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Submitted By (Co./ Ind. Name)

Huang Wooi Teik

Designation

Non-Executive Chairman and Lead Independent Director

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Please refer to the Annual Report 2019.

Additional Details

Period Ended

31/12/2019

Attachments

Shanghai%20Turbo%20Annual%20Report%202019.pdf

Total size =1303K MB

ShanghaiTurbo

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

2019
ANNUAL REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Huang Wooi Teik
(Non-Executive Chairman
& Lead Independent Director) (1)

Dr Wong Kee Hau
(Non-Executive Non-Independent Director) (2)

Dr Daniel Liu Danjun
(Non-Executive Non-Independent Director) (3)

Mr Koh Wee Kiang
(Non-Executive Independent Director) (4)

Mr Lee Kiang Piaw
(Non-Executive Independent Director) (5)

Mr Loh Kai Keong
(Non-Executive Independent Director) (6)

Mr Zhang Wenjun
(Non-Executive Non-Independent Director) (7)

Mr Cheah Kian Choong
(Non-Executive Independent Director) (7)

Mr Goh Yeow Kiang, Victor
(Non-Executive Independent Director) (7)

Mr Liew Yoke Pheng, Joseph
(Non-Executive Independent Director) (7)

Dr Pan Peiwen
(Non-Executive Independent Director) (7)

Mr Shi Bin
(Non-Executive Independent Director) (7)

AUDIT COMMITTEE

Mr Loh Kai Keong (Chairman) (6)
Mr Huang Wooi Teik (1)
Mr Koh Wee Kiang (4)
Mr Lee Kiang Piaw (5)

NOMINATING COMMITTEE

Mr Huang Wooi Teik (Chairman) (1)
Mr Loh Kai Keong (6)
Mr Koh Wee Kiang (4)
Mr Lee Kiang Piaw (5)
Dr Daniel Liu Danjun (3)
Dr Wong Kee Hau (2)

REMUNERATION COMMITEE

Mr Koh Wee Kiang (Chairman) (4)
Mr Huang Wooi Teik (1)
Mr Loh Kai Keong (6)
Mr Lee Kiang Piaw (5)

COMPANY SECRETARY

Ms Wong Yoen Har

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, 213016
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

Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place,
#32-01 Singapore Land Tower
Singapore 048623
Tel: 65 6536 5355
Fax: 65 6536 1360

EXTERNAL AUDITORS

Crowe Horwath First Trust LLP
8 Shenton Way
#05-01 AXA Tower
Singapore 068811
Audit Partner-In-Charge
Mr Alfred Cheong Keng Chuan
Appointed with effect from financial year 2018

INTERNAL AUDITORS

BDO China Shu Lun Pan
Certified Public Accounts LLP
No. 61 Nanjing Dong Road, Shanghai New Huangpu
Financial Tower, 4th Floor 200002
Tel: 86-21-6339116
Fax: 86-21-63299117
Audit Partner-In-Charge
Mr Scott Gao
Appointed with effect from financial year 2013

INVESTOR AND MEDIA CONTACT

Shanghai Turbo Enterprises Ltd.
Ms Elaine Leow
Tel: 65 8683 8678 & 86 15861880855
Email: elaine@shanghaiturbo.com

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(1) *Appointed as Non-Executive Chairman & Lead Independent Director, Chairman of the Nominating Committee and a member of the Remuneration Committee and Audit Committee on 30 April 2019.*

(2) *Appointed as Non-Executive Non-Independent Director and a member of the Nominating Committee on 30 April 2019.*

(3) *Appointed as Non-Executive Non-Independent Director on 1 May 2016 and a member of the Nominating Committee on 30 April 2019.*

(4) *Appointed as Non-Executive Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee on 30 April 2019.*

(5) *Appointed as Non-Executive Independent Director, a member of the Audit Committee, Nominating Committee and Remuneration Committee on 30 April 2019.*

(6) *Appointed as Non-Executive Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee on 30 April 2019 and resigned as Director of the Company on 31 December 2019.*

(7) *Appointed on 9 June 2020.*

Shanghai 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

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors ("**Board**"), I hereby present the results of Shanghai Turbo Enterprises Limited (the " Company"), and together with its subsidiaries, the "Group") for the financial year ended 31 December 2019 ("FY2019").

Board Changes

The current board comprising 2 Non-Independent Non-Executive Directors ("NINED") and 4 Independent Non-Executive directors ("INED"), lost its important Audit Committee Chairman, Mr Loh Kai Keong at the end of 2019 due to his personal heavy work commitment with the other directors sharing a heavier load in the interim. I take this opportunity to thank Mr Loh as well as the previous Board members comprising Mr Wee Liang Hiam, Mr Philip Leng Yew Chee, Mr Ong Sing Huat and Mr Seet Chong Tong for their contributions to the Company.

Business Landscapes

With the China National Energy Administration's policy to reduce the traditional power stations using largely coal-fired generators, the country has been switching to renewable clean energy power plants. Declining power consumption over the last decade caused by economic transformation from manufacturing to consumption in China coupled with delay in construction of coal-fired power stations have led to sharp decline in replacement market for our core vane or fin product. We are left with aftermarket opportunities for our fin products in a stagnant but still large coal-fired power station market in China.

With the market downturn, we have witnessed some of our fin customers downsizing over the last few years. Significantly, we experienced sharp order declines over the last 3 years in our subsidiary, Changzhou 3D Technology Complete Set Equipment Co., Ltd ("CZ3D") in China. Based on feedback, customer's lack of confidence arising from ongoing legal cases against Mr Liu Ming has been as a contributing factor to this loss of orders, aggravated by CZ3D suing its largest customer for inability to pay its amount owing. With a smaller and fiercely competitive market, our customers switching to cost cutting moves like price cuts, open tender bidding and tighter liquidity controls have resulted in sharp margin erosion for our sales and deterioration in our customer debt collection. Likewise, we experienced tight supplier credits.

Notwithstanding industry and market downtrends, with predominant large numbers of large coal-fired power stations in the country there are occasional upsurges in market demands that CZ3D must explore subject to our own rightsizing and correcting its internal constraints.

Legal Proceedings

In China, Mr Liu Ming and 6 defendants were sued for trespass by its subsidiary in China. On 17 December 2019, Changzhou's Zhonglou District Court delivered its judgment against Mr Liu Ming and 3 defendants, awarding compensation amounting to about RMB504,000 compared to CZ3D's claim for about RMB 23millions. Appeal against this judgment by the 4 defendants was heard in a higher court on 2 June 2020 with pending judgment. Legal expense incurred by our subsidiary was over RMB 1million.

In Singapore, Mr Liu is primarily sued for service contract breach in failing to deliver up the factory in China. The legal cases in Singapore have lasted almost 3 years, with high legal fee incurred by the Company.

The Board is aware of the economic impact of prolonged legal suits undertaken by the Group and is seeking meaningful and justifiable ends to the legal cases both in China and Singapore so that it can regain its business momentum and market leadership lost over the last 3 years for a recovery.

