive feedback from the Board and leads to an enhancement of its performance over time. Selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify such changes.

During the financial year under review, each Director was required to complete the evaluation form and individual Director's assessment form adopted by the NC for annual assessment on the overall effectiveness of the Board as a whole, the Board Committees and each Director's contributions. To ensure confidentiality, these evaluation forms were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC Chairman for review and discussion.

The NC is of the view that such evaluation processes provides an opportunity for directors to give their feedback (if any) on the procedures and processes of the Board or Board committees and to identify the areas of improvement or enhancement which can be recommended or made to the Board. The NC will take into account the results of the performance evaluation, where appropriate, in proposing new members to be appointed to the Board, recommending the re-election of any Director, and/or seek the resignation of Directors.

Based on the evaluation results and findings for FY2021, the NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

No external facilitators were used in the assessment of the Board as a whole, its Board Committees and the individual Directors.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

---

**Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel. No Director is involved in deciding his or her own remuneration.**

---

#### *Provisions 6.1 and 6.2*

As at the date of this report, the RC currently comprises of three members, all of whom including the Chairman are Non-Executive Independent Directors:

- (1) Mr Hong Yong (Chairman)
- (2) Mr Simon Poh Siew Beng
- (3) Mr Foo Chee Meng

The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Director. The overriding principle is that no Director should be involved in deciding his or her own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations. It has adopted written terms of reference that defines its membership, roles, functions and administration.

The RC meets at least once a year and at other times as required. The number of RC Meeting held

# CORPORATE GOVERNANCE REPORT

---

and the attendance of each member at the meeting during FY2021 are disclosed in the table reflected under Provision 1.5.

The duties of the RC include:

1. making recommendations to the Board on all Board appointments and re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation, candour, and any other salient factors);
2. ensuring that all directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
3. determining annually whether a director is independent, in accordance with the independence guidelines contained in the Code;
4. reviewing whether a director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple Board representations; and
5. considering how the Board's performance may be evaluated and to propose objective performance criteria.

The RC has reviewed the framework of remuneration for the Directors and Key Management Personnel and has determined specific remuneration packages for the Key Management Personnel. The recommendations of the RC are made in consultation with the Non-Executive Chairman and submitted for endorsement by the entire Board.

## ***Provision 6.3***

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share option scheme and benefit-in-kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

In structuring and reviewing the remuneration packages, the RC seeks to align the interests of Directors and Key Management Personnel with those of shareholders by linking rewards to corporate and individual performance, as well as roles and responsibilities of each Director. The RC will also review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of the individual Directors and Key Management Personnel.

The RC are knowledgeable in the field of executive compensation, in considering the remuneration of all Directors, has not sought external professional advice nor appointed independent remuneration consultants.

The Directors' fees to be paid quarterly in arrears to the Directors are subject to shareholders' approval at the forthcoming AGM for FY2021.

## ***Provision 6.4***

The RC has access to the professional advice of external experts in the area of remuneration, where required. No remuneration consultants were engaged by the Company in FY2021.

# CORPORATE GOVERNANCE REPORT

## Level and Mix of Remuneration

**Principle 7:** The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

### Provision 7.1 and 7.3

The Company does not have any executive directors. However, the RC sets and reviews remuneration linked to the key performance indexes for the GM for every financial year and assesses his performance. Key performance indices are not only tied to corporate performance but also linked with certain risk control measurements. For FY2021, the GM has not met the key performance indices set by the RC.

The Company does not have a share option scheme or performance share plan. The RC is considering the viability of such schemes/plans and is looking into other long-term incentive schemes to supplement the Group's current compensation framework. The RC intends to extend the same to other Key Management Personnel.

"The RC will ensure that appropriate remuneration packages are established for its Directors and key management personnel based on established framework and review the same periodically to ensure that they remain relevant."

### Provision 7.2

The Non-Executive Directors are paid yearly directors' fees of an agreed amount based on their contributions, taking into account factors such as effort, time spent, responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

## Disclosure on Remuneration

**Principle 8:** The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

### Provisions 8.1, 8.2 and 8.3

An appropriate and attractive level of remuneration has been set to attract, retain and motivate directors and staff. The remuneration package is made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. Annual increments and adjustments to remuneration are reviewed and approved taking into account the results of the annual review made by the Executive Directors and the various heads of department. All Non-Executive Directors are paid directors' fees that are subject to shareholders' approval at the AGMs.

The RC has recommended to the Board the payment of directors' fees of RMB 1.125 million for FY2021 for the Non-Executive Directors. The Board concurred with the RC's recommendation. The Non-Executive Directors have abstained from deliberation and voting in respect of their own fees at the respective RC (where applicable) and Board meetings. Accordingly, shareholders' approval will be sought at the forthcoming AGM.

The remuneration of Directors for FY2021 is as follows:

Directors	Remuneration Band <sup>(4)</sup>	Salary (%)	Bonus (%)	Directors' Fee (%)	Allowance (%)	Total (%)
Mr Hon Yon	A	-	-	100	-	100
Mr Simon Poh Siew Ben	A	-	-	100	-	100
Dr Daniel Liu Danjun	A	-	-	100	-	100
Mr Zhang Wenjun <sup>(1)</sup>	A	-	-	100	-	100

# CORPORATE GOVERNANCE REPORT

Mr Foo Chee Meng <sup>(2)</sup>	A	-	-	100	-	100
Mr Cheah Kian Choong <sup>(3)</sup>	A	-	-	100	-	100

## Notes:

- (1) Mr Zhang Wenjun resigned as a Non-Executive Non-Independent Director of the Company on 13 January 2021 and was subsequently appointed as a Non-Executive Non-Independent Director on 1 September 2021.
- (2) Mr Foo Chee Meng was appointed as a Non-Executive Independent Director of the Company on 2 May 2021.
- (3) Mr Cheah Kian Choong resigned as a Non-Executive Independent Director of the Company on 3 February 2021.
- (4) Remuneration Band A : Compensation from S\$0 to S\$250,000 per annum.

For confidentiality reasons, the Company is not disclosing the remuneration of each individual Director to the nearest thousand dollars. However, disclosure had been provided in bands of S\$250,000 instead, with a breakdown in percentage of the remuneration earned through fees, salary, fixed component, variable component, benefits in kind, and/or other long-term incentives.

The Company only had one key management personnel during FY2021, details of the remuneration paid to the aforesaid key management personnel of the Company are set out below.

Key Management Personnel	Designation	Salary (%)	Bonus (%)	Allowance (%)	Total (%)
Ms Elaine Leow Siew Phaik <sup>(1)</sup>	-	100	-	-	100

## Notes:

- (1) Ms Elaine Leow Siew Phaik resigned as the financial controller of the Company on 20 September 2022.

There is no employee of the Company who is substantial shareholder of the Company, or an immediate family member of a Director, the CEO or a substantial shareholder of the Company and whose remuneration has exceeded S\$100,000 during FY2021.

No termination, retirement and post-employment or other long-term incentives have been granted to the Directors or Key Management Personnel during FY2021.

The Company does not have any share award scheme.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

---

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.**

---

#### *Provision 9.1*

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Company's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems on an annual basis. The Board has not set up a specific risk committee, but the oversight of risk management and internal controls is undertaken by the AC and the Board in general.

The AC, on behalf of the Board, reviews the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance (including handling and dissemination of inside information) and information technology controls, and risk management policies and systems established by the Management on an annual basis.

It should be noted, in the opinion of the Board, that such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business

# CORPORATE GOVERNANCE REPORT

---

risk. The Board notes all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The Board understands its accountability to the shareholders on the Company's performance, position and prospect. The Management provides all Board members with management reports and accounts, which reflect a balanced, understandable assessment of the Company's performance, position and prospect on a regular basis.

## **Provision 9.2**

For FY2021, the Board has received assurance from Mr. Simon Poh Siew Beng, the Non-Executive Independent Director, that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the adequacy and effectiveness of the Company's risk management and internal control systems in addressing financial, operational, compliance and information technology risks are operating effectively.

Based on the framework of risk management and internal controls established and maintained by the Company, the work performed by the internal auditors and the audit undertaken by the external auditors, the Board with the concurrence of the AC is of the opinion that the Company's internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls and risk management systems maintained by the Company during the year were adequate and effective for FY2021.

## **Audit Committee**

---

### **Principle 10: The Board has an Audit Committee which discharges its duties objectively**

---

#### **Provisions 10.1 and 10.2**

As at the date of this report, the AC currently comprises of three members, all of whom are Non-Executive Independent Directors:

- (1) Mr Simon Poh Siew Beng (Chairman)
- (2) Mr Hong Yong
- (3) Mr Foo Chee Meng

The AC is established to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal control. The Board is of the opinion that the members of the AC possess the necessary qualifications and relevant accounting or related financial management expertise or experience in discharging their duties. The details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

During FY2021, the AC members have met four (4) times and the details of attendance are disclosed in the table reflected under Provision 1.5.

The AC is governed by its terms of reference, which was reviewed and amended, where appropriate, to adopt relevant best practices set out in the Code. The key functions of the AC include:

- 1. assisting the Board in discharging its statutory responsibilities on financial and accounting matters;
- 2. reviewing the financial and operating results and accounting policies of the Group;

# CORPORATE GOVERNANCE REPORT

3. reviewing significant financial reporting issues and judgments relating to financial statements for each interim and annual results announcement before submission to the Board for approval;
4. reviewing and reporting to the Board annually on the adequacy of the Company's internal controls (financial, operational, compliance and information technology) and risk management policies and systems established by the management;
5. reviewing the audit plans and reports of the external auditors and consider the effectiveness of the actions taken by the management on the auditors' recommendations;
6. appraising and reporting to the Board on the audits undertaken by the external auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;
7. reviewing the independence of external auditors annually, and considers the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the external auditors, and approves the remuneration and terms of engagement of the external auditors;
8. reviewing interested person transactions, as defined in the Listing Rules of the SGX-ST;
9. reviewing the remuneration of employees who are related to the Company's directors or substantial shareholders; and
10. reviewing the effectiveness of the Company's internal audit function.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director and/or member of Management to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

The AC, having reviewed the scope and value of non-audit services provided to the Company by the external auditors, are satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Directors the nomination of RT LLP, Singapore for re-appointment as external auditors of the Company at the forthcoming AGM for FY2021.

The Company has paid the following aggregate amount of fees to the external auditors for services rendered during FY2021:

<b>Fees to External Auditors</b>	<b>2021 RMB'000</b>	<b>2020 RMB'000</b>
Audit services	745	750
Non-audit service	0	0
Total	745	750

Pursuant to Rule 716 of the Listing Rules, the AC and the Board are satisfied that the appointment of Changzhou Xinhuarui United Certified Public Accountants, a firm of Certified Public Accountants, registered in the People's Republic of China to audit the statutory financial statements of CZ3D would not compromise the standard and effectiveness of the audit of the Company.

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. Any employee can write to [whistleblowing@shanghaiturbo.com](mailto:whistleblowing@shanghaiturbo.com), which is only accessible by members of the AC. The details of the whistle-blowing policies and arrangements have been made available to all employees and on the Company's website at [www.shanghaiturbo.com](http://www.shanghaiturbo.com).

The AC addresses issues and/or concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues and/or concerns received by it, at the ensuing

# CORPORATE GOVERNANCE REPORT

---

Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external parties, where necessary, who have the required skills and expertise to conduct the relevant investigations. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

For FY2021 and up to the date of this report, there were no complaints, concerns or issues received by the AC.

## **Provision 10.3**

None of the AC members including their respective immediate family members were previous partners or directors of the Company's external audit firm within the last two(2) years and none of the AC members hold any financial interest in the existing external audit firm engaged by the Company."

## **Provision 10.4**

### **Internal Audit**

The Board recognises the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Company to safeguard shareholders' investments and the Company's assets. The AC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditors meet or exceeds the standards set by nationally or internationally recognised professional bodies. The AC also reviews and approves the hiring, removal and evaluates its outsourced internal auditors.

The internal auditors have unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC.

Based on the audit reports and management controls in place and having regard to the scope and nature of the Company's current operations, the AC is satisfied that the internal control systems (including financial, operational, compliance and information technology controls) provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable. In the course of their statutory audit, the Company's external auditors will highlight any material internal control weaknesses which have come to their attention in carrying out their normal audit, which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the AC.

In FY2021, the AC has reviewed and approved the internal audit plan to ensure the adequacy of the scope of audit, the internal auditor's reports, and proposed follow-up actions implemented by the Management and has noted that the necessary co-operation required from the Management has been provided to enable the internal auditors to perform its function effectively. In addition, the experience of the internal auditors has been reviewed, including the assigned engagement personnel's experience and is satisfied that the internal auditors are adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively. As such, the AC is of the view that the internal audit function of the Company is independent, effective and adequately resourced for FY2021.

## **Provision 10.5**

During FY2021, the Company's internal and external auditors were invited to attend the AC meetings and make presentations as appropriate. The AC meets with the Company's internal and external auditors without the presence of Management at least annually.

---

## **SHAREHOLDER RIGHTS AND ENGAGEMENT**

### **Shareholder Rights and Conduct of General Meetings**

**Principle 11:** The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

# CORPORATE GOVERNANCE REPORT

---

## ***Provision 11.1***

The Company believes in timely, fair and adequate disclosure of relevant information to shareholders and investors so that they will be apprised of developments that may have a material impact on the Company's securities. The Company does not practise selective disclosure. All information of the Company is published through the SGXNet.