Streamlined Operations in China

With sharp sales and order decline over the years, CZ3D experienced under-utilized factory machinery and equipment, excess labour, loss of skilled talent to competitors, margin erosion, cash flow difficulty and unabsorbed factory burden. A furlough programme implemented in 4Q 2019 has labour cost saving but not enough to improve CZ3D overall cost competitiveness. With the adverse business climate, more need to be done. Apart from managing low worker morale with innovative package, operating management in CZ3D is keenly looking into further cost reduction, improved technical and technology competencies, optimum factory utilization and efficiency, quality, better cash flow means and purchasing cost reduction to improve overall competitiveness.

Challenges and Opportunities

The market consolidation has caused unprecedented difficulties in CZ3D. With the recent increase in tender awarded and higher tender to contract conversion, CZ3D experiencing a welcome moderate market uptick is doing its utmost to gain its newfound momentum under the new General Manager. He is busy working on improving cost competitiveness converting successful tenders to contract and sales this year, subject to overcoming internal constraints, improved cash flow and no sharp Covid-19 resurgence in the rest of the year. These are important conditions to overcome in CZ3D for a successful turnaround.

He is also exploring new non-vane or non-fin products like aviation, robotics, healthcare and medical industry product opportunities that many of our smaller competitors are busy engaging in. At the same time, export opportunities have emerged, including those in South East Asian emerging economies.

This Board from onset has been reviewing the 'going concern' risk, reported last year and continued to be reported this year by our external auditor. It has constantly reviewed business continuity risk on an objective basis considering the restructuring options available to it. It is now at a crossroad, with improved business prospect due to market uptick, weighed down by weakened internal structures including financial constraint.

Recapitalisation

With sharp business declines over the last 3 years, our financial resources have declined to low level. Operating management in CZ3D has been working tirelessly for new financing means and in reversing banker's credit rating downgrades. Gone are the days of cash rich balance sheets of CZ3D. Assets values for collaterals purposes have dropped to new lows reflecting depressed commercial real estate valuation whilst poor business performances over the last 3 years have further compromised our financial standings with bankers in Changzhou.

In the light of market consolidation and the uncertain Covid-19 situations despite market opportunities, CZ3D is facing unprecedented loan repayment pressure. If our borrowing effort continues to be difficult , the Board is reviewing the needs for recapitalisation. It will report to shareholders, the business continuity issue arising from the 'Going concern' risk consideration together with restructuring options and any need for 'recapitalisation'.

Appreciation

The Board takes this opportunity to express its gratitude to shareholders, management and staff and corporate advisers alike for their understanding and support during this difficult past year. Current members on the Board have been working hard but with the grave uncertainties posed by Covid-19, they cannot continue their work in China as they need to take care of their personal work commitment and interest in Singapore. We look to your understanding as Mr Huang Wooi Teik, Mr Koh Wee Kiang and Mr Lee Kiang Piaw step down at the upcoming AGM. Dr Wong Kee Hau is likewise leaving before the AGM.

We welcome new Board members Mr. Joseph Liew Yoke Pheng, Mr Goh Kiang Yeow, Victor and Dr Pan Peiwen, Mr Zhang Wenjun, Mr Shi Bin and Mr Cheah Kian Choong, appointed on 9 June 2020. Under Articles 86(6) of the Company's Articles of Association, these 6 new directors will retire and stand for re-elections and approval by shareholders at the upcoming AGM on 30 June 2020. Mr Liew, Mr Goh and Dr Pan, introduced to the Board by the Singapore Institute of Directors Board Appointment Services are appointed as INED. Mr Zhang (NINED), Mr Shi (INED) and Mr Cheah (INED), introduced by shareholders Mr Lin Chuan Jun and Ms Zhang Ping are appointed at the same time. Committee appointments for the 6 new directors will take place after the AGM.

With emerging opportunities, we are hopeful the new Board after the upcoming AGM election will continue the turnaround effort regaining shareholder value for the Company.

HUANG WOOI TEIK
Non-Executive Chairman
Lead Independent Director
For and on Behalf of the Board.
SHANGHAI TURBO ENTERPRISES LTD.
11 June 2020

GENERAL MANAGER STATEMENT

Dear Shareholders,

As the latest member to the Changzhou 3D Technological Complete Set Equipment Co., Ltd ("CZ3D") management team, it is indeed my honor to be given this opportunity to present this General Manager's Statement here. The Team and I are indeed facing very challenging situation for CZ3D in this FY2020, due to internal constraints, continued industry and market downturns and unprecedented external challenging environment of "post Covid-19" economies in China.

FY2020 may be the toughest year ever for CZ3D, but on the other hand, CZ3D workers seem more resilient and well prepared for difficult times, as many have gone through recent years turmoil, and weathered challenges and tough situation during the period of major reshuffling of board directors and management team.

Despite the current extreme external conditions and challenges, there are overall signs that things are indeed slowly turning around for CZ3D. With increment of good projects sales revenues, our production and technical have to pick up momentum quickly, to ensure good quality and timely deliveries.

As of May 2020, CZ3D has tenders awarded to more than RMB60 millions, with about RMB20 millions carried over from Y2019 Q4. At least half of these tenders have been converted into contracts so far (~RMB30 millions). Even though this significant increment of sales volume seems much higher than Y2019, yet this is still far from our objective to fully turn around CZ3D and making it a sustainable and profitable business.

With earlier sales strategy to getting back into good book of key customers, we have focused on delivering with good service and high-quality products, even as we battled in low-margin competitive Small-Fins market. CZ3D has then won top quality performance awards from two key divisions of current largest customer, over the last two quarters since Nov/Dec 2019. This has successfully strengthened and regained customer confidence in CZ3D, as previous years of stoppage in business cooperation had hurt many such relationship. With this successful first step, customer can now award CZ3D the more difficult, but higher margins Big-Fins contracts. Such higher technology and technically more demanding mid-size and big Fins projects can then better utilize our higher end 4-axis and 5-axis machines advantage, and our gross margins can gradually improve.

Meanwhile, Fin-Sales Team is winning back some overseas contracts from Korean and Japanese customers, and newly formed Non-Fin Sales Team has explored and found new breakthrough into manufacturing of some medical and automobile components. These new businesses may be of small value contracts now, but these are really good margins contracts with potential future growth. However, such new explorations tend to have more stringent requirements that all departments of Production, QC, Technical and Sales Project Management need to work closely together.

With these sales recovery and structuring of new strategy to make sure of our successful market penetration, various departments have to move forward together with better coordination and efficiency. However, this will then expose our current weaknesses in Production management and Technical departments. Even as these engineering teams are working diligently to fulfill orders, we are falling behind customers' demanding delivery schedules. Previous years of business downturn and stoppage in technology growth have resulted in CZ3D losing some key technical designer and programmer personnel to competitions, and current production management process are still operating at low productivity level and not running efficiently.

Hence, we are facing stressful situation of poor deliveries schedules as sales contracts scaled up, we identify root cause in serious labor shortage of higher skillset operators, technical designers and programmers. Even though the company has taken this opportunity to bring back most of the furloughed workers arrangement back in 2019, we still need to explore and bring in more technical talents, as soon as possible.

In this post Covid-19 situation in China, we are hoping to attract good talents that might not be available to us before. Such human resources investment is crucial not just for current situation, but as a matter of fact, we need top-notch new talents to keep pace with the industry moving into higher level developments. This will determine the company's near term development and to regain our market's competitive edge.

One good example we are witnessing in the market recently, where our competitions that used to much smaller in size as compared to CZ3D before, many have grown and become much larger now, as they have ventured into new higher technology markets like aviation, robotics, healthcare and medical industry. Whereas our continuing focus in the turbine fins market are much appreciated by our few key state-owned customers, who are expanding and looking for good manufacturers, where we can see recent growing numbers of smaller projects countrywide, for example like waste incineration power plants. In which, interests have been expressed by customers to explore more longer term commitment and cooperation in the power industry, for both local Chinese market and Southeast Asia "One-Belt-One-Road" initiative new opportunities.

As CZ3D streamlines its operation to overcome internal and external challenges resulting from poor performances in the last few years. This current period of unique recovery may be a good opportunity to turn around the company, starting with regaining customers and rebuilding a stronger engineering team. We will sincerely like to thank and look forward to the continuing support of the Board, and even more important for us to re-establish a determined, diligent and dedicated management team with a stable workforce to regain past successes of the company.

As an old poem of a famous Southern Song Dynasty poet, Lu You once put it,山重水复疑无路、柳暗花明又一村，meaning "Every Cloud has a Silver Lining...", and CZ3D is indeed able to see the light at the end of the tunnel.

Last, but not least, we are also facing financial cash flow challenges, whereby more capital will be needed for revenues increment. Partly due to the market finance practice of our State-owned enterprise customers, with payment terms of at least six-months bill receivables, and also, there is increasing pressure to outsource more of our manufacturing processes in order to lower costs, expedite deliveries and improve overall efficiency. As such, we have to explore alternative financing, even at the expense of higher finance costs.

Finally, I would like to set the course for the company as swiftly as possible, with no luxury of any time wastage. The whole management team has to work very closely together as One, and to make things happen step-by-step, building success upon success. In times like this, we definitely need the continuing support and patience of our Board Directors. Likewise, we need more than ever before, the understanding, patience and support from all our Shareholders. We have to, and we will, really "count our every penny" and weather through this challenging period. I strongly believe, with diligence and vigilance, CZ3D should be on the right course of recovery.

TAN JUAY KIAT
CHANGZHOU 3D TECHNOLOGICAL
COMPLETE SET EQUIPMENT CO., LTD
11 June 2020

Statement of Profit or Loss and Other Comprehensive Income

Group revenue decreased by 52% from RMB29.85 million in YTD 4Q FY2018 to RMB14.40 million in YTD 4Q FY2019 reflecting the Subsidiary's inability to secure tender for project awards amid ongoing industry consolidation, weak market and key customer confidence erosion arising from long drawn litigation uncertainties between the Group and Subsidiary and its ex-CEO and founder shareholder. During 4Q FY2019, Sales Department with aggressive tender bidding secured awards pushing 2019 successful bids to RMB26.97 million and the goods delivery to the major customer amounting to RMB5.46 million in 2019. Since 1 January 2020 to 31 May 2020, the Subsidiary has been awarded new tenders amounting to RMB48.17 million, reflecting an improved tender award rate in 2020. Backlog (successful tender) at the end of December 2019 and May 2020 were RMB11.90 million and RMB33.85 million - respectively, a reflection of moderate improvement in our recent tender bids.

Cost of sales decreased by 37% from RMB46.61 million in YTD 4Q FY2018 to RMB29.53 million in YTD 4Q FY2019, mainly due to a reduction in revenue for the financial year. With cost of sales exceeding revenue for FY2019, it resulted in a gross loss for the financial year. The relatively higher Cost of sales reflected under absorption of production cost for factory operating way below it's normal plan volume. During the year, the Subsidiary has outsourced certain cutting jobs due to its lack of high technological machineries as well as skilled labour required for the jobs secured. The Subsidiary has a cumulative cost saving of close to RMB1 million up to end 2019 for its Furlough Program. Depending on increased production volume, workers would return to the production floor resuming their regular wage and fringes. The Subsidiary is continuing to take drastic action to reduce cost of sales as explained above, to aid and complement Sales Department's aggressive effort in securing more orders to fill up the slack production lines.

Selling and distribution expenses decreased by 12% from RMB6.66 million in YTD 4Q FY2018 to RMB5.88 million in YTD 4Q FY2019 due to decrease in salaries of the Sales Department amounting to RMB0.06 million; decrease in commission of RMB0.32 million; decrease in travelling expenses of RMB0.29 million and decrease of entertainment expenses of RMB1.05 million as compared to YTD 4Q FY2018. In 2019, the Subsidiary has re-classified the transportation cost from selling and distribution to cost of sales and there were no commission paid for the year.

Administrative expenses decreased by 25% from RMB42.90 million in YTD 4Q FY2018 to RMB32.24 million in YTD 4Q FY2019. Administration expenses included re-classification of depreciation from production cost to administration cost, labour cost RMB9.24 million (2018: RMB9.79 million), professional fee RMB3.25 million (2018: RMB1.5 million), legal fee RMB3.49 million (2018: RMB1.60 million), labour compensation cost RMB0.99 million (2018: RMB4.07 million), audit fee RMB1.01 million (2018: RMB1.03 million), security fee RMB0.46 million (2018: RMB0.71 million), office expenses RMB0.25 million (2018: RMB0.41 million), general insurance cost RMB0.23 million (2018: RMB0.37 million); car expenses RMB0.13 million (2018: RMB0.17 million), repair & maintenance of office area RMB0.26 million (2018: RMB0.14 million) and Labour Association Fee RMB0.03 million (2018: RMB0.18 million).

The Group ended FY2019 with a net loss of RMB55.55 million, compared to RMB8.78 million net loss in FY2018.

Statement of Financial Position

As at 31 December 2019, the Group's non-current assets stood at RMB83.77 million, a decrease from RMB97.29 million, mainly due to the depreciation of Property, plant and equipment (PPE).

Over the same period, current assets decreased from RMB101.35 million to RMB42.65 million, mainly due to the collection of trade receivables amounting to RMB57.42 million during the year.

The Group's total liabilities decreased from RMB49.25 million as at 31 December 2018 to RMB32.58 million as at 31 December 2019, as trade payables decreased to RMB7.73 million from RMB17.66 million in FY2018 mainly due to payments made to various suppliers.

Statement of Cash Flows

The Group's net cash outflow from operating activities amounting to RMB1.88 million arising from loss before income tax adjusted for non-cash effects items of, RMB36.87 million after accounting for a positive change in working capital amounting to RMB35.41 million.