All shareholders are treated fairly and equitably to facilitate their ownership rights to participate effectively in and vote at general meetings. Shareholders are informed of general meetings through notices published in the newspaper, the Company's announcements via SGXNet and the reports/circulars sent to all shareholders. All resolutions tabled at general meetings are put to vote by poll voting, where appropriate. Shareholders are also informed on the procedures for the poll voting at the general meetings.

The Company's Articles allow a shareholder, who is unable to attend the general meeting in person, to appoint up to two (2) proxies to attend and vote at the meeting in place of the member. The Company also allows The Central Depository (Pte) Limited or other corporations which provide nominee or custodial services to appoint more than two proxies to attend general meetings of the Company so that shareholders will have the opportunity to participate effectively in and vote at general meetings.

## ***Provision 11.2***

The Board notes that there should be separate resolutions on each substantially separate issue that may be tabled at the general meeting. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions.

## ***Provision 11.3***

At the AGM, under usual circumstances, shareholders are given opportunities to express their views and the Board welcomes the views of shareholders who wish to raise issues concerning the Company, either informally or formally before or during these general meetings. The Board, Management, and members of the respective Board Committees will be present and available to address any relevant questions that the shareholders may have. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries raised by our shareholders relating to the conduct of the audit and the preparation and content of the auditors' report. Directors' attendance at the general meetings of the Company can be found on page 14 of this Annual Report.

General meetings have been and still are the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or input and address shareholders' concerns at general meetings. The Company welcomes shareholders to visit the factory of operating subsidiary located in Changzhou, to gain a better understanding of its operations.

## ***Provision 11.4***

The Company's Articles does not allow for absentia voting at general meetings and the Company has not implemented any measures to allow shareholders who are unable to vote in person at the AGM the option to vote in absentia, whether by way of mail, electronic mail, facsimile transactions or otherwise as the authentication of shareholder identity and other related security issues still remain a concern.

## ***Provision 11.5***

The proceedings of the general meetings will be properly recorded, including all comments and/or queries from shareholders relating to the agenda of the meeting and responses from the Board, Management or external auditors to such comments and/or queries. All minutes of general meetings will be posted on the Company's website as soon as practicable. The Company also ensures that all material information relating to the Group is disclosed in an accurate and timely manner through publication on the SGX-ST. In addition, the minutes of the AGM in respect of FY2021 would be released on the company's website and

# CORPORATE GOVERNANCE REPORT

on the SGX-ST's website within one (1) month from the date of the AGM, in accordance with the COVID-19 (Temporary Measures) Order 2020.

## **Provision 11.6**

The Company does not have a concrete dividend policy at present. The Company has consistently declared dividends in each calendar year since 2009 except for 2017, 2018, 2019 and 2020. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other macroeconomic and internal factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

Having considered that the Group remains loss-making, the Board has therefore recommended that no dividends be declared for FY2021.

## **Engagement with Shareholders**

---

**Principle 12:** The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

---

## **Provision 12.1**

The Company recognises the importance of actively engaging with shareholders to promote effective and fair communication. The Board acknowledges that the Company has to fulfill its obligation to furnish timely and material information to shareholders and to ensure full and appropriate disclosure of such information is made for complying with statutory requirements as well as rules prescribed under the Listing Rules. Any price sensitive information will be publicly released through on SGXNet.

To keep all shareholders of the Company informed on various announcements of the Company, the shareholders can access the Company's announcements and annual reports through the SGXNet.

## **Provisions 12.2 and 12.3**

Although the Company has not adopted a formal investor relations policy to regularly convey pertinent information to the shareholders, the Board acknowledges its obligation to furnish timely information to shareholders and ensures that full disclosure of material information in its Annual Report to comply with statutory requirements and the Listing Rules is made. By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company focuses on facilitating the communications with all stakeholders, shareholders, analysts and media on a regular basis, attending to their queries or concerns as well as keeping the investors publicly apprised of the Company's corporate developments and financial performance.

## **MANAGING STAKEHOLDERS RELATIONSHIPS**

### **Engagement with Stakeholders**

---

**Principle 13:** The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

---

## **Provisions 13.1 and 13.2**

The Board considers the Company's obligations to its shareholders and also the interests of its material stakeholders as the relationships with material stakeholders may have an impact on the Company's long-

# CORPORATE GOVERNANCE REPORT

term sustainability. Stakeholders are parties who may be affected by the Company's activities or whose actions can affect the ability of the Company to conduct its activities. The Board has identified and engaged its material stakeholder groups as customers, constructors, suppliers, employees, landlords, investors, media, government, institutions and the communities.

## **Provision 13.3**

To keep all stakeholders of the Company updated, the Company maintain a current corporate website on the latest announcements of the Company.

## **DEALINGS IN SECURITIES**

The Company has adopted its own internal compliance code of best practices on dealing in the securities of the Company with regard to dealings in the Company's securities in compliance with Rule 1207(19) of the Listing Rules.

In compliance with the Listing Rules, the Company, all Directors, officers and employees are prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Company's quarterly results and one month prior to the announcement of the Company's full year results and ending on the date of announcement of the results. All Directors, officers and employees are prohibited from dealing in the Company's shares on short term consideration.

All Directors and those who are in possession of price sensitive information are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period.

## **INTERESTED PERSON TRANSACTIONS**

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. All interested person transactions are subject to review by the AC to ensure compliance with the established procedures.

Pursuant to Rule 907 of the Listing Rules, the aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Rules) are as follows:-

<b>Name of interested Person</b>	<b>Nature of relationship</b>	<b>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</b>
Loan to major shareholder, holding 26.99%, Liu Ming	Shareholder	RMB4,106,784	NA

The Group has not obtained a general mandate from shareholders for interested person transactions. All interested person transactions are subject to review by the Board and the AC.

## **MATERIAL CONTRACTS**

There were no material contracts made by the Company involving the interest of any Director or controlling shareholder of the Company which are either still subsisting at the end of the financial year or if not then

# CORPORATE GOVERNANCE REPORT

subsisting, entered into since the end of the previous financial year.

## SUSTAINABILITY REPORTING

The Company had published its sustainability report for the financial year ended 31 December 2021 on a standalone basis on 30 May 2022.

## USE OF PLACEMENT PROCEEDS

On 24 May 2021, the Company issued 3,051,527 new ordinary shares via share placement to one investor at an issue price of SGD0.423 per share, raising gross proceeds of approximately SGD1,290,795.92 (the "Placement"). The estimated net proceeds from the Placement (after deducting professional fees and related expenses of approximately S\$55,375) is approximately S\$1,235,420.92.

As at the date of this report, the status on the use of the net proceeds is as follows:

Description	SGD	RMB	HKD
Net proceeds raised as at 25 May 2021	1,235,420.92	5,968,194.92 <sup>(1)</sup>	7,224,741.54 <sup>(1)</sup>
Amount utilised as at the date of this report	1,235,420.92	5,968,194.92	7,224,741.54
Balance net proceeds as at the date of this report	-	-	-

### Notes:

(1) The calculation is based on the Monetary Authority of Singapore's ("MAS") exchange rates as at 25 May 2021 with SGD1 = RMB4,8309 and SGD1 = HKD5.848

# CORPORATE GOVERNANCE REPORT

**TABLE A**

The Directors named below is retiring at the forthcoming AGM and being eligible, offered themselves for re-election at the upcoming AGM:

<b>Name of retiring Director</b>	<b>Mr Zhang Wenjun</b>	<b>Dr Daniel Liu Danjun</b>
Date of appointment	01 September 2021	1 May 2016
Date of last re-appointment	30 June 2020	30 June 2020
Age	52	53
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board is of the view that Mr Zhang has the requisite experiences and capability to assume the director role and his appointment will be beneficial to Shanghai Turbo Enterprises Ltd and subsidiary companies.	The Board has reviewed the credential of Dr Daniel Liu Danjun and has approved the Nominating Committee's recommendation of the appointment of Dr Liu Danjun as Non-Executive Non-Independent Director.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive Non-Independent Director	Non-Executive Non-Independent Director
Job title	Nominating Committee Member	Nominating Committee Member
Professional qualifications	Bachelor of Engineering Degree, Xian Jiao Tong Technological University  MBA Macau International Public University	Ph.D in Electrical Engineering and Automation  Master's and Bachelor's Degrees in Material Science and Engineering  Harbin Institute of Technology (China)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7))	Yes	Yes
Working experience and occupation(s) during the past 10 years	General Manager - Shanghai Branch of Ping An Securities Company Ltd  Assistant President - Shanghai Branch and Shenyang Branch of Ping An Bank Limited	Dr Daniel Liu Danjun started his career as a Research Associate Professor at Beijing University of Technology's Department of Automation, before moving to Intel's China Research Centre as a Senior Researcher for Human-Computer Interaction Technology. Thereafter, he held technical and sales positions at electronics and

# CORPORATE GOVERNANCE REPORT

		technology companies, and various industry groups, as well as being Chairman for a number of technology companies. Dr Liu has a PhD in Electrical Engineering and Automation, as well as Master's and Bachelor's Degrees in Material Science and Engineering, from the Harbin Institute of Technology.
Shareholding interest in the listed issuer and its subsidiaries	No	No
Shareholding details		
Past (for the last 5 years)	No	No
Present	No	No
Information Required Pursuant to Listing Rule 704(7)		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

# CORPORATE GOVERNANCE REPORT

<p>(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?</p>	<p>No</p>	<p>No</p>
<p>(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?</p>	<p>No</p>	<p>No</p>
<p>(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?</p>	<p>No</p>	<p>No</p>
<p>(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?</p>	<p>No</p>	<p>No</p>
<p>(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the</p>	<p>No</p>	<p>No</p>

# CORPORATE GOVERNANCE REPORT

management of any entity or business trust?		
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

# CORPORATE GOVERNANCE REPORT

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
If Yes, please provide details of prior experience.	He was a Non-Executive and Non-Independent Director of the Company for the period from 9 June 2020 to 13 January 2021.	1 May 2016 - Present Shanghai Turbo Enterprises Ltd., Non-Executive Non-Independent Director
If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange	-	-
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Mr Zhang Wenjun has attended the courses of LED 1 to LED 8	Dr Daniel Liu Danjun has attended the courses of LED 1 to LED 8

# DIRECTORS' STATEMENT

---

The directors present their statement to the members together with the audited financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2021 and the statement of financial position of the Company as at 31 December 2021.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2021 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

## Directors

The directors of the Company in office at the date of this statement are as follows:

Hong Yong  
Simon Poh Siew Beng  
Foo Chee Meng  
Daniel Liu Danjun  
Zhang Wenjun (appointed on 1 September 2021)

## Directors' interests in shares or debentures

None of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2022.

## Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

# DIRECTORS' STATEMENT

---

## Audit committee

The members of the Audit Committee are as follows:

Simon Poh Siew Beng (Chairman)	Non-Executive Independent Director
Hong Yong	Non-Executive Independent Director
Foo Chee Meng	Non-Executive Independent Director

The Audit Committee carried out its functions in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditors;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2021 prior to their submission to the Board of Directors, as well as
- the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent auditors, RT LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

# DIRECTORS' STATEMENT

---

## Independent auditor

The independent auditor, RT LLP, has expressed its willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors



**HONG YONG**  
Director

21 December 2022



**SIMON POH SIEW BENG**  
Director

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD.  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

**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 2021, 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 2021, the Group's and the Company's net current liabilities exceeded their current assets by RMB 1,034,000 and RMB 30,269,000 respectively. Additionally, the Group incurred a net loss of RMB 10,660,000 for the year then ended. 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; and obtaining new loans from bank. 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.

**RT LLP**  
**Chartered Accountants**  
UEN : T08LL0811J

**RT ASEAN Pte Ltd**  
**Head Office**  
UEN : 201537050N

**RT Advisory Pte Ltd**  
UEN : 201510979W

**RT Links Pte Ltd**  
UEN : 201542866E

**RT Academy Pte Ltd**  
UEN : 201527798R

**RT International Advisory Pte Ltd**  
UEN : 201726206W

+65 62260080

info@rtasean.com

RT@Shenton

70 Shenton Way, #07-15 Eon Shenton, Singapore 079118

RT ASEAN Singapore : [www.rtasean.sg](http://www.rtasean.sg) RT ASEAN : [www.rtasean.com](http://www.rtasean.com)

Founding Member of RT ASEAN and Independent Member of BKR International

Singapore China Egypt India Indonesia Qatar South Korea Taiwan UAE Vietnam

Financial Digital Legal





**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD.  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

---

***Basis for Disclaimer of Opinion (Continued)***

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.

2. Impairment testing on property, plant and equipment

As at 31 December 2021, the carrying amounts of the Group's property, plant and equipment amounted to RMB53,199,000, 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 2021, 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 2021.

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 RMB161,889,000 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 2020, which form the basis for the comparative figures presented in the current year's consolidated financial statements, was disclaimed by us because of the following matters which remain unresolved in the current financial year ended 31 December 2021:

- 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 2020. 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 2021 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 2021**

---

***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, 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.

DocuSigned by:  
  
 8712BEF07E9843A...

**RT LLP**  
 Public Accountants and  
 Chartered Accountants  
 Singapore

21 December 2022

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	Group		Company	
		2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	4	60,318	55,409	60,318	55,409
Share premium	5	79,803	78,470	79,803	78,470
		140,121	133,879	140,121	133,879
<b>Other reserves</b>					
Statutory reserve	6	30,526	30,526	–	–
Translation deficit		(3,678)	(3,456)	(330)	(112)
		26,848	27,070	(330)	(112)
Accumulated losses		(107,102)	(96,442)	(8,171)	(6,000)
<b>TOTAL EQUITY</b>		<b>59,867</b>	<b>64,507</b>	<b>131,620</b>	<b>127,767</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	53,199	61,400	–	–
Right-of-use assets	8	8,814	9,055	–	–
Subsidiaries	9	–	–	161,889	156,236
Intangible assets	10	–	–	–	–
<b>Current assets</b>					
Inventories	11	10,600	7,773	–	–
Trade receivables	12	36,486	22,953	–	–
Other receivables, deposits and prepayments	13	5,257	824	–	–
Cash and cash equivalents	14	5,731	3,811	10	1,392
		58,074	35,361	10	1,392
<b>TOTAL ASSETS</b>		<b>120,087</b>	<b>105,816</b>	<b>161,899</b>	<b>157,628</b>

The accompanying notes are an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	Group		Company	
		2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables	15	29,088	17,685	-	-
Other payables and accruals	16	8,157	8,419	2,100	1,681
Provision	29	4,373	4,373	-	-
Bank loans	18	17,490	9,497	-	-
Due to subsidiaries (non-trade)	19	-	-	28,179	28,180
Deferred tax liability	20	-	-	-	-
		59,108	39,974	30,279	29,861
<b>Non-current liabilities</b>					
Deferred government grants	17	1,112	1,335	-	-
		1,112	1,335	-	-
<b>TOTAL LIABILITIES</b>		60,220	41,309	30,279	29,861
<b>NET ASSETS</b>		59,867	64,507	131,620	127,767

The accompanying notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2021 RMB'000	2020 RMB'000
<b>Revenue</b>	21	62,556	34,273
Cost of sales		(47,780)	(38,174)
Gross loss		14,776	(3,901)
Other operating income	22	4,834	2,760
Selling and distribution expenses		(3,544)	(2,641)
Administrative expenses		(24,965)	(23,839)
Other operating expenses		(128)	(46)
Finance costs		(1,633)	(1,561)
Impairment loss on financial assets	31 (iii)	-	-
<b>Loss before income tax</b>	25	(10,660)	(29,228)
Income tax expenses	26	-	-
<b>Loss for the year</b>		(10,660)	(29,228)
<b>Other comprehensive income</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
- Currency translation differences arising from consolidation		(222)	(101)
<b>Total comprehensive loss for the year, representing loss attributable to equity holders of the Company</b>		(10,882)	(29,329)
<b>Loss per share (cents)</b>			
Basic and diluted	27	(34.93)	(106.41)

The accompanying notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Attributable to equity holders of the Company					Total equity RMB'000
	Share capital RMB'000 (Note 4)	Share premium RMB'000 (Note 5)	Statutory reserve RMB'000 (Note 6)	Translation deficit RMB'000	Accumulated losses RMB'000	
<b>Balance at 1 January 2020</b>	55,409	78,470	30,526	(3,355)	(67,214)	93,836
Loss for the year	-	-	-	-	(29,228)	(29,228)
<u>Other comprehensive loss, net of tax</u>						
Currency translation differences arising from consolidation	-	-	-	(101)	-	(101)
Total comprehensive loss for the year	-	-	-	(101)	(29,228)	(29,329)
<b>Balance at 31 December 2020</b>	55,409	78,470	30,526	(3,456)	(96,442)	64,507
<b>Balance at 1 January 2021</b>	55,409	78,470	30,526	(3,456)	(96,442)	64,507
Issue of share capital	4,909	1,333	-	-	-	6,242
Loss for the year	-	-	-	-	(10,660)	(10,660)
<u>Other comprehensive loss, net of tax</u>						
Currency translation differences arising from consolidation	-	-	-	(222)	-	(222)
Total comprehensive loss for the year	-	-	-	(222)	(10,660)	(10,882)
<b>Balance at 31 December 2021</b>	60,318	79,803	30,526	(3,678)	(107,102)	59,867

The accompanying notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2021 RMB'000	2020 RMB'000
<b>Cash flows from operating activities</b>			
Loss before income tax		(10,660)	(29,228)
Adjustments:			
(Reversal of)/impairment loss on trade receivables	12	(2,102)	1,688
Depreciation of property, plant and equipment	7	10,886	12,864
Amortisation of intangible assets	10	-	372
(Gain)/loss on disposal of property, plant and equipment	22	42	(26)
Interest income	22	(151)	(53)
Amortisation of deferred government grants	22	(223)	(223)
Amortisation of right-of-use of assets	23	241	241
Foreign exchange loss, net		-	217
Interest expenses		1,633	1,143
Operating loss before working capital changes		(334)	(13,005)
Inventories		(2,827)	(4,923)
Trade and other receivables		(11,864)	6,438
Trade and other payables		11,141	12,751
Cash (used in) /generated from operations		(3,884)	1,261
Interest income received		45	53
Net cash (used in) /generated from operating activities		(3,839)	1,314
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(2,787)	(57)
Proceeds from disposal of property, plant and equipment		60	292
Loan to a shareholder		(4,000)	-
Interest income from loan to a shareholder	22	106	-
Net cash (used in)/generated from investing activities		(6,621)	235

The accompanying notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2021 RMB'000	2020 RMB'000
<b>Cash flows from financing activities</b>			
(Placement)/withdrawal of pledged deposits	14	(4,590)	440
Loan from banks		30,480	9,500
Repayment of bank loans		(22,487)	(13,303)
Interest expenses paid		(1,633)	(1,143)
Proceeds from issuance of shares		6,242	-
Net cash generated from/(used in) financing activities		<u>8,012</u>	<u>(4,506)</u>
<b>Net decrease in cash and cash equivalents</b>		(2,448)	(2,957)
<b>Cash and cash equivalents at beginning of year</b>		3,222	6,304
<b>Effects of exchange rate changes in cash and cash equivalents</b>		(222)	(125)
<b>Cash and cash equivalents at end of year</b>	14	<u>552</u>	<u>3,222</u>

The accompanying notes are an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL INFORMATION

Shanghai Turbo Enterprises Ltd. (the “Company”) is a limited liability company domiciled and incorporated in the Cayman Islands and listed on the Main Board of the Singapore Exchange Securities Trading Limited. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is located at No.9, Yinghua Road, Zhonglou Economic Development Zone, Changzhou City, Jiangsu Province, 213016 the People’s Republic of China (“PRC”).

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are shown in Note 11.

The financial statements for the financial year ended 31 December 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 5 October 2022.

## 2. FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2021, the Group’s and the Company’s net current liabilities exceeded their current assets by RMB3,080,000 and RMB30,270,000 respectively (2020: Group’s net current liabilities of RMB4,613,000 and Company’s net current liabilities of RMB28,469,000). Additionally, the Group and the Company incurred net losses of RMB12,762,000 and Company’s profit of RMB2,171,000 respectively for the year then ended (2020: Group’s loss of RMB29,522,000 and Company’s loss of RMB913,000). The Group’s cash and cash equivalents balance were continuously lower than the outstanding balance of bank loans by RMB7,441,000 (2020: lower by RMB5,686,000). These facts and circumstances indicate the existence of material uncertainties that may cast significant doubts over the ability of the Group and of the Company to continue as going concerns.

Notwithstanding the above, the accompanying financial statements have been prepared on a going concern basis. Management’s assessment of the Group’s and the Company’s ability to continue as going concerns are based on the following key assumptions:

- (i) PRC has its plan of peaking carbon dioxide emissions in 2030. In the “14th Five-Year Plan”, the new coal power generation focuses on the control of quantity and efficiency, while continuing to shut down backward coal power units with emissions and energy efficiency not up to the standard, the total amount is controlled at 1.1 billion Kilowatt. Therefore, the thermal power market still has certain growth space, at the same time, PRC increases the development and utilization of clean energy such as hydropower and wind energy, which brings broad space for the development of the Group’s subsidiary in PRC, Changzhou 3D Technological Complete Set Equipment Co., Limited (“Changzhou 3D”);
- (ii) Changzhou 3D focus on the development of new customers, reduce the business dependence on key accounts, so as to reduce the operating risk;
- (iii) Changzhou 3D continuously improve the ways and methods of enterprise operation and management to achieve cost reduction ,efficiency increase, added-value of products increase. Achieve the goal of sustainable development of enterprises;
- (iv) due to the improvement of Changzhou 3D’s operating performance, the subsidiary company was recognized by the cooperative banks and they increased the bank line of credit to the company, so that the subsidiary company had sufficient working capital to obtain more orders, thus achieving a stable growth of sales;

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 2. FUNDAMENTAL ACCOUNTING CONCEPT (Continued)

- (v) Although Changzhou 3D was in a state of loss in recent years, while its sales has gradually increased by every year, the subsidiary company has sufficient working capital to guarantee its operation and development;
- (vi) Changzhou 3D will focus on research and development in the future, and formulate a development strategy that new product development and market expansion are equally important. Based on the subsidiary company's existing Computerised Numerical Control machine tools and abundant human resources, it will expand a new incremental market for the subsidiary company's development; and
- (vii) the Group has met the bank officers of and obtaining 2 new non-secured loans amounting to RMB5 million on 30 March 2022 and RMB4.5 million on 31 March 2022 with interest rate of 4.7% per annum. The directors of the Company are in the view of the Group is able to maintain and work on improving its liquidity position for the continuing operational existence of the Changzhou 3D.

If the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may 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 currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities to current assets and liabilities respectively and to provide for further liabilities which may arise. The financial statements do not include any adjustment which may arise from these uncertainties.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the International Financial Reporting Standards (“IFRS”). The financial statements are presented in Chinese Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) as indicated, unless otherwise stated.

The preparation of the financial statements in conformity with IFRS requires management to exercise its judgement, in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

### Adoption of new and revised standards

On 1 January 2021, the Group adopted the new or amended IFRS and Interpretations of IFRS (“IFRIC”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC. The adoption of these new or amended IFRS and IFRIC did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Standards issued but not yet effective that are relevant to the Group

The Group has not adopted the following amendments to standards applicable to the Group that have been issued but not yet effective:

Descriptions	Effective for annual periods beginning on or after
Amendments to IFRS 3: <i>Reference to Conceptual Framework</i>	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2024

The directors expect that the adoption of the above amendments to standards will have no material impact on the financial statements in the year of initial adoption.

### Group accounting

#### Subsidiaries

##### (a) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- had power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- had power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Group accounting (Continued)

#### Subsidiaries (Continued)

##### (a) *Basis of consolidation (Continued)*

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- The size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Group accounting (Continued)

#### Subsidiaries (Continued)

##### (b) *Acquisition of businesses*

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be premeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are premeasured to fair value at the acquisition date and any corresponding gain or loss is recognized in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognize them either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognized directly in profit or loss as a bargain purchase.

##### (c) *Disposals of subsidiaries or businesses*

The assets and liabilities of the subsidiary, including any goodwill, are derecognized when a change in the Company’s ownership interest in a subsidiary result in a loss of control over the subsidiary. Amounts recognized in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is premeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognized in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company’s statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognized in profit or loss.

### Currency translation

#### (i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are presented in Chinese Renminbi (“RMB”), which is the functional currency of the Company.

#### (ii) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognized in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognized initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

#### (iii) Translation of the Group’s financial statements

The assets and liabilities of foreign operations are translated into Chinese Renminbi at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognized in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognized includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognizes such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognized in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Construction in progress includes all cost of construction and other direct costs. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

Construction in progress are not depreciated. All other items of property, plant and equipment are depreciated using the straight-line method to write off the cost of the assets less estimated residual value over their estimated useful lives as follows: -

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Leasehold buildings	5 to 20	10
Plant and machinery	2 to 10	10
Office equipment	2 to 5	10
Motor vehicles	4 to 5	10
Renovation	3	–

The residual value, estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognized in the profit or loss within “other operating income / (expenses)”.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and are recognized in profit or loss in the year in which the expenditure is incurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (Continued)

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

#### *Acquired computer software licenses*

Computer software licenses were acquired separately and are amortized on a straight line basis over its finite useful life of 2 years.

### Right-of-use assets

The right of use assets which comprise only land use right, is initially measured at cost. Following initial recognition, land use right is measured at cost less accumulated amortization and accumulated impairment losses. The land use right is amortized on a straight-line basis over the remaining lease term of 36 years as at 1 January 2021.

### Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets (Continued)

Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is written back only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously. Such write back is recognized in the profit or loss.

### Financial assets and liabilities

#### (i) Initial recognition and measurement

Trade receivables are initially recognized when they are originated. Other financial assets and financial liabilities are recognized on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables without financing component is initially measured at the transaction price in accordance with IFRS 15. Other financial assets or financial liabilities are initially recognized at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

#### (ii) Classification and subsequent measurement

##### Financial assets

Financial assets are classified and subsequently measured at amortized cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets, at the following categories:

- Amortized costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets and liabilities (Continued)

#### (ii) Classification and subsequent measurement (Continued)

##### Financial assets (Continued)

##### *Financial assets at amortized costs*

Unless designated at FVPL, financial assets are measured at amortized costs if:

- It is held within a business model with an objective to hold the assets to collect contractual cash flows; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets, mainly trade and other receivables including amount due from related parties, pledged bank deposits, cash and cash equivalents, are subsequently measured at amortized costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

##### *Debt investments at FVOCI*

Unless designated at FVPL, a debt investment is measured at FVOCI if:

- It is held within a business model with objectives of both collecting contractual cash flows and selling financial assets; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognized in profit or loss. Other net gains and losses (including changes in fair value) are recognized in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition. The Group does not hold such financial assets as at 31 December 2021 and 1 January 2021.