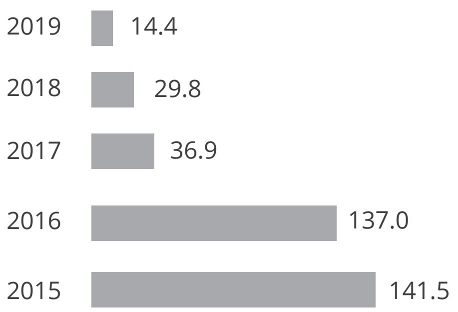
The Group's net cash used in investing activities amounting to RMB0.69 million mainly due to acquisition of new plant and machinery in factory for RMB0.76 million and offset by proceeds from disposal of property, plant and equipment, RMB0.07 million.

The Group's net cash used in financing activities amounted to RMB2.60 million arising from proceeds from bank loans of RMB16.0 million and withdrawal of pledged deposits of RMB1.51 million, offset by repayment of bank loans RMB18.70 million and payment of bank interest of RMB1.41 million.

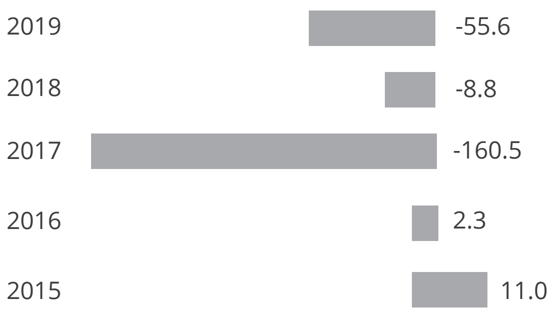
In view of the above, there was a net decrease in cash and cash equivalents of about RMB5.17 million in FY2019, compared to a net decrease of RMB13.07 million in FY2018.

FINANCIAL HIGHLIGHTS

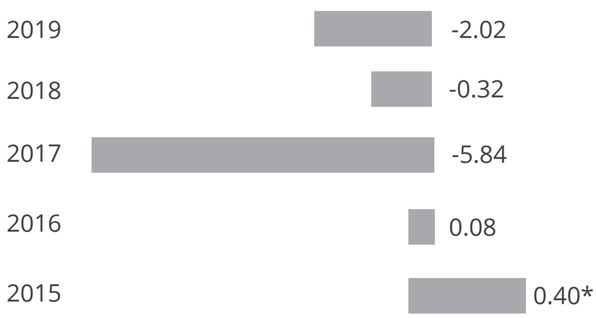
Revenue (RMB million)



Net Profit After Tax (RMB million)

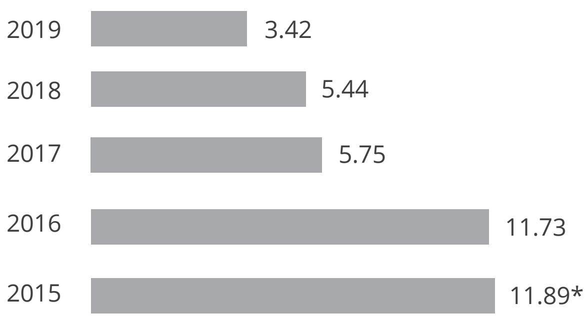


Earnings Per Share* (RMB)



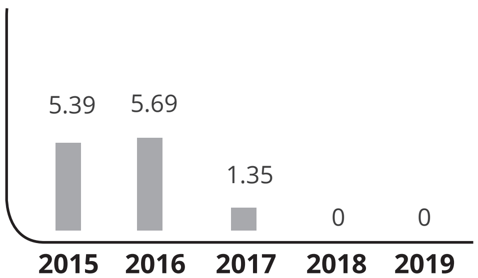
* A 10 to 1 share consolidation was completed on 15 May 2015.

Net Asset Value Per Share* (RMB)



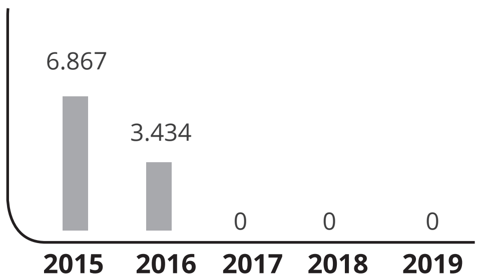
* A 10 to 1 share consolidation was completed on 15 May 2015.

Dividend Yield Chart (%)**



Shareholders started receiving dividends from 2010

Dividend Payment Quantum (RMB'000)



Started paying dividends from FY2009

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.

	2015	2016	2017	2018	2019
Statement of Profit or Loss and Other Comprehensive Income (in RMB'000)					
Revenue	141,475	136,997	36,875	29,845	14,402
Gross profit/loss	39,935	30,644	-1,160	-16,764	-15,132
Profit/loss before tax	18,097	4,987	-160,420	-10,161	-55,060
Net profit/loss after tax	11,024	2,293	-160,478	-8,782	-55,568
Statement of Financial Position (in RMB'000)					
Property, plant and equipment	101,846	126,332	112,673	97,286	83,769
Inventories	30,218	33,582	1,629	1,983	2,850
Trade receivables	168,314	164,045	54,787	81,815	29,575
Cash and bank balances	67,557	50,402	28,612	14,285	7,526
Trade payables	46,254	52,409	28,928	17,660	7,733
Other payables and accruals	11,169	4,765	5,905	9,434	5,124
Provision	-	-	4,373	4,373	4,373
Bank loan	-	7,000	-	16,000	13,300
Shareholders' equity	326,491	322,082	158,169	149,387	93,836
Total assets	388,431	389,112	201,390	198,635	126,420
Total liabilities	61,940	67,030	43,221	49,248	32,584
Statement of Cash Flows (in RMB'000)					
Operating activities	-31,189	14,105	-12,877	-27,996	-1,877
Investing activities	-11,125	-32,254	2,108	-1,480	-694
Financing activities	-2,404	3,948	-9,840	16,405	-2,603
Net movement	17,660	-14,201	-20,609	-13,071	-5,174
Financial Ratios					
Earnings per share (RMB)	0.40	0.08	-5.84	-0.32	-2.02
Net asset value per share (RMB)	11.89	11.73	5.75	5.44	3.42
Dividend yield (%)	5.39	5.69	1.35	-	-
Dividend payment quantum (RMB'000)	6,867	3,434	-	-	-

MR HUANG WOOI TEIK — *AGE 67*

Non-Executive Chairman & Lead Independent Director

B.Acc (Singapore), MBA (USA), FCA (Singapore), FCPA (Australia), MCIM (United Kingdom), MMIS (Singapore), Diploma in Marketing (CIM UK)

Date of appointment
as Non-Executive Chairman & Lead Independent Director:
30 April 2019

Length of service as at 30 June 2020:
1 year 2 months
8 years 5 months (cumulative)

Served on the following Board Committees

- Nominating Committee – Chairman
- Audit 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 (2017-2019)

- NIL

Background and experience

Mr Huang currently runs a business and investment advisory firm, specialising in the China, fund management and capital markets. Prior to this, Mr Huang was a Managing Director at Middle East Development Singapore Limited listed on the SGX-ST and had held senior management and financial roles in regional MNC and listed companies, including General Manager of Shanghai Carrier Transicold Equipment Co., Limited, CFO of United Technologies Carrier Refrigeration Pacific Operations, CFO of Hi-P International Limited listed on the SGX-ST and Group CFO (China) of Hong Leong China Limited.

MR LOH KAI KEONG — *AGE 67*

Non-Executive Independent Director

B.Acc (Singapore)
CA (Singapore)

Date of appointment
as Non-Executive Independent Director:
30 April 2019

Date of resignation
as Non-Executive Independent Director:
31 December 2019

Length of service:
8 months (as at 31 December 2019)

Served on the following Board Committees

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

Present directorships in other listed companies

- Boustead Group Ltd (resigned on 31 January 2020)

Present principal commitments

(other than directorships in other listed companies)

- Boustead Group (Consultant)
  SW Technologies Pte Ltd (Shareholder & Director)

Directorships in other listed companies held over the preceding three years (2017-2019)

- NIL

Background and experience

Mr Loh has more than 40 years of accounting and finance experience, having been involved at both operational and strategic levels. He has wide experience in corporate governance having served on the boards of other Singapore listed companies as executive director and Group CFO in the past. Mr Loh is a professional director, specialising in corporate governance matters and risk assessment management.

MR KOH WEE KIANG | *AGE 67*

Non-Executive Independent Director

B.Acc (Singapore)
CA (Singapore)
Diploma in Financial Management (NYU-NPB, Singapore)

Date of appointment
as Non-Executive Independent Director:
30 April 2019

Length of service:
1 years 2 months (as at 30 June 2020)

Served on the following Board Committees

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

Present directorships in other listed companies

- Asia Enterprises Holding Limited
  (Independent Director)

Present principal commitments

(other than directorships in other listed companies)

- Executive Director of Candoer Pte Ltd

Directorships in other listed companies held over the preceding three years (2017-2019)

- NIL

Background and experience

Mr Koh Wee Kiang , a CA with over 30 years' experience working in banks, financial futures and stock broking houses. He has strong financial and capital market experiences. Mr Koh served in senior management positions in DBS Trading. DBS Vickers and CIMB Securities and he is currently, serving as director of his company, Candoer Pte Ltd.

MR LEE KIANG PIAW | *AGE 57*

Non-Executive Independent Director

FCPA (Australia)
FCA (Singapore)

Date of appointment
as Non-Executive Independent Director:
30 April 2019

Length of service:
1 year 2 months (as at 30 June 2020)

Served on the following Board Committees

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

Present directorships in other listed companies

- Shanghai Welfare Group Co. Ltd (National Equities Exchange & Quotations : 831782)
  (Non-Executive Director)

Present principal commitments

(other than directorships in other listed companies)

- Group CEO of LSC Group

Directorships in other listed companies held over the preceding three years (2017-2019)

- NIL

Background and experience

Mr Lee has been working as Director of China Business Advisory & Investment Management, Executive Director of Boardroom LSC Co., Ltd. and an investor in a number of businesses in China since 1986.

DR DANIEL LIU DANJUN | *AGE 51*

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:
15 April 2017

Length of service:
3 years 2 months (as at 30 June 2020)

Served 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 (2017-2019)

- NIL

Background and experience

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 technology companies, and various industry groups, as well as being Chairman for a number of technology companies.

DR WONG KEE HAU | *AGE 48*

Non-Executive Non-Independent Director

BDS (Singapore), MSc (Dentistry) NUS (Singapore),
FRACDS (Australia)

Date of appointment
as Non-Executive Non-Independent Director:
30 April 2019

Length of service:
1 year 2 months (as at 30 June 2020)

Served 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 (2017-2019)

- NIL

Background and experience

Dr Wong is based in Shanghai and has more than 20 years of experience in corporate dental business in China and Singapore and member of the business community.

He was Vice-President of a division of a Singapore listed healthcare company and is currently working as Clinical Director in a listed company's associate company in Shanghai.

He has gained extensive experience in corporate governance, internal controls and strategic business investment and management.

MR ZHANG WENJUN	***AGE 50***

Non-Executive Non-Independent Director

Bachelor of Engineering Degree,
Xi'an Jiaotong University (China)
MBA, Macau International Public University (China)

Date of appointment
as Non-Executive Non-Independent Director:
9 June 2020

Length of service:
1 month (as at 30 June 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 (2017-2019)

- 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 SHI BIN	***AGE 59***

Non-Executive Independent Director

Bachelor of Engineering, Department of Mathematics,
Shanghai Normal University (China)

Date of appointment
as Non-Executive Independent Director:
9 June 2020

Length of service:
1 month (as at 30 June 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 (2017-2019)

- NIL

Background and experience

Mr Shi Bin is currently a director at Fundamental Education Development Centre of Shanghai Normal University. He is a senior professor, scholar and social activist. He was lecturing at the Science Faculty of Shanghai Normal University, deputy editor in chief of Shanghai middle school mathematics publication, etc.

Mr Shi Bin is now a lecturer at the Oriental Forum, part of the Publicity Department of CPC Shanghai Municipal Committee and has given more than 500 lectures. He is actively engaged in social charity work, such as the earthquake relief of 2008 Wenchuan earthquake.

MR CHEAH KIAN CHOONG | *AGE 50*

Non-Executive Independent Director

Master of Science in Real Estate & Property Management, The University of Salford, Manchester (United Kingdom)

Date of appointment
as Non-Executive Independent Director:
9 June 2020

Length of service:
1 month (as at 30 June 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 (2017-2019)

- NIL

Background and experience
Mr Cheah is a veteran in foreign direct investment ("FDI") and investor-government relations. An International Award Winner and Deal-Maker that brought multi-billion dollars' worth of FDI potentials in oil & gas, power station, pharmaceutical, industrial parks, cold storage, aquaculture farming, real estate development, etc.

He has rich experience in delivering high impact and strategically significant outcomes in Middle East, Malaysia, Indonesia, China and Vietnam.

MR GOH YEOW KIANG VICTOR | *AGE 47*

Non-Executive Independent Director

MBus (Finance), FCA (Singapore),
FCCA (United Kingdom), FIPAS (Singapore)

Date of appointment
as Non-Executive Independent Director:
9 June 2020

Length of service:
1 month (as at 30 June 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 (2017-2019)

- NIL

Background and experience
Mr Victor Goh is a public accountant and a partner of Baker Tilly Singapore where he heads the Restructuring and Recovery division.

Mr Goh started his career in audit and later went on to specialise in corporate restructuring and insolvency. He has more than 22 years of experience providing business advisory services to both public and private companies.

Mr Goh is a member of INSOL International.