##### *Equity investments at FVOCI*

Unless held-for-trading, the Group may irrevocably elect on initial recognition, on an investment-by-investment basis, to present subsequent changes of fair value of the equity investments in OCI.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses (including changes in fair value) are recognized in OCI which will never be reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets and liabilities (Continued)

#### (ii) Classification and subsequent measurement (Continued)

##### Financial assets (Continued)

##### *Financial assets at FVPL*

All financial assets not at amortized cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI to be measured at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would otherwise arise.

Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis would be mandatorily measured at FVPL.

These assets are subsequently measured at fair value. Net gains or losses, including any interest income or dividend income are recognized in profit or loss.

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortized cost.

##### Financial liabilities

Financial liabilities are subsequently measured at amortized costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortized costs are subsequently measured at amortized costs using the effective interest rate method. Interest expense and foreign exchange differences are recognized in profit or loss. These financial liabilities mainly comprise trade and other payables including amount due to related parties, and loans and borrowings.

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognized in profit or loss. Directly attributable transaction costs are recognized in profit or loss as incurred.

As at the reporting date, the Group does not have other categories of financial liabilities except for financial liabilities at amortized cost.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets and liabilities (Continued)

#### (iii) Derecognition

##### Financial assets

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognized in profit or loss.

All regular way purchases and sales of financial assets are recognized or derecognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

##### Financial liabilities

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognized in profit or loss.

#### (iv) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### Impairment of financial assets

The Group applies impairment model in IFRS 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

- Financial assets at amortized costs (including trade and other receivables and pledged bank deposits)
- Contract assets (determined in accordance with IFRS 15)
- Debt investments at FVOCI
- Intragroup financial guarantee contracts

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortized costs.

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

#### *Simplified approach*

The Group applies simplified approach to all trade receivables. Impairment loss allowance is measured at lifetime ECL, which represents ECLs that result from all possible default events over the expected life of a financial instrument (‘life-time ECL’). In view that the Group only deals with small number of customers, the Group performs ECL assessment on an individual basis. The Group uses qualitative and quantitative information like profile of customers, historical credit loss experience, payment trends, trading history, taking into account industrial norm and whether there is any dispute with customer, and adjust for forward-looking information specific to the customers, in measuring the ECL.

#### *General approach*

The Group applies general approach on all other financial instruments, mainly deposits, and recognizes a 12-month ECL on initial recognition. 12-months ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter.

Impairment loss allowance or write back are recognized in profit or loss. Loss allowance on financial assets at amortized cost and contract assets are deducted from the gross carrying amount of those asset.

#### Credit-impaired

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### Significant increase in credit risk (Stage 2)

For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment loss allowance is measured at life-time ECL. When a financial asset is determined to have a low credit risk at reporting date, the Group assumes that there has been no significant increase in credit risk since initial recognition. For other cases, the Group uses reasonable and supportable forward-looking information available without undue cost or effort to determine, at each reporting date, whether there is significant increase in credit risk since initial recognition. In assessing whether there has been significant increase in credit risks, the Group takes into account factors such as:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor’s ability to meet its debt obligations;
- actual or expected significant adverse change in the regulatory, economic, or technological environment that are expected to cause a significant change in the debtor’s ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the debtors.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

If credit risk has not increased significantly since initial recognition or if the credit quality improves such that there is no longer significant increase in credit risk since initial recognition, loss allowance is measured at 12-month ECL.

#### Definition of default

The Group considers a financial asset to be in default when the counterparties are unlikely to pay its credit obligation in full, without recourse by the Group.

The Group considers a contract asset to be in default when the customer is unlikely to pay the contractual obligations to the Group in full without recourse by the Group.

#### Write-off policy

The Group writes off the gross carrying amount of a financial asset to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories

Inventories are stated at the lower of cost and net realizable value. Raw materials comprise purchase cost accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Where necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realizable value.

### Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

### Provisions

A provision is recognized when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required for the Group to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is written back. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### Share capital

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

### Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from contracts with customers (Continued)

When contracts contain multiple performance obligations such as freight and insurance, the Group allocates the transaction price to the performance obligations in proportion of the relative stand-alone selling price:

- Revenue from sale of goods is recognized upon transfer of control to the customers, usually being when the goods have been delivered to customers and the acceptance criteria is met (either the customer has accepted the goods in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.) The Group normally invoices the customers upon customers’ acceptance of the goods with 90 days’ credit term.

### Other revenue

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable

### Employees’ benefits

#### (i) Retirement benefits

The subsidiary, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under the existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary’s employees.

Obligations for contributions to defined contribution retirement plans are recognized as an expense in the period in which the related service is performed.

#### (ii) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

### Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortized costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorized for issue.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Income tax

#### (i) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising on investment in subsidiary, except where the Group is able to control the write back of the temporary difference and it is probable that the temporary difference will not write back in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets or liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### (ii) Value-added-tax (“VAT”)

The Group’s sales of goods in the PRC are subjected to VAT at the applicable rate of 16% from 1 May 2018 onwards (before 1 May 2018: 17%) for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other receivables” or “Other payables” in the statement of financial position. The Group’s export sales are not subjected to VAT.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government grants and deferred capital grant

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognized as deferred government grant on the statement of financial position and is amortized to profit or loss over the expected useful life of the relevant asset on a straight line basis.

### Related parties

A related party is defined as follows:

- (a) A person or a close member of that person’s family is related to the Group and the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, excluding cash deposits pledged for a period of more than three months. Cash and cash equivalents are short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

### Critical accounting estimates, assumptions and judgements

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (a) *Impairment of non-financial assets*

Non-financial assets are tested for impairment as there are indicators that the carrying amounts may not be recoverable due to recent operating losses for the past 4 years.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or cash generating unit by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, management uses the value estimated by professional valuers to determine the fair values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions.

The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets and key assumptions used in estimating recoverable amounts are disclosed in Notes 7, 8 and 10 to the financial statements.

##### (b) *Impairment on investment in subsidiaries*

Investment in subsidiaries are tested for impairment as there are indicators that the carrying amounts may not be recoverable due to recent operating losses for the past 4 years. This requires an estimation of the recoverable amount of the cash generating units. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts and key assumptions used in estimating recoverable amounts are disclosed in Note 9 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Critical accounting estimates, assumptions and judgements (Continued)

#### (i) Critical accounting estimates and assumptions (Continued)

##### (c) *Impairment of financial assets*

Impairment allowance for financial assets measured at amortized costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions, and measures ECL on trade receivables on individual basis, using information such as profile of customers, historical credit loss experience, payment trends, trading history, business practices in the PRC and adjusting for forward-looking information specific to the customers. In assessing the probability of default, the Group also considers the industry norm, and whether there is any dispute with the customer. As the Group and Company does not hold any collateral to the financial assets, the expected loss rates will be the full amount of the financial assets if there is high risk of default.

The carrying amounts and further details of the key assumptions for the ECL assessment are disclosed in Note 31 (iii) to the financial statements.

##### (d) *Net realisable values of inventory*

An assessment of net realizable values is made periodically on inventory for excess inventory, obsolescence and declines in net realizable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products and assess the net realizable value by taking into consideration the status of the sales contracts, the gross loss margins recorded during the year, the historical trend of replacement items sales. This process is subject to estimation uncertainty as it involves estimation of future events. Possible changes in these estimates could result in revisions to the valuation of inventory.

As disclosed in Note 11, the net carrying amount of inventories of the Group as at 31 December 2021 is RMB10,600,000 (2020: RMB7,773,000).

##### (e) *Useful lives of plant and machinery*

The cost of plant and machinery for the manufacture of precision vane products are depreciated on a straight-line basis over the plant and machinery’s estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 2 to 10 years and the residual values to be 10% of the cost of these assets. These are common life expectancies and residual values applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group’s plant and machinery at 31 December 2021 was approximately RMB43,860,000 (2020: RMB50,419,000) (Note 7).

#### (ii) Critical judgements in applying the entity’s accounting policies

The management is of the opinion that any instances of judgements, other than those arising from the estimates described above, are not expected to have significant effect on the amounts recognized in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 4. SHARE CAPITAL

	Group and Company			
	2021	2020	2021	2020
	Number of ordinary shares at US\$0.25 each		US\$’000	US\$’000
<b>Authorized</b>	200,000,000	200,000,000	50,000	50,000
<b>Issued and fully paid</b>				
At beginning of the year	27,468,473	27,468,473	6,867	6,867
Issued for cash	3,051,527	-	763	-
At the end of the year	30,520,000	27,468,473	7,630	6,867
<b>Equivalent to (RMB’000)</b>			<b>60,318</b>	<b>55,409</b>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

## 5. SHARE PREMIUM

	Group and Company	
	2021	2020
	RMB’000	RMB’000
At beginning and end of the year	78,470	78,470
Issued for cash	1,333	-
At end of the year	79,803	78,470

Under The Companies Law (revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

## 6. STATUTORY RESERVE

	Percentage of contribution from profit after tax	Group	
		2021	2020
		RMB’000	RMB’000
Statutory reserve fund	10%	30,526	30,526

In accordance with the Foreign Enterprise Law of the PRC, the subsidiary, being a wholly foreign-owned enterprise is required to make contributions to a statutory reserve fund. At least 10 per cent of the statutory after-tax profits as determined in accordance with the applicable PRC accounting standards and regulations is required to be allocated to the statutory reserve fund. If the cumulative total of the statutory reserve fund reaches 50% of the subsidiary’s registered capital, the enterprise will not be required to make any additional contribution.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 6. STATUTORY RESERVE (Continued)

The statutory reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to approval from the relevant PRC authorities and is not available for dividend distribution to the shareholders. The PRC enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

## 7. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RMB’000	Plant and machinery RMB’000	Office equipment RMB’000	Motor vehicles RMB’000	Renovation RMB’000	Total RMB’000
<b>Cost</b>						
As at 1.1.2020	32,580	237,886	3,592	3,031	4,797	281,886
Additions	–	–	21	36	–	57
Disposals	–	(2,648)	(9)	–	–	(2,657)
As at 31.12.2020	32,580	235,238	3,604	3,067	4,797	279,286
As at 1.1.2021	32,580	235,238	3,604	3,067	4,797	279,286
Additions	–	2,701	–	86	–	2,787
Disposals	–	(741)	(283)	–	–	(1,024)
As at 31.12.2021	32,580	237,198	3,321	3,153	4,797	281,049
<b>Accumulated depreciation</b>						
As at 1.1.2020	21,248	171,889	2,882	2,324	4,797	203,140
Charge for the year	1,454	11,080	222	108	–	12,864
Disposals	–	(2,383)	(8)	–	–	(2,391)
As at 31.12.2020	22,702	180,586	3,096	2,432	4,797	213,613
As at 1.1.2021	22,702	180,586	3,096	2,432	4,797	213,613
Charge for the year	1,453	9,186	105	142	–	10,886
Disposals	–	(667)	(255)	–	–	(922)
As at 31.12.2021	24,155	189,105	2,946	2,574	4,797	223,577
<b>Accumulated impairment losses</b>						
As at 1.1.2020, 31.12.2020 and 31.12.2021	–	4,233	40	–	–	4,273
<b>Net carrying amount</b>						
As at 31.12.2021	8,425	43,860	335	579	–	53,199
As at 31.12.2020	9,878	50,419	468	635	–	61,400

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (i) Impairment assessment – Cash-Generating Unit

During the year, the Group carried out a review of the recoverable amount of non-financial assets of Changzhou 3D which is determined to be a Cash-Generating Unit (“CGU”) arising from indicator for impairment based on facts and circumstances as described in Note 2 to the financial statements. No additional impairment loss is required in 2021 (2020: Nil), as the Group has estimated the recoverable amount of the CGU to be higher than the net carrying amount.

The recoverable amount of the cash generating unit was based on its value in use (“VIU”), which is discounted cash flows based on 8 years (2020: 8 years) financial budgets approved by management which coincide with the remaining useful lives of the assets within the CGU. The management uses budgets beyond 5-years period as they are of the view that it is the appropriate period to reflect the plan for Changzhou 3D to recover to its historical track record prior to the business disruptions brought about by shareholders dispute occurred in 2017 as disclosed in Annual Report 2017, and to continuously grow the business thereafter. The key management assumptions underlying the computation as at reporting date are: -

	2021	2020
Next financial year		
- Forecasted revenue (RM’000)	100,000	85,000
- Gross profit margin	21%	27%
Subsequent years up to year 2029 (2020: year 2028)		
- Revenue growth rate (declining)	56.8% - 5.0%	30.8% - 6.1%
- Gross profit margin (increasing)	21.3% - 23.2%	23.0% - 28.5%
Discount rate	12%	12%

The management is cautiously confident in the business recovery of Changzhou 3D in 2021 despite the current economic environment in the PRC; and are of the view that the above key assumptions represent the best estimates based on available data and there are no reasonably possible changes that could result in substantial impairment in the next financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

## 8. RIGHT-OF-USE ASSETS

Group	Land Use Right RMB'000
<b>Cost</b>	
As at 1.1.2020	12,547
Addition	–
As at 31.12.2020 and 1.1.2021	12,547
Addition	–
As at 31.12.2021	12,547
<b>Accumulated depreciation</b>	
As at 1.1.2020	3,251
Charge for the year	241
As at 31.12.2020 and 1.1.2021	3,492
Charge for the year	241
As at 31.12.2021	3,733
<b>Net carrying amount</b>	
As at 31.12.2021	8,814
As at 31.12.2020	9,055

The Group has 50-year land use right over a plot of state-owned land in the PRC where the Group's manufacturing and storage facilities reside. The land use right has a remaining tenure of 35 years (2020: 36 years).