MR LIEW YOKE PHENG JOSEPH | *AGE 64*

Non-Executive Independent Director

Bachelor of Commerce (Accountancy),
Nanyang University (Singapore)
FCCA (United Kingdom), FCA (Singapore)

Date of appointment
as Non-Executive Independent Director:
9 June 2020

Length of service:
1 month (as at 30 June 2020)

Present directorships in other listed companies

- Grand Venture Technology Limited (Listed on SGX Catalist) (Lead Independent Director and Chairman of the Audit Committee)

Present principal commitments

(other than directorships in other listed companies)

- Hoe Leong Corporation Limited (Listed on SGX Mainboard) (Executive Chairman and Chief Executive Officer)

Directorships in other listed companies held over the preceding three years (2017-2019)

- Innovalues Limited (Independent Director)

Background and experience

Mr Liew is an experienced business and strategic management leader, passionate in the fields of information technology, corporate governance, internal controls, risk management and finance. He had turned around businesses, managed growth and business transformation for companies in Asia Pacific region and beyond. He had worked in China's manufacturing sector and is proficient in both spoken and written English and Chinese.

Mr Liew has extensive working experience in the audit and financial fields with the Big-4 as well as MNCs and large-sized corporations.

DR PAN PEIWEN | *AGE 61*

Non-Executive Independent Director

PhD in Corporate Governance & Strategic Planning (USA),
Master of Business in IT (Australia),
FIPA (Australia), FFA (United Kingdom), MSID (Singapore)

Date of appointment
as Non-Executive Independent Director:
9 June 2020

Length of service:
1 month (as at 30 June 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 (2017-2019)

- NIL

Background and experience

Dr Pan has over 25 years of integrated audit experience, over 14 years of IT experience and specializes in data protection strategy. He holds a Degree of Doctor of Philosophy (PhD) in Corporate Governance and Strategic Planning from Greenleaf University, USA; and a Degree of Master of Business in Information Technology from Royal Melbourne Institute of Technology (RMIT), Australia.

MS ELAINE LEOW SIEW PHAIK | *AGE 47*

Financial Controller,
Shanghai Turbo Enterprises Ltd.

ACCA & FCCA (United Kingdom)
MIA (Malaysia)
CMIIA (Malaysia)
Certified Company Secretary (Malaysia)

Date of appointment:
16 January 2019

Length of service:
1 year 7 months (as at 30 June 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 (2017-2019)
- NIL

Background and experience
Ms Leow has more than 23 years working experience in accounting, corporate finance, internal audit and risk assessment management. She is responsible for preparing the financial statement and all the compliance procedures in the Group.

MR DAI XIAOLONG | *AGE 44*

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

Bachelor's degree in Law from People's University of China

Date of appointment:
April 2017

Length of service:
3 years 2 months (as at 30 June 2020)

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- Senior Partner, Beijing Dacheng Law Offices, LLP (Shanghai)

Directorships in other listed companies held over the preceding three years (2017-2019)
- NIL

Background and experience
Mr Dai graduated from the People's University of China in 1997 with a bachelor's degree in law. He is currently a senior partner of Beijing Dacheng Law Offices, LLP (Shanghai), and concurrently serves as an arbitrator of the Suzhou Arbitration Commission.

He has served as legal adviser to the Management Committee of Suzhou High-tech Zone and Huqiu District People's Government in Suzhou. He has extensive legal knowledge in corporate governance and investments (particularly in mergers and acquisitions), and has nearly 20 years of commercial law experience. He serves a number of multinational companies (including global top 500 enterprises) as legal counsel on Chinese law, and is a long- term legal advisor to numerous foreign-funded enterprises in the Eastern China region. He has acted for many prominent multinational companies conducting transactions in China such as mergers and acquisitions, restructuring, joint ventures, and various other investment projects.

MR TAN JUAY KIAT | *AGE 51*

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

National University Of Singapore, Honors Degree Mechanical Engineering

Date of appointment:
13 May 2020

Length of service:
2 months (as at 30 June 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 (2017-2019)
- NIL

Background and experience
Mr Tan has served in various international listed companies for the past 20 years, assuming roles of general manager and chief executive officer in greater China region. He acquired diverse operational experience and knowledge in manufacturing and engineering industry. He established his career in China since 1994 and has expanded coverage to some Asia Pacific market over the years.

MR LONG WEI | *AGE 49*

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

Master of Business Administration (MBA), Shanghai Jiaotong University Antai School of Management

Date of appointment:
10 May 2019

Length of service:
1 year (as at 13 May 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 (2017-2019)
- NIL

Background and experience
Mr Long has working with Shanghai Huitong Energy Co., Ltd. (SH 600605) which is listed in China since Feb 2004 to Feb 2019, he worked as Financial Controller and promoted to be the Deputy Managing Director cum Financial Controller.

MR ZHANG RONG | *AGE 44*

President, General Manager and Chief Executive Officer
Changzhou 3D Technological Complete Set Equipment Co., Ltd

Diplom-Ingenieur of Inorganic Silicate from Clausathal University of Technology of Germany Bachelor of Material Science & Engineering from Hefei University of Technology

Date of appointment:
8 May 2017

Length of service:
2 years 1 month (as at 10 May 2019)

Present directorships in other listed companies

- NIL

Present principal commitments

(other than directorships in other listed companies)

- General Manager, J & R (Beijing) Consulting Co.Ltd. - Corporate Representative
- Consultant, Ducatt NV
- Consultant, Renolit Belgium NV

Directorships in other listed companies held over the preceding three years (2017-2019)

- NIL

Background and experience

Mr Zhang has served in various German-listed companies for about 10 years, assuming many roles including assistant to technical director, quality manager and general manager of the Chinese affiliate among others, where he acquired diverse experience and knowledge in the manufacturing industry. In 2014, he established his own consultancy company, mainly offering technical and strategic consulting services to the European companies which were keen to develop their businesses in the Greater China.

MR JIANG RONGLIN | *AGE 50*

Deputy General Manager (Sales),
Changzhou 3D Technological Complete Set Equipment Co., Ltd

Date of appointment:
October 2013

Length of service:
5 years 8 months (as at 31 May 2019)

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 (2017-2019)

- NIL

Background and experience

Mr Jiang started his career in a state-owned corporation as a section chief in 1987. In 1995, he decided to set up his own business and subsequently founded Changzhou Jinyang Paper Products Co., Ltd in 1997. He assumed the role of Executive Director and General Manager of the Company, overseeing the overall operations of the Company. Under his leadership, the Company achieved growth and rapid developments. In 2013, he left in search of new challenges. He then joined Changzhou 3D Technological Complete Set Equipment Co., Ltd.

MR SHI LINBIN	*AGE 44*

Deputy General Manager (Production), Changzhou 3D Technological Complete Set Equipment Co., Ltd

Date of appointment:
November 2018

Length of service:
1 year 5 months (as at 31 March 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 (2017-2019)

- NIL

Background and experience

Mr Shi started his career in 1998 with a state-owned enterprise. He has joined Changzhou 3D Technological Complete Set Equipment Co., Ltd since 2003. He has served as CNC Workshop & Production Director. He has more than 21 years working experience in the machinery industry and he has promoted as Deputy General Manager on November 2018.