### Impairment testing of land use right

No impairment loss is recognized in 2021 (2020: RMB nil), as the Group has estimated the recoverable amount of the land use rights to be higher than the net carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 9. SUBSIDIARIES

	Company	
	2021 RMB’000	2020 RMB’000
Unquoted equity shares, at cost		
At beginning of the year	156,236	156,236
Addition	5,653	-
At end of the year	161,889	156,236

The details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest	
			2021 %	2020 %
<b>Held by the Company</b>				
Best Success (Hong Kong) Limited <sup>(1)</sup> (“Best Success”)	Investment holding	Hong Kong	100	100
<b>Held by Best Success</b>				
Changzhou 3D Technological Complete Set Equipment Co., Limited <sup>(2)</sup> (“Changzhou 3D”)	Manufacturing of vane products and relating subcontracting services	PRC	100	100

### Impairment assessment of investment in subsidiaries

During the year, management performed an impairment assessment for the investments in Best Success and Changzhou 3D arising from indicator of impairment based on facts and circumstances as described in Note 2 to the financial statements. No impairment loss is recognized in 2021 and 2020, as the Group has estimated the recoverable amount of the investment in subsidiaries to be higher than the net carrying amount.

The recoverable amount was estimated based on its value in use calculation with the same management key assumptions as disclosed in Note 7, and applied a forecasted growth rate of 3% (2020: 3%) to extrapolate cash flow projections from 2030 onwards (2020: 2029 onwards).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

## 10. INTANGIBLE ASSETS

<b>Group Software</b>	<b>2021 RMB'000</b>	<b>2020 RMB'000</b>
<b>Cost</b>		
At beginning of the year	1,277	1,277
Additions	-	-
At end of the year	1,277	1,277
<b>Accumulated amortization</b>		
At beginning of the year	1,277	905
Charge for the year	-	372
At end of the year	1,277	1,277
<b>Net carrying amount</b>		
At end of the year	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

## 11. INVENTORIES

	Group	
	2021 RMB'000	2020 RMB'000
Statement of Financial Position:		
<b>Cost:</b>		
Raw materials	4,852	5,607
Work-in-progress	22,307	17,015
Finished goods	7,909	9,619
	35,068	32,241
Allowance for inventory obsolescence	(24,468)	(24,468)
<b>Carrying amounts:</b>		
Raw materials	159	1,551
Work-in-progress	8,488	2,702
Finished goods	1,953	3,521
	10,600	7,773
Consolidated Statement of Profit or Loss and Other Comprehensive Income:		
Inventories recognized as expense in cost of sales, reduced by net write back of allowance	605	4,923
The movement in allowance for inventory obsolescence is as follows:		
	Group	
	2021 RMB'000	2020 RMB'000
At beginning of the year	24,468	24,468
Addition	–	–
At end of the year	24,468	24,468

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 12. TRADE RECEIVABLES

	Note	Group	
		2021 RMB’000	2020 RMB’000
Trade receivables	A	51,629	45,203
Allowance for impairment of trade receivables	31 (iii)	(22,982)	(25,084)
		28,647	20,119
Bills receivables		7,839	2,834
Allowance for impairment of bill receivables	31 (iii)	–	–
		7,839	2,834
		36,486	22,953

### Note A

Included in the Group’s trade receivables are unbilled trade receivables arising from revenue recognized on sales of goods but not invoiced to customers amounting to approximately RMB4,022,000 (2020: RMB2,377,000) as at 31 December 2021. The management is of the view that the Group has unconditional rights to trade receivables including unbilled trade receivables as at the reporting date.

## 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2021 RMB’000	2020 RMB’000
Advances to suppliers	512	367
Advances to employees	361	71
Prepayments	113	261
Tender deposits	200	100
Loan to a shareholder	4,000	-
Other receivables	71	25
	5,257	824

### Loan to a shareholder

On 21 May 2021, Changzhou 3D Technological Complete Set Equipment Co., Ltd (CZ3D) granted a loan in the principal amount of up to RMB 4,000,000 to Mr. Liu Ming, a major shareholder of the Company. The interest rate on the loan were charged at the rate of 4.35% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 14. CASH AND CASH EQUIVALENTS

	Note	Group	
		2021 RMB’000	2020 RMB’000
Cash in hand		124	5
Bank balances		5,607	3,806
Cash and bank balances as stated in the statement of financial position		5,731	3,811
Less: Pledged deposits	A	(5,179)	(589)
Cash and cash equivalents as stated in the consolidated statement of cash flows		552	3,222

As at 31 December 2021, the Group has bank balances placed with banks in the PRC denominated in Chinese Renminbi (“RMB”) amounting to RMB428,000 (2020: RMB1,158,000). The RMB is not freely convertible to foreign currencies. Under the People’s Republic of China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorized to conduct foreign exchange business.

### Note A

Bank balances of RMB 5,179,000 (2020: RMB589,000) are pledged in connection with bills payable facilities (Note 15).

The movement in pledged deposits:

	Group	
	2021 RMB’000	2020 RMB’000
Balance at beginning of the year	589	1,222
Placement/(withdrawal) of pledged deposits	4,590	(633)
Balance at end of the year	5,179	589

## 15. TRADE PAYABLES

	Group	
	2021 RMB’000	2020 RMB’000
Trade payables	23,909	16,917
Bills payable	5,179	768
	29,088	17,685

Bills payable facilities are secured by a pledge of land use right (Note 8).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 16. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2021 RMB’000	2020 RMB’000	2021 RMB’000	2020 RMB’000
Accrued operating expenses	3,232	2,488	1,678	1,333
Accrued employee benefits	2,165	2,450	24	-
Advance from customers	364	811	-	-
Shipping fee payable	5	5	-	-
Security fee payable	27	109	-	-
Legal and professional fee payable	1,076	1,076	398	348
Electricity bill payable	300	217	-	-
Labor union expenditure payable	55	44	-	-
Value-Added Tax payables	356	548	-	-
Other taxes payable	338	308	-	-
Others	239	363	-	-
	<b>8,157</b>	<b>8,419</b>	<b>2,100</b>	<b>1,681</b>

## 17. DEFERRED GOVERNMENT GRANTS

	Group	
	2021 RMB’000	2020 RMB’000
Balance at the beginning of financial year	1,335	1,558
Transfer to profit or loss	(223)	(223)
Balance at the end of financial year	<b>1,112</b>	<b>1,335</b>

This relates to import subsidies received from government for purchase of plant and machinery with a useful life of 10 years.

## 18. BANK LOANS

	Group	
	2021 RMB’000	2020 RMB’000
Secured borrowings <sup>(i)</sup>	9,490	9,497
Secured borrowing <sup>(ii)</sup>	4,400	-
Unsecured borrowings <sup>(iii)</sup>	3,600	-
	<b>17,490</b>	<b>9,497</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

## 18. BANK LOANS (Continued)

- (i) These borrowings are secured by a pledge of the Group's land use rights with carrying amount of RMB8,814,000 (Note 8) (2020: RMB9,055,000) as at 31 December 2021. Interest on secured bank loans were charged at the rate of 5.91% (2020: 6.75%) per annum. Secured bank loans of RMB3,500,000 and RMB5,990,000 (2020: RMB5,997,000 and RMB3,500,000) are repayable in July 2022 (2020: May and June 2021) respectively.
- (ii) Secured bank loan of RMB 4,400,000 was secured by a private residential property owned by the major shareholder of the Company, Liu Ming. Interest on the secured bank loan is 4.35% (2020: nil) per annum. The secured bank loan is repayable in March 2022 (2020: nil).
- (iii) Interest on non-secured bank loans were charged at the rate of 4.35% (2020: nil) per annum. Non-secured bank loans of RMB1,600,000 and RMB2,000,000 (2020: RMB nil) are repayable in March and June 2022 (2020: RMB nil) respectively.

### Reconciliation of liabilities arising from financing activities:

	As at 1 January 2021 RMB'000	Financing cash flows RMB'000	As at 31 December 2021 RMB'000
Bank loans			
- current	9,497	7,993	17,490
	As at 1 January 2020 RMB'000	Financing cash flows RMB'000	As at 31 December 2020 RMB'000
Bank loans			
- current	13,300	(3,803)	9,497

## 19. DUE TO SUBSIDIARIES (NON-TRADE)

These non-trade balances are unsecured, interest-free and repayable on demand.

## 20. DEFERRED TAX LIABILITY

	Note	Group	
		2021 RMB'000	2020 RMB'000
At beginning of the year		-	-
Written back in the profit or loss		-	-
At end of the year		-	-
Presented after appropriate offsetting as follows:			
Deferred tax assets		-	-
Deferred tax liabilities		-	-
Deferred tax liabilities, net		-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 20. DEFERRED TAX LIABILITY (Continued)

The components and movement of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

<b>Deferred tax liabilities of the Group</b>	<b>Unbilled revenue RMB’000</b>
As at 1.1.2020	633
Recognized in the profit or loss	(633)
As at 31.12.2020/1.1.2021 and 31.12.2021	–
<b>Deferred tax assets of the Group</b>	<b>Unutilized tax losses RMB’000</b>
As at 1.1.2020	(633)
Recognized in the profit or loss	633
As at 31.12.2020/1.1.2021 and 31.12.2021	–

## 21. REVENUE FROM CONTRACTS WITH CUSTOMERS

### Disaggregation of revenue

		<b>Group</b>	
		<b>2021 RMB’000</b>	<b>2020 RMB’000</b>
<b>Timing of recognition</b>			
Sale of goods	Point in time	62,556	34,273

All revenue in 2021 and 2020 are derived from the PRC.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 22. OTHER OPERATING INCOME

	Note	Group	
		2021 RMB’000	2020 RMB’000
Gain on disposal of property, plant and equipment		-	27
Gain on sale of scrap materials		2,049	1,341
Amortization of deferred government grants	17	223	223
Interest income			
- Bank deposits		45	53
- Loan to a shareholder		106	-
Settlement payment from shareholder		-	784
Reversal of impairment loss on trade receivables		2,102	-
Others		309	332
		<u>4,834</u>	<u>2,760</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 23. PERSONNEL EXPENSES

	Group	
	2021 RMB’000	2020 RMB’000
Wages, salaries and bonuses *	17,511	18,767
Other personnel expenses	10,266	1,545
Short-term employees’ benefits	27,777	20,523
Termination benefits	1,275	–
	<b>29,052</b>	<b>20,523</b>

\* This includes directors’ remuneration as disclosed in Notes 25 and 28.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 24. LOSS BEFORE INCOME TAX

This is determined after charging / (crediting) the following:

	Note	Group	
		2021 RMB’000	2020 RMB’000
Depreciation of property, plant and equipment	7	10,886	12,864
Depreciation of right-of-use assets	8	241	241
Directors’ fee			
- Directors of the Company	28	928	–
Amortization of intangible assets	10	–	372
Audit fees			
- auditors of the Company		897	735
- other auditors		404	42
Personnel expenses <sup>(i)</sup>	23	29,052	20,523
Impairment loss on trade receivables	31	-	1,688
Loss on disposal of property, plant and equipment		42	-
Legal and professional fee		85	921

<sup>(i)</sup> Includes directors’ remuneration as disclosed in this note.

Following the issuance of the internal control review report by the Chinese Accounting Firm, in July 2019, Changzhou 3D sought legal opinion (“Legal Opinion”) from its legal counsel (“Chinese Legal Counsel”) on those concerns, observations and remarks noted in the report (including the debt collection agent fees). The Chinese Legal Counsel was of the view that, among others, based on their findings, the debt collection agent fees were patently exorbitant and there was no evidence of debt collection activities carried out by these Debt Collection Agents, thereby characterizing these debt collection agent fees as potential misappropriation of company’s property by the then management personnel authorizing such transactions and the payments. In that regard, the Chinese Legal Counsel recommended Changzhou 3D to make a report to the Chinese Public Security authorities for further investigation of the matter. Based upon the Legal Opinion, Changzhou 3D accordingly reported the matter to the Chinese Public Security authorities in October 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 25. LOSS BEFORE INCOME TAX(Continued)

In November 2019, Changzhou 3D received the Notice of Filing from the Chinese Public Security authorities (“Notice of Filing”), and consulted the Chinese Legal Counsel regarding the significance of the document. The Chinese Legal Counsel advised that the Notice of Filing generally indicates the acknowledgement by the Chinese Public Security authorities that it had preliminarily considered that the facts and information of the complaint being reported and decided to formally conduct further investigation into the complaint. As at the date of these financial statements, the investigation by Chinese Public Security is still ongoing and the outcome of it is presently unknown.

## 26. INCOME TAX EXPENSES

Major components of income tax expenses for the year ended 31 December were:

	Note	Group	
		2021 RMB’000	2020 RMB’000
Current income tax		-	-

The reconciliation of the tax expense and the product of accounting loss multiplied by the applicable rate is as follows:

	Group	
	2021 RMB’000	2020 RMB’000
Loss before income tax	(10,660)	(29,228)
Tax at the PRC statutory tax rate of 25% (2020: 25%)	(2,665)	(7,307)
Tax effects of:		
- different tax rates in other countries	-	6
- income not subject to tax	(525)	(398)
- expenses not deductible for tax purpose	2,949	2,265
- expenses incurred in tax-free jurisdictions	241	228
- deferred tax asset not recognized	-	5,206
Current income tax	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 26. INCOME TAX EXPENSES (Continued)

### Unrecognised tax losses

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of RMB140,158,000 (2020: RMB140,158,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses can be carried forward for ten years starting from the year subsequent to the year in which the loss was incurred.

### The Company:

The Company is operating in a tax-free jurisdiction. The dividend received which is eliminated has no tax consequences; and the corporate expenses incurred are included in the “expenses incurred in tax-free jurisdiction” line item in the tax reconciliation above.

### Subsidiaries:

- a. Best Success, which is subject to Hong Kong tax rate of 16.5% (2020: 16.5%), does not have taxable profit since its incorporation on 23 April 2005.
- b. In accordance with the Income Tax Law of the PRC for High Technology Enterprises and various approval documents issued by the PRC Tax Bureau, Changzhou 3D being awarded the “High Technology Enterprise” status, enjoys a concessionary tax rate of 15%, as compared to the statutory tax rate for PRC companies of 25%. The concessionary income tax status is valid for 3 years and is subjected to renewal when it expires in December 2021. This benefit will be disclosed under the tax incentive in the tax reconciliation. However, Changzhou 3D is in tax loss position since financial year 2017.

## 27. LOSS PER SHARE

Basic earnings per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
Net loss attributable to equity holders of the Company (RMB’000)	(10,660)	(29,228)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	30,520,000	27,468,473
Basic and diluted loss per share (RMB cents per share)	(34.93)	(106.41)

Diluted loss per share is the same as the basic loss per share as no share options, warrants or other compound financial instruments with dilutive effect were granted during the financial year or outstanding at the end of the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 28. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 3) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	Note	Group	
		2021 RMB’000	2020 RMB’000
<u>Key management personnel compensation</u>			
Directors of the Company:			
- Directors’ fee	25	928	-
Other key management personnel			
- Salaries and bonus		1,442	1,545
- Contributions to defined contribution plans		-	211
		<u>2,370</u>	<u>1,756</u>
Total compensation comprises:			
Short-term employee benefits		1,442	1,545
Contributions to defined contributions plans		-	211
		<u>1,442</u>	<u>1,756</u>

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors, Financial Controller, General Manager and Deputy General Manager are considered key management personnel.

## 29. PROVISION FOR GOVERNMENT FINE AND CONTINGENT LIABILITY

Changzhou 3D was served a notice dated 2017 by local government agency which required the subsidiary to provide compliance documents relating to its leasehold buildings in accordance with relevant laws and regulations in PRC (“the Notice”). The buildings were constructed in 2003 without obtaining relevant permits from government.

### Provision for government fine

As at 31 December 2017, the management estimated and provided for government fine of RMB4,373,000 which is 10% of the replacement cost estimated by a certified cost engineer. In accordance with relevant laws and regulations as advised by Changzhou 3D’s legal counsel, 10% is the upper limit of the fine prescribed, ranging from 5% to 10% of replacement cost.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 29. PROVISION FOR GOVERNMENT FINE AND CONTINGENT LIABILITY (Continued)

Provision for government fine (Continued)

The balance of provision is as follows:

	Group	
	2021 RMB’000	2020 RMB’000
At beginning and at end of the year	4,373	4,373

Contingent liability on rectification cost

In addition to the fine, in order to apply for building permit of the relevant properties, it may be necessary to incur costs to improve or reinforce the properties to comply with relevant regulations (“rectification costs”), if any and as noted by government agency.

The management has obtained legal opinion from the subsidiary’s legal counsel stating that the Notice indicates the local government has commenced administrative enforcement procedures for relevant properties. It is still at the stage of investigation and evidence collection, and has yet to reach the stage to file “letter of statement of averment”, nor represents final administrative conclusive document. The legal counsel advised that Changzhou 3D shall actively apply for and complete the necessary legal procedures for the relevant properties and, if the government agency continues to conduct investigations, the subsidiary can explain to the government on the progress of the legal procedures of the relevant properties and strive for understanding. Since 2017 and up to the date these financial statements are authorised for issue, the management confirms that Changzhou 3D has received neither further information regarding the investigation nor notification of the specific necessary rectification from the government agency.

## 30. SEGMENT INFORMATION

The Group operates in only one operating segment, i.e. the manufacture and sale of vane products.

The operating segment has been identified on the basis of internal management reports that are regularly reviewed by management of the Group. Management of the Group reviews the overall results of the Group as a whole to make decisions about resource allocation. Accordingly, no further analysis of this single reporting segment has been prepared.

The major customers in the PRC contributing 10% or more to the Group’s revenue is disclosed in Note 31 (iii). The Group’s entire non-current assets are located in PRC.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are market risks (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

It is the Group’s policy not to trade in derivative contracts.

#### (i) Market risk

##### (a) Foreign exchange risk

Currently, the PRC government imposes control over foreign currencies, RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People’s Bank of China or other authorized financial institutions. The Group has not entered into any derivative instruments for hedging or trading purposes. The Group’s currency exposure is as follows:

Group 2021	Singapore dollars RMB’000	Chinese Renminbi RMB’000	Hong Kong dollars RMB’000	Total RMB’000
<b><u>Financial assets</u></b>				
Cash and cash equivalents	10	5,615	106	5,731
Trade receivables	–	36,486	–	36,486
Other receivables	–	5,257	–	5,257
	10	47,358	106	47,474
<b><u>Financial liabilities</u></b>				
Trade payables	–	29,088	–	29,088
Other payables and accruals	2,100	6,057	–	8,157
Bank loans	–	17,490	–	17,490
	2,100	52,635	–	54,735
Net financial assets / (liabilities)	(2,090)	(5,277)	106	(7,261)
Less: Net financial liabilities/(assets) denominated in the respective entities’ functional currencies	–	5,277	(106)	5,171
Foreign currency exposure	(2,090)	–	–	(2,090)

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### (a) Foreign exchange risk (Continued)

Group 2020	Singapore dollars RMB’000	Chinese Renminbi RMB’000	Hong Kong dollars RMB’000	Total RMB’000
<b><u>Financial assets</u></b>				
Cash and cash equivalents	1,392	1,797	622	3,811
Trade receivables	–	22,953	–	22,953
Other receivables	–	125	–	125
	<u>1,392</u>	<u>24,875</u>	<u>622</u>	<u>26,889</u>
<b><u>Financial liabilities</u></b>				
Trade payables	–	17,685	–	17,685
Other payables and accruals	1,386	5,323	43	6,752
Bank loans	–	9,497	–	9,497
	<u>1,386</u>	<u>32,505</u>	<u>43</u>	<u>33,934</u>
Net financial (liabilities) / assets	6	(7,630)	579	(7,045)
Less: Net financial liabilities/ (assets) denominated in the respective entities’ functional currencies	–	7,630	(579)	7,051
Foreign currency exposure	<u>6</u>	<u>–</u>	<u>–</u>	<u>6</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### (a) Foreign exchange risk (Continued)

Company 2021	Singapore dollars RMB’000	Chinese Renminbi RMB’000	Total RMB’000
<b><u>Financial assets</u></b>			
Cash and cash equivalents	10	–	10
<b><u>Financial liabilities</u></b>			
Other payables and accruals	2,100	–	2,100
Due to subsidiaries (non-trade)	–	28,179	28,179
	2,100	28,179	30,279
Net financial liabilities	(2,090)	(28,179)	(30,269)
Add: Net financial liabilities denominated in the Company’s functional currency	–	28,179	28,179
Foreign currency exposure	(2,090)	–	(2,090)
<b>Company 2020</b>			
<b><u>Financial assets</u></b>			
Cash and cash equivalents	1,392	–	1,392
<b><u>Financial liabilities</u></b>			
Other payables and accruals	1,386	296	1,682
Due to subsidiaries (non-trade)	–	28,180	28,180
	1,386	28,476	29,862
Net financial liabilities	6	(28,476)	(28,470)
Add: Net financial liabilities denominated in the Company’s functional currency	–	28,476	28,476
Foreign currency exposure	6	–	6

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### (a) Foreign exchange risk (Continued)

##### Foreign exchange risk sensitivity

The following table details the sensitivity to a 5% (2020: 5%) increase and decrease in the Chinese Renminbi against the relevant foreign currencies. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

If the Chinese Renminbi strengthens by 5% (2020: 5%) against the relevant foreign currencies with all the other variables held constant, loss for the year will increase / (decrease) by:

	Singapore dollars RMB'000
<b>Group</b>	
<b>2021</b>	
Loss for the year	(78)
<b>2020</b>	
Loss for the year	-
<b>Company</b>	
<b>2021</b>	
Loss for the year	(78)
<b>2020</b>	
Loss for the year	-

The Group is also exposed to currency translation risk arising from its net investment in its foreign operation in Hong Kong including intragroup balances. The Group's net investment in Hong Kong is not hedged as currency position in Hong Kong Dollar is considered to be long-term in nature.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### (b) Interest rate risk

The Group obtains additional financing through bank borrowings.

The Group’s policy is to obtain the most favorable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilize interest rate swap or other arrangements for trading or speculative purposes. As at 31 December 2021, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The Group’s total comprehensive loss is not affected by changes in interest rates as the interest-bearing loans carry fixed interest (Note 18) and are measured at amortized cost. As such, sensitivity analysis is not provided.

#### (ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group’s operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. The Group actively manages its operating cash flows so as to finance the Group’s operations. As part of its overall prudent liquidity management, the Group minimizes liquidity risk by ensuring availability of funding through an adequate amount of credit facilities subject for approval from a PRC bank and maintains sufficient level of cash to meet its working capital requirements.

All the financial liabilities of the Group as at 31 December 2021 are repayable on demand or due within 1 year from the reporting date. The carrying amount recorded represents the contractual cash flows of these financial liabilities.

#### (iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group’s major class of financial assets are cash and cash equivalents, pledged deposits and trade and other receivables. Cash and cash equivalents and pledged deposits are placed with state-owned financial institutions in the PRC and a Singapore-based reputable bank. Bills receivables (Note 12) are mainly redeemable from government controlled commercial banks in the PRC. Therefore, credit risk arises mainly from the inability of its customers to make payments when due.

For trade receivables, the Group mainly deals with long-time customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. The counterparty’s payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Board of Directors. The average credit period on sales of goods is 90 days (2020: 90 days). No interest is imposed on overdue trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi ("RMB'000")

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position. The amounts presented in the statement of financial position are net of allowances for impairment of trade receivables, estimated by management based on prior experience and the current economic environment.

The credit risk for trade receivables based on the information provided to key management is as follows:

<i>Carrying amount</i>	Group	
	2021 RMB'000	2020 RMB'000
<u>By geographical areas</u>		
- PRC	28,647	13,974
- Japan	-	3,032
- Korea	-	3,113
	28,647	20,119
<u>By types of customers</u>		
Non-related parties		
- Government linked companies	24,461	12,077
- Private companies	4,186	8,042
	28,647	20,119

The Group's major customers are located in the PRC and principally engaged in development and manufacture of power equipment. Revenue, carrying amount of trade receivables and net impairment loss on financial assets written back / (made) of major customers are disclosed as follows.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

Group	Revenue RMB’000	Trade receivables			Writeback/ (Additional) ECL RMB’000
		Gross RMB’000	ECL RMB’000	Net RMB’000	
<b>2021</b>					
<u>Not credit-impaired</u>					
Customer A	35,187	19,215	(3,656)	15,559	855
<u>Credit-impaired</u>					
Customer B	9,592	19,574	(12,651)	6,923	2,927
Customer C	2,440	828	-	828	3,888
Others	15,337	12,012	(6,675)	5,337	(5,568)
At end of year	62,556	51,629	(22,982)	28,647	2,102

Group	Revenue RMB’000	Trade receivables			Write back / (Additional) ECL RMB’000
		Gross RMB’000	ECL RMB’000	Net RMB’000	
<b>2020</b>					
<u>Not credit-impaired</u>					
Customer A	24,461	20,851	(4,511)	16,340	(1,711)
<u>Credit-impaired</u>					
Customer B	-	15,578	(15,578)	-	(2,782)
Customer C	338	3,888	(3,888)	-	2,140
Others	9,474	4,886	(1,107)	3,779	665
At end of year	34,723	45,203	(25,084)	20,119	(1,688)

#### Customer A

Out of the carrying amount of RMB15,559,000 (2020: RMB16,340,000) as at 31 December 2021, the management computes ECL of the credit exposure using probability of default taking into account historical credit loss experience, payment trend, industry norm and forward looking information, resulting in an ECL of RMB3,656,000 (2020: RMB4,511,000) as at 31 December 2021 and written back allowance of ECL for RMB855,000 has been recognized during the year accordingly.