On 6 August 2018, the Monetary Authority of Singapore ("**MAS**") issued a revised Code of Corporate Governance 2018 (the "**Code**") and accompanying Practice Guidance.

Shanghai Turbo Enterprises Ltd. (the "**Company**") and its Management is committed to maintain high standards of measures, practices and transparency in the disclosure of material information in line with those set out in the Code. The Code will apply to annual reports covering financial year commencing 1 January 2019.

The Company has established various self-regulating and monitoring mechanisms, to ensure that effective corporate governance is practiced as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and financial performance of the Company and its subsidiaries (the "**Group**").

This report describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code which forms part of the Continuing Obligations of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

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 principal functions of the Board are:

1. sets the overall strategy of the Group, supervises and works with the management to make objective decisions in the interest of the Group including establishing goals and priorities for the management, and reviews the management's performance by monitoring the achievement of these goals;

2. establishes 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. sets objective performance criterion to evaluate the Board's performance and succession planning process;

4. reviews 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;

5. reviews and approves 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 budgets and capital expenditure, release of the Group's half-year and full-year financial results and other strategic initiatives proposed by Management;

6. approves all Board appointments/re-appointments and appointment of Key Management Personnel[1], evaluates their performance and reviews their remuneration packages;

7. identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation;

8. sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and

9. considers sustainability issues (where applicable), e.g. environmental and social factors, as part of its strategic formulation.

[1] Key Management Personnel: the General Manager and other persons having authority and responsibility for planning, directing and controlling the activities of the Company

To assist in the execution of its responsibilities, the Board has established several Board Committees namely, Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). These Board Committees function within clearly defined terms of reference, which are reviewed on a regular basis. The terms of reference of the respective committees have incorporated the recent changes under the Code. All Board Committees are chaired by an Independent Director and a majority of the members are Independent Directors. The Board is continuing looking for replacement for AC Chairman.

The Board and AC meetings are held at least four times a year and NC and RC meetings held at least once a year. The Board and its board committees also met as warranted by particular circumstances to discharge their duties. An annual schedule of Board and Board Committee meeting dates are set by the directors in advance. Ad-hoc meetings are convened when required to address any significant issues that may arise in-between the scheduled meetings. Where physical meetings are not possible, timely communication with members of the Board and Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company's Articles of Association ("**Articles**") provide that the directors may conduct meetings by means of telephone or video conference or other methods of simultaneous communication.

To enable members of the Board and its committees to prepare for the meetings, agendas were circulated in advance. Members of the management are invited to attend the meetings to present information and/or render clarification when required. Directors are welcome to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from the management. When required, Board members meet to exchange views outside the formal environment of Board meetings. The frequency of meetings and attendance of each director at every board and Board Committee meeting are disclosed in this Report.

The attendance of the directors at Board meetings and Board Committee meetings for the financial year ended 31 December 2019 are as follows:-

	Board	**Audit Committee ("AC")**	**Nominating Committee ("NC")**	**Remuneration Committee ("RC")**
Number of meetings	5	4	2	2
Name of Directors				
Non-Executive Independent Directors:				
Mr Wee Liang Hiam(1) (Lead Independent Director)	1	1	1	1
Mr Leng Yew Chee Philip(1)	1	1	1	1
Mr Ong Sing Huat(1)	1	1	1	1
Mr Seet Chong Tong(1)	1	1	0	0
Mr Huang Wooi Teik(2) (Non-Executive Chairman and Lead Independent Director)	4	3	1	1
Mr Loh Kai Keong(2)(3)	4	3	1	1
Mr Koh Wee Kiang(2)	4	3	1	1
Mr Lee Kiang Piaw(2)	4	3	1	1
Non-Executive Non-Independent Directors:				
Dr Daniel Liu Danjun	5	4	1	1
Dr Wong Kee Hau(2)	4	3	1	1

(1) Stepped down on 30 April 2019.

(2) Appointed on 30 April 2019.

(3) Resigned on 31 December 2019.

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 Company has adopted internal guidelines governing matters that require the Board's approval. Matters which are specifically reserved to the Board for decision include those involving a conflict of interest for a substantial shareholder or a director, material acquisitions, disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders and matters which require Board approval as specified under the Company's interested person transaction policy.

Newly appointed directors will, if necessary, be given briefings by the management on the business activities of the Group, governance policies, 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.

During FY2019, the Directors were provided with updates on changes in laws and regulations, including the Listing Rules and the Code of Corporate Governance, which are relevant to the Group. The external auditors regularly update the AC and the Board on the developments in the Financial Reporting Standards which are applicable to the Group.

To keep pace with a fast-changing regulatory environment, the Company and the Board works closely with the Company Secretary to provide its directors with regular updates on the latest governance and listing policies. All directors were also updated regularly concerning any changes in company policies.

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.

Directors and the management are encouraged to attend courses to keep abreast of changes in the law and governance matters that may affect the Company. The Company has a budget for them to receive further relevant training of their choice in connection with their duties.

The Board has separate and independent access to the senior management of the Company, the Company Secretary and the External Auditors (as defined below) at all times. Directors also have unrestricted access to the Company's records and information, all Board and Board's committees' minutes, and have been receiving management accounts so as to enable them to carry out their duties.

In addition to the periodic business forecasts submitted to the Board for approval, the Board has been provided with management reports, Board papers and related materials informing the directors of the Group's performance, position and prospects. Management also keeps the Board apprised of material variances between the actual results, and the corresponding period of the previous year, with appropriate explanation on such variances. Further, additional information is circulated to the Board on a regular basis as and when there is material development in the Group's business operations.

The Company Secretary attends all Board and Board Committee meetings and administers, attends and prepares minutes of Board and Board Committee meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's Articles of Association, so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The Company Secretary's role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as board policies and procedures are complied with.

The appointment and removal of the Company Secretary and the professional corporate secretarial firm are subject to the approval of the Board.

Should directors require professional advice, whether as a group or individually, the Company shall upon the direction of the Board, appoint a professional advisor selected by the Group or the individual, approved by the Chairman, to render the service. The costs of such service shall be borne by the Company.

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

Presently, the Board comprises eleven directors, all of whom are non-executive, of which eight are independent and three are non-independent.

Non-Executive Chairman & Lead Independent Director

Mr Huang Wooi Teik*

Non-Executive Non-Independent Directors

Dr Daniel Liu Danjun
Dr Wong Kee Hau*
Mr Zhang Wenjun@

Non-Executive Independent Directors

Mr Loh Kai Keong*#
Mr Koh Wee Kiang*
Mr Lee Kiang Piaw*
Mr Liew Yoke Pheng, Joseph@
Dr Pan Peiwen@
Mr Goh Yeow Kiang, Victor@
Mr Shi Bin@
Mr Cheah Kian Choong@

* Appointed on 30 April 2019
\# Resigned on 31 December 2019
@ Appointed on 9 June 2020

As at date of this Report, four out of six members of the Board are Independent Directors including the Non-Executive Chairman & Lead Independent Director, there is a strong independent element on the Board. As at 9 June 2019, there are 6 directors appointed, five out of six members of the Board are independent.