#### Customer B

Out of the carrying amount of RMB6,923,000 (2020: RMB nil) as at 31 December 2021, the management computes ECL of the credit exposure using probability of default taking into account historical credit loss experience, payment trend, industry norm and forward looking information, resulting in a ECL of RMB12,651,000 (2020: RMB15,578,000) as at 31 December 2021 and written back allowance of ECL for RMB2,927,000 has been recognized during the year accordingly.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

##### Customer C

Out of the carrying amount of RMB828,000 (2020: RMB nil) as at 31 December 2021, the management computes ECL of the credit exposure using probability of default taking into account historical credit loss experience, payment trend, industry norm and forward looking information, resulting in a ECL of RMB nil (2020: RMB3,888,000) as at 31 December 2021 and written back allowance of ECL for RMB3,888,000 has been recognized during the year accordingly.

#### Expected Credit Losses

The Group manages credit loss based on Expected Credit Losses (ECL) model. The Group and Company have the following financial assets subject to lifetime ECL under Simplified Approach:

Group 2021	Trade receivables RMB’000 (Note 12)	Bill receivables RMB’000 (Note 12)	Total RMB’000
Gross amount of financial assets subject to ECL	51,629	7,839	59,468
<u>Movement of lifetime ECL:</u>			
Balance at 1 January 2021	25,084	–	25,084
ECL recognized during the year	8,843	–	8,843
ECL written back during the year			
- due to recovery in cash and bills receivable	(10,945)	–	(10,945)
	(2,102)	–	(2,102)
Balance at 31 December 2021	22,982	–	22,982
Carrying amounts of financial assets, representing net exposure as at reporting date	20,119	7,839	36,486

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

#### Expected Credit Losses (Continued)

Group 2020	Trade receivables RMB’000 (Note 12)	Bill receivables RMB’000 (Note 12)	Total RMB’000
Gross amount of financial assets subject to ECL	45,203	2,834	48,037
<u>Movement of lifetime ECL:</u>			
Balance at 1 January 2020	23,396	–	23,396
ECL recognized during the year	4,493	–	4,493
ECL written back during the year - due to recovery in cash and bills receivable	(2,805)	–	(2,805)
	1,688	–	1,688
Balance at 31 December 2020	25,084	–	25,084
Carrying amounts of financial assets, representing net exposure as at reporting date	20,119	2,834	22,953

The Group considers the above ECL to be Stage 3 ECL (credit impaired) considering that:

- Trade receivables which are unlikely to pay its credit obligation in full, without recourse by the Group
- Ongoing dispute with customer
- Historical credit loss experience, payment trend and past due status.

The management assesses that there are no material ECL on other receivables (Note 13).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

##### Expected Credit Losses (Continued)

##### Credit risk concentration

The carrying amount of financial assets recorded in the consolidated financial statements and the statement of financial position of the Company, represents the Group’s and the Company’s maximum exposure to credit risk.

#### (iv) Financial instruments by category

The carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2021 RMB’000	2020 RMB’000	2021 RMB’000	2020 RMB’000
<b>Financial assets</b>				
Financial assets at amortized cost	42,488	26,889	10	1,392
<b>Financial liabilities</b>				
Financial liabilities at amortized cost	53,677	33,934	30,279	29,861

### Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, net of cash and cash equivalents, and the equity attributable to equity holders of the parent, comprising issued capital and reserves as disclosed in Notes 4 to 6.

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on guidance of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt. The Group’s overall strategy remains unchanged from 2021.

As disclosed in Note 6, the PRC incorporated subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute to and to maintain a non-distributable statutory reserve fund, the utilization of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial year ended 31 December 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 32. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair values in 2021.

The carrying amounts of cash and cash equivalents, pledged deposits, trade and other receivables, and trade and other payables (including amounts due to subsidiaries) are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments.

## 33. SUBSEQUENT EVENTS

The Company had received a letter of demand dated 6 July 2022 from Huang Wooi Teik, Koh Wee Kiang, Lee Kiang Piaw and Wong Kee Hau (“Ex-Directors”) through solicitors, R. S. Solomon LLC (“RSS”). The letter had requested for a sum of RMB 704,362 which is being outstanding director’s fees for the financial year 2020 due to them relating to the professional services rendered for the financial year ended 31 December 2020 since they were appointed as the directors of the Company during the annual general meeting held on 30 April 2019.

The Company had raised the ordinary shareholder resolution to approve the payment of director fees for the financial year ended 31 December 2020 during the general meetings held on 30 June 2020 and 30 August 2021 and also during the extraordinary general meeting held on 31 March 2021. However, the Shareholders had voted against the payment of director fees for the financial year ended 31 December 2020 during these meetings held on 30 June 2020, 31 March 2021 and 30 August 2021. Since the payment of director fees by listed companies to directors is determined by shareholders, the directors of the company cannot exceed their authority and pay any 2020 director fees without approval. The Company is unable to pay RMB704,362 to RSS as the directors need to respect the decisions of the shareholders’ resolutions for the meetings held on 30 June 2020, 31 March 2021 and 30 August 2021.

The Board has further received letters (“A Non-Demand Letter”) dated 5 August 2022 and 6 August 2022 from Huang Wooi Teik, Koh Wee Kiang, Lee Kiang Piaw and Wong Kee Hau (“Ex-Directors”) through their solicitors, R. S. Solomon LLC (“RSS”). The Company is in the view of this matter is not likely to materially affect the Company’s financial position.

# SHAREHOLDINGS STATISTICS

As at 27 January 2023 Amounts in thousands of Chinese Renminbi (“RMB'000”)

Class of equity securities	Number of equity securities	Voting rights
Ordinary at 27 January 2023	30,520,000	One vote per share

There is no treasury share and subsidiary holding in the issued share capital of the Company.

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	17	2.66	807	0.00
100 – 1,000	259	40.47	168,243	0.55
1,001 – 10,000	326	50.94	1,177,891	3.86
10,001 – 1,000,000	31	4.84	2,641,762	8.66
1,000,001 AND ABOVE	7	1.09	26,531,297	86.93
<b>TOTAL</b>	<b>640</b>	<b>100.00</b>	<b>30,520,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name	NUMBER OF ORDINARY SHARES			
	Direct Interest	%	Deemed Interest	%
Allport Limited	7,464,340	24.46	0	0
Asuka DBJ Investments Co., Ltd <sup>(1)</sup>	0	0.00	7,464,340	24.46
Mercuria Investments Co., Ltd <sup>(2)</sup>	0	0.00	7,464,340	24.46
Mamoru Taniya <sup>(3)</sup>	0	0.00	7,464,340	24.46
Yugen Kaisha Simon Murray And Company Japan	3,300,000	10.81	0	0
Yonehara Shinichi <sup>(4)</sup>	0	0.00	3,300,000	10.81
Liu Ming	8,240,000	27.00	0	0
Gao Zhong	3,051,527	10.00	0	0
Lin Chuanjun	2,300,450	7.54	0	0

### Notes:

- 1 Asuka DBJ Investments Co., Ltd is the registered holder of all the issued shares of Allport Limited.
- 2 Mercuria Investments Co., Ltd., formerly known as AD Capital Co., Ltd is the general partner of Asuka DBJ Investment LPS.
- 3 Manoru Taniya is a 37.80% shareholder of Allport Limited. By virtue of Section 4 of the Securities and Future Act 2001 of Singapore (“SFA”), Mamoru Taniya is deemed to be interested in the shares of the Company held by Allport Limited.
- 4 Yonehara Shinichi is the 100% shareholder of Yugen Kaisha Simon Murray And Company Japan and is therefore deemed to be interested in the shares of the Company by virtue of Section 4 of the SFA.

# SHAREHOLDINGS STATISTICS

As at 27 January 2023 Amounts in thousands of Chinese Renminbi ("RMB'000")

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	7,465,340	24.46
2	CITIBANK NOMINEES SINGAPORE PTE LTD	5,194,683	17.02
3	UOB KAY HIAN PRIVATE LIMITED	4,485,677	14.70
4	YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN	3,300,000	10.81
5	LIU MING	3,296,217	10.80
6	LIN CHUANJUN	1,611,650	5.28
7	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,177,730	3.86
8	TAN ENG CHUA EDWIN	741,400	2.43
9	PHILLIP SECURITIES PTE LTD	705,050	2.31
10	RAFFLES NOMINEES (PTE.) LIMITED	306,900	1.01
11	YONG WOON CHONG	162,200	0.53
12	DBS NOMINEES (PRIVATE) LIMITED	157,022	0.51
13	BOON KIA IN VINCENT (WEN JIAYIN)	65,000	0.21
14	MAYBANK SECURITIES PTE. LTD.	59,000	0.19
15	KOH TECK YEOW	35,500	0.12
16	CHEW CHIN SING	30,800	0.10
17	LIM SIAN KOK	30,000	0.10
18	LYE SOO MENG	30,000	0.10
19	LIM LEE KWAN	29,000	0.10
20	KOO WEE KHIAT ALVIN	27,400	0.09
	<b>TOTAL</b>	<b>28,910,569</b>	<b>94.73</b>

## PERCENTAGE OF SHAREHOLDING IN HANDS OF PUBLIC

Based on the information available to the Company as at 27 January 2023, approximately 20.20% of the issued ordinary shares of the Company were held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Shanghai Turbo Enterprises Ltd. (the “**Company**”) will be held by way of electronic means via live webcast on Wednesday, 15 February 2023 at 3.00 p.m. to transact the following businesses:

## **AS ORDINARY BUSINESS**

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Independent Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Article 85(6) of the Company’s Articles of Association:  
  
Mr. Zhang Wenjun **(Resolution 2)**  
  
*Mr. Zhang Wenjun will, upon re-election as Director of the Company, remain as Non-Executive Non-Independent Director and member of the Nominating Committee.*
3. To re-elect the following Directors retiring pursuant to Article 86(1) of the Company’s Articles of Association:  
  
Dr. Daniel Liu Danjun **(Resolution 3)**  
  
*Dr. Daniel Liu Danjun will, upon re-election as Director of the Company, remain as Non-Executive Non-Independent Director and member of the Nominating Committee.*
4. To approve the payment of Directors’ Fees of RMB1.125 million for the financial year ended 31 December 2022 (FY2021: RMB1.125 million) **(Resolution 4)**
5. To re-appoint Messrs. RT LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Chong Eng Wee  
Company Secretary

Singapore, 31 January 2023

# NOTICE OF ANNUAL GENERAL MEETING

## Important Notice:

### No physical attendance

- (1) The Annual General Meeting (“AGM”) is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Shareholders and their duly appointed proxy (or proxies) will not be able to attend the AGM in person.

### Pre-registration

- (2) The Company will arrange for the AGM to be held by live webcast (“Live Webcast”), by way of (a) audio-visual webcast, or (b) live audio-only stream, as shareholders may elect at their discretion. Shareholders and their appointed proxy (or proxies) can only participate in the AGM via the foregoing Live Webcast.
- (3) The following steps are to be taken:
  - (a) all shareholders, including investors who hold shares through Relevant Intermediaries (as defined below), who wish to participate in the AGM via Live Webcast must pre-register their details at <https://globalmeeting.bigbangdesign.co/shanghaiturbo2023> by Monday, 13 February 2023 at 3.00 p.m. (“Registration Deadline”), for the Company to verify their status as shareholders;
  - (b) verified shareholders will receive an email by Tuesday, 14 February 2023 containing instructions to access the Live Webcast. Shareholders must not forward the link or their log-in details to third persons who are not shareholders and who are not entitled to attend the AGM proceedings; and
  - (c) shareholders who do not receive an email by Tuesday, 14 February 2023, 3.00 p.m., but have registered before the Registration Deadline should email to [shareregistry@incorp.asia](mailto:shareregistry@incorp.asia).

### Submission of Questions

- (4) Shareholders can submit their questions in advance relating to the resolutions to be tabled for approval at the AGM:
  - (a) if submitted by post, to be deposited at the registered office of the Company’s Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
  - (b) if submitted by way of electronic means, to be submitted via email to the Company, at [shareregistry@incorp.asia](mailto:shareregistry@incorp.asia),

by 3.00 p.m. (Singapore Time) on 7 February 2023. Shareholders who submit questions in advance of the AGM should identify themselves by stating (i) the shareholder’s full name; (ii) NRIC/FIN/Passport no. (if the shareholder is an individual) or the Company Registration No. (if the shareholder is a corporation); and (iii) manner in which the shares are held, for verification purposes. The Company will address all substantial and relevant questions (determined by the Company in its sole discretion) received from shareholders prior to the AGM by publishing its responses to such questions on the Company’s website at the URL [www.shanghaiturbo.com](http://www.shanghaiturbo.com) and on SGXNet by 10 February 2023.

**Shareholders are strongly encouraged to submit their questions electronically via email.**

# NOTICE OF ANNUAL GENERAL MEETING

- (5) Shareholders and duly appointed proxy or proxies who pre-registered and are verified to attend the AGM will also be able to ask questions relating to the resolutions to be tabled for approval at the AGM. The Company will endeavor to respond to and address substantial and relevant questions as far as reasonably practicable during the AGM. Where there are substantially similar questions, the Company will consolidate such questions and consequently not all questions may be individually addressed.
- (6) The Company will publish the minutes of the AGM (including its responses to substantial and relevant questions received from shareholders which were addressed during the AGM) on the Company's website at the URL [www.shanghaiturbo.com](http://www.shanghaiturbo.com) and on SGXNet within one (1) month after the date of the AGM.

## **Voting**

- (7) Shareholders may cast their votes for each resolution at the AGM or appoint the Chairman of the AGM or any proxy or proxies other than the Chairman to vote on their behalf at the AGM.
- (8) If a Shareholder wishes to appoint the Chairman of the AGM (or any person other than the Chairman) as proxy to vote on their behalf at the AGM, duly executed proxy forms must be submitted in hard copy form or electronically via email:
  - (a) if submitted by post, to be deposited at the registered office of the Company's Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
  - (b) if submitted by way of electronic means, to be submitted via email in Portable Document Format (PDF) to the Company's Singapore Share Transfer Agent, at [shareregistry@incorp.asia](mailto:shareregistry@incorp.asia),

in either case, not less than forty-eight (48) hours before the time appointed for the holding of the AGM and/or any adjournment thereof. A shareholder who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above.

**Shareholders are strongly encouraged to submit completed proxy forms electronically via email.**

If no specific direction as to voting is given, (i) the \*proxy/proxies (except for the Chairman of the Meeting) will vote or abstain from voting at \*his/her/their discretion on any matter arising at the AGM and at any adjournment thereof; or (ii) the appointment of Chairman of the Meeting as proxy for the resolution will be treated as invalid at the AGM and at any adjournment thereof. A proxy need not be a member of the Company.

- (9) The accompanying proxy form to the Notice of AGM may be accessed from the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- (10) The proxy form must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a proxy form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

# NOTICE OF ANNUAL GENERAL MEETING

- (11) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
- (12) A “**Relevant Intermediary**” is:
- (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

## **FY2021 Annual Report**

The FY2021 Annual Report, this Notice of AGM and the proxy form have been published on the SGX website accessible at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of the FY2021 Annual Report, this Notice of AGM and the proxy form will not be despatched to shareholders. Shareholders are advised to check the SGX website and/or the Company’s website regularly for updates

## **Personal data privacy:**

“**Personal data**” in this Notice has the meaning ascribed to it pursuant to the Personal Data Protection Act 2012 of Singapore, which includes your name, address and NRIC/Passport number. By submitting (a) details for the registration to observe or participate in the proceeding of the AGM, or (b) an instrument appointing the Chairman of the AGM or any person other than the Chairman as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, (c) any questions prior to the AGM in accordance with this Notice of AGM, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of the appointment of the Chairman as proxy for the AGM or any person other than the Chairman, processing the registration for purpose of granting access to members or their appointed proxies to observe and participate in the proceedings of the AGM, addressing relevant and substantial questions from members received before the AGM and if necessary, following-up with the relevant members in relation to such questions, and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and / or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and / or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in

# NOTICE OF ANNUAL GENERAL MEETING

---

respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings at the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the AGM and any questions he may raise or motions he propose/ second) may be recorded by the Company for such purpose.

# SHANGHAI TURBO ENTERPRISES LTD.

(Incorporated in the Cayman Islands) (Company Registration No. CT-151624)

## ANNUAL GENERAL MEETING – DEPOSITOR PROXY FORM

A Depositor (as defined below) will NOT be able to attend the Annual General Meeting (“AGM”) in person. A Depositor (whether individual or corporate) must either complete this Depositor Proxy Form to effect the appointment by CDP (as defined below) of the Chairman of the AGM (or any person other than the Chairman) as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM in respect of the Depositor(s) Shares or pre-register with the Company if such Depositor wishes to exercise his/her/its voting rights as a proxy of CDP at the AGM via electronic means.

We, The Central Depository (Pte) Limited (“CDP”), being a shareholder of SHANGHAI TURBO ENTERPRISES LTD., pursuant to a proxy form lodged or to be lodged by us with the Company, have appointed, or will be appointing the person(s) whose name and particulars are set out in Part I below (the “Depositor(s)”, in respect of such number of shares (the “Depositor(s) Shares”) set out against his/her/its name in the Depository Register maintained by CDP as at on Monday, 13 February 2023 (the “Cut Off Date”), as our proxy or proxies to vote on our behalf at the AGM of the Company to be held via electronic means on Wednesday, 15 February 2023 at 3.00 p.m., and at any adjournment thereof, hereby appoint:

### Part I

	No. of shares held
	NRIC No. / Passport No.

OR in the event the Company receives this Depositor Proxy Form which is:

- (a) duly completed and signed/executed by the Depositor(s); and
- (b) submitted by the requisite time and date, and to the requisite office as indicated overleaf,

we hereby appoint the person(s) (the “Appointee(s)”) whose details are given in Part II, provided that such details have been verified in Part V by the affixing of the seal or signature of or on behalf of the Depositor(s) named in Part I, and on the basis that such Appointee(s) are authorised to vote in respect of the proportion of the shareholder referred to in Part II or if no proportion are so reflected, in respect of the entirety of the shareholding.

### Part II

Name	NRIC/ Passport No.	No. of Shares	Proportion of Shareholding (%)

OR if no person is named, the Chairman of the AGM be appointed as my/our proxy to vote for me/us on my/our behalf at the AGM.

We direct my/our proxy/proxies\* to vote for, against or to abstain from voting on the resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of my/our\* proxy/proxies\* for that resolution will be treated as invalid.

### Part III

No.	Resolutions relating to:	For	Against	Abstain
<b>Ordinary Business</b>				
1.	Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021			
2.	Re-election of Mr Zhang Wenjun as Director of the Company pursuant to Article 85(6) of the Company's Articles of Association			
3.	Re-election of Dr Daniel Liu Danjun as Director of the Company pursuant to Article 86(1) of the Company's Articles of Association			
4.	To approve the payment of Directors' Fees of RMB1.125 million for the financial year ended 31 December 2022 (FY2021: RMB1.125 million )			
5.	Re-appointment of Messrs. RT LLP as the Independent Auditors of the Company			

**Notes:** Voting will be conducted by poll. If you wish to exercise all your votes “For” or “Against”; or to “Abstain” from, the relevant resolution, please indicate with an “X” within the relevant box provided. Alternatively, if you wish to exercise your votes in a proportion of “For”, “Against” or/and to “Abstain” from the relevant resolution, please indicate the number of shares in the boxes provided. In the absence of directions in respect of a specific resolution, the appointment of Chairman of the AGM (or any person other than the Chairman) as your proxy for that specific resolution will be treated as invalid.



## **IMPORTANT: - PLEASE READ NOTES BELOW**

### **Notes :**

Part II If a Depositor(s) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it may nominate not more than two Appointees who shall be natural persons, to attend and vote in his/her/its place as proxy for CDP in respect of the number of the Depositor(s) Shares by completing Part II or may appoint the Chairman of the Annual General Meeting (the "Chairman") as his/her/its proxy.

A Depositor(s) who wishes to nominate more than one Appointee must specify the proportion of the number of the Depositor(s) Shares (expressed as a percentage of the whole) to be represented by each Appointee. If no proportion of the number of the Depositor(s) Shares is specified, the Appointee whose name appears first shall be deemed to carry 100 per cent of the number of the Depositor(s) Shares of his/her appointer and the Appointee whose name appears second shall be deemed to be nominated in the alternate.

Part III Please indicate with an "X" in the appropriate box against each resolution how you wish the Appointee to vote. Depositor(s) should specifically direct the Appointee on how they wish to vote for or vote against (or abstain from voting on) the resolution in Part III of this Depositor Proxy Form. If this Depositor Proxy Form is deposited without any indication as to how the Appointee shall vote, the Appointee may vote or abstain from voting at his/her discretion. If a Depositor(s) marks the abstain box for a particular resolution, he/she/it is directing the Appointee not to vote on that resolution and the votes will not be counted in computing the required majority when a poll is called.

Part V If a Depositor(s) wishes to nominate an Appointee/Appointees, this Depositor Proxy Form must be signed by the Depositor(s) or his/her/its attorney duly authorised in writing. In the case of joint Depositor(s), all joint Depositor(s) must sign this Depositor Proxy Form. If the Depositor(s) is a corporation, this Depositor Proxy Form must be executed under its common seal or under the hand of an officer or its attorney duly authorised in writing. **The power of attorney appointing the attorney or other authority, or a notarially certified copy thereof, if any, under which this Depositor Proxy Form is signed, must (unless previously registered with the Company) be attached to this Depositor Proxy Form.**

This Depositor Proxy Form, duly completed, together with the abovementioned power of attorney appointing the attorney or other authority, or a notarially certified copy thereof, if applicable, **must be deposited by the Depositor(s) at the office of the Company's Share Transfer Agent in Singapore, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 by no later than 3.00 p.m. on 13 January 2023 in accordance with the instructions stated herein and in the Notice of Annual General Meeting.**

## **GENERAL**

- 1) Depositors will not be able to attend the Annual General Meeting in person. Alternative arrangements relating to, among other things, attendance at, submission of questions in advance of and voting by proxy/proxies at the Annual General Meeting are set out in the Notice of Annual General Meeting dated 31 January 2023.
- 2) The Company shall be entitled to, at its discretion, reject any Depositor Proxy Form, which is incomplete, improperly completed or illegible or where the true intentions of the Depositor(s) are not ascertainable from the instructions of the Depositor(s) specified on any Depositor Proxy Form. It is the Depositor(s)' responsibility to ensure that this Depositor Proxy Form is properly completed. Any decision to reject this Depositor Proxy Form on the grounds that it is incomplete, improperly completed or illegible will be final and binding; and neither the Company, CDP nor In.Corp Corporate Services Pte. Ltd. Accepts any responsibility for the consequences of such a decision. In addition, the Company may, at its discretion, reject any Depositor Proxy Form lodged if a Depositor(s), being the appointer, is not shown to have shares entered against his/her/its name in the Depository Register, as supplied by CDP to the Company, as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

## **PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy, the depositor accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 January 2023.

# SHANGHAI TURBO ENTERPRISES LTD.

(Incorporated in the Cayman Islands)  
(Company Registration No. CT-151624)

## ANNUAL GENERAL MEETING – PROXY FORM

(Please see notes overleaf before completing this Form)

I/We\* \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport No./Company Registration No.) of \_\_\_\_\_ (Address) being a member/members of **SHANGHAI TURBO ENTERPRISES LTD.** (the “Company”) hereby appoint:

Name	NRIC/Passport No.	No. of Shares	Proportion of Shareholding (%)

^Appointed proxy(ies) will have to pre-register at the pre-registration website which is accessible from the URL <https://globalmeeting.bigbangdesign.co/shanghaiurbo2023> in order to access the “live” audio-visual webcast or “live” audio-only stream of the Annual General Meeting (“AGM”) proceedings.

OR if no person is named, the Chairman of the Annual General Meeting (“AGM”) as my/our proxy to attend, speak and vote for me/us on my/our behalf at the AGM to be held by way of electronic means via live webcast on 15, February 2023 at 3:00 p.m and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for, against or to abstain from voting on the resolutions proposed at the AGM as indicated hereunder. **If no specific direction as to voting is given, (i) the \*proxy/proxies (except for the Chairman of the Meeting) will vote or abstain from voting at \*his/her/their discretion, as \*he/she/they will on any other matter arising at the AGM and at any adjournment thereof; or (ii) the appointment of Chairman of the Meeting as proxy for the resolution will be treated as invalid at the AGM and at any adjournment thereof.**

(Please indicate your vote “For” or “Against” or “Abstain” with an “X” within the box provided below. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.)

No.	Resolutions relating to:	For	Against	Abstain
	<b>Ordinary Business</b>			
1.	Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021			
2.	Re-election of Mr. Zhang Wenjun as Director of the Company pursuant to Article 85(6) of the Company’s Articles of Association			
3.	Re-election of Dr. Daniel Liu Danjun as Director of the Company pursuant to Article 86(1) of the Company’s Articles of Association			
4.	To approve the payment of Directors’ Fees of RMB1.125 million for the financial year ended 31 December 2022 (FY2021: RMB1.125 million )			
5.	Re-appointment of Messrs. RT LLP as the Independent Auditors of the Company			

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

Total number of Shares in:	Number of Shares
Register of Members	

\_\_\_\_\_  
Signature of Member(s)  
and Common Seal of Corporate Member

**Notes:**

- (1) The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Members and their duly appointed proxy (or proxies) will not be able to attend the AGM in person.
- (2) This Member Proxy Form may be accessed from the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of this Member Proxy Form will not be despatched to Member(s).
- (3) A "Relevant Intermediary" is:
  - (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (4) This Member Proxy Form, duly executed, must be submitted in hard copy form or electronically via email:
  - (a) if submitted by post, to be deposited at the registered office of the Company's Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
  - (b) if submitted by way of electronic means, to be submitted via email in Portable Document Format (PDF) to the Company's Singapore Share Transfer Agent, at [shareregistry@incorp.asia](mailto:shareregistry@incorp.asia),

in either case, not less than forty-eight (48) hours before the time appointed for the holding of the AGM and/or any adjournment thereof. A member who wishes to submit the Member Proxy Form must first download, complete and sign the Member Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above.;

**Members are strongly encouraged to submit completed proxy forms electronically via email.**

- (5) The proxy form must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a proxy form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

**PERSONAL DATA PRIVACY**

By submitting this Member Proxy Form, the Member(s) accept and agree to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 January 2023.

**GENERAL**

The Company shall be entitled to reject the Member Proxy Form if it is incomplete, improperly completed or illegible, or where the true intentions of the Member(s) are not ascertainable from the instructions of the Member(s) specified in the Member Proxy Form.





SHANGHAI TURBO ENTERPRISES LTD.

上海动力发展有限公司

No. 9, Yinghua Road, Zhonglou Economic Development Zone,  
Changzhou City, Jiangsu Province, The PRC  
中国江苏省常州市钟楼开发区樱花路9号

Tel电话: +86 519 8388 8331

Fax传真: +86 519 8388 8330

[www.shanghaiturbo.com](http://www.shanghaiturbo.com)