Individual directors' profiles are shown in the "Board of Directors" section of this Annual Report as set on pages 8 to 12.

Mr Tan Juay Kiat, the General Manager of the operating subsidiary, Changzhou 3D Technological Complete Set Equipment Co., Ltd ("**Changzhou 3D**"), was appointed on 13 May 2020. Prior to that appointment, the Ex-General Manager, Mr. Long Wei has joined the Company from 10 May 2019 to 13 May 2020.The previous CEO of the subsidiary, Mr. Zhang Rong has joined the Company at 15 April 2017 and left the Company at 10 May 2019. The board of the operating subsidiary meets quarterly to discuss the operational issues in depth, before surfacing the issues to the Company, whose audit committee and board meeting meet the following day. As at date of this Report, Ms. Elaine Leow Siew Phaik has been appointed as Financial Controller in place of Mr. Isaac Peh Lin Siah since 16 January 2019 until now.

The NC and the Board, in its deliberation as to the independence of a director, takes into account examples of relationships as set out in the Code.

The Board possesses the relevant core competencies in areas such as accounting and finance, strategic planning, business and management experience. 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 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.

During the year, the Non-Executive Directors helped develop both the Group's short-term and long-term business strategies, corporate governance compliance and played an important role in tightening the internal control processes risk and compliance monitoring. They also communicated among themselves without the presence of management as and when the need arises. The Company also benefited from the management's ready access to its directors for guidance and exchange of views both within and outside the formal Board or committees meetings.

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.

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.

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.

CHAIRMAN AND GENERAL MANAGER

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

The position of the Non-Executive Chairman & Lead Independent Director and General Manager ("**GM**") are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

As at the date of this Report, Mr Huang Wooi Teik, being the Non-Executive Chairman ("**Chairman**") and Lead Independent Director ("**LID**") since 30 April 2019, 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 LID is also responsible for ensuring that adequate time is available for discussion of all agenda items, particularly for strategic issues, and promoting high standards of corporate governance. Besides ensuring effective communication with shareholders, the LID also acts as facilitator to the Non-Executive Directors for them to effectively contribute to the Group.

The LID is also the principal liaison to address shareholders' concerns, for which direct contact through normal channels of the GM or Financial Controller 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 GM after such meetings.

The other specific roles as LID are as follows:

a) acts as liaison between the Non-Executive Directors and the Executive Directors of Changzhou 3D to provide non-executive perspectives; and

b) assists the Board and Company officers in better ensuring compliance with and implementation of corporate governance.

During the year, 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

Presently, the NC comprises 6 members, 4 members (including Chairman) are Independent Directors:-

Mr Huang Wooi Teik*	(Chairman)
Mr Koh Wee Kiang*	(Member)
Mr Lee Kiang Piaw*	(Member)
Mr Loh Kai Keong#	(Member)
Dr Wong Kee Hau	(Member)
Dr Daniel Liu Danjun	(Member)

* Appointed on 30 April 2019
\# Resigned on 31 December 2019

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of directors to the Board, to consider how the Board's performance may be evaluated, and to propose objective performance criteria for the Board's approval. Its 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.

The NC reviews annually the independence of each director based on the definition and criteria set out in the Code for independence. Each Non-Executive Director is required to complete a Confirmation of Independence form drawn up based on the Principle 2 of the Code for the NC's review and recommendation to the Board.

Taking into consideration the foregoing, the NC is of the view that Mr Huang Wooi Teik, Mr Koh Wee Kiang, Mr Lee Kiang Piaw are deemed to be independent. Each of these directors has also confirmed their independence. Dr Daniel Liu Danjun is not independent by virtue of him representing the interests of his 27.18% shareholders (as defined under the Code) of the Company. Dr Wong Kee Hau is not independent by virtue of him representing the interests of his 29.98% shareholder (as defined under the Code) of the Company.

Based on the Confirmation of Independence completed and NC's assessment, NC is of view that Mr Liew Yoke Pheng, Joseph, Dr Pan Peiwen, Mr Goh Yeow Kiang, Victor, Mr Shi Bin and Mr Cheah Kian Choong are deemed to be independent. Mr Zhang Wenjun is not independent by virtue of him representing the interests of his 13.36% shareholders (as defined under the Code) of the Company.

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.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that directors appointed to the Board possess the relevant background, experience and knowledge in business, legal, finance and management skill critical to the Group's business to enable the Board to make sound and well considered decisions.

The Company's Articles provide for the retirement and re-election of directors at every Annual General Meeting ("**AGM**").

Article 86(1) of the Company's Articles of Association 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 of Association, any new director appointed by the Board during the year shall retire at the next 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.

In reviewing the nomination of the retiring directors, the NC considered the composition and progressive renewal of the Board, and the competency, performance and contribution of each of the retiring directors, having regard not only to their attendance, preparedness and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs, especially their operational and technical contributions. Where appropriate, the NC will also consider the director's independence.

The Board has accepted the NC's recommendation on the nomination of Dr Daniel Liu Danjun, who is retiring pursuant to Article 86(1), to be put forward for re-election at the forthcoming AGM. Dr Daniel Liu Danjun will, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director and a member of the Nominating Committee and will be considered non-independent.

Mr Zhang Wenjun, Mr Shi Bin, Mr Cheah Kian Choong, Dr Pan Peiwen, Mr Liew Yoke Pheng, Joseph and Mr Goh Yeow Kiang, Victor, who are retiring pursuant to Article 85(6) of the Company's Articles of Association will be put forward for re-election at the forthcoming AGM.

Mr Zhang Wenjun will, upon re-election as Director of the Company, remain as Non-Executive Non-Independent Director. Mr Shi Bin will, upon re-election as Director of the Company, remain as Non-Executive Independent Director. Mr Cheah Kian Choong will, upon re-election as Director of the Company, remain as Non-Executive Independent Director. Dr Pan Peiwen will, upon re-election as Director of the Company, remain as Non-Executive Independent Director. Mr Liew Yoke Pheng, Joseph, will, upon re-election as Director of the Company, remain as Non-Executive Independent Director. Mr Goh Yeow Kiang, Victor, will, upon re-election as Director of the Company, remain as Non-Executive Independent Director.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 relating to the above Director to be put forward for re-election at the forthcoming Annual General Meeting is disclosed on pages 108 to 118.

Where a director has multiple board representations, the NC will determine if the director has been able to devote sufficient time and attention to the Company's affairs and if he has been adequately carrying out his duties as a director. The recommendation of the NC is then made to the Board accordingly. The Board will review this recommendation. The NC is of the view that the number of directorships a director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary. The NC will review the number of listed company board representations which each director holds on an annual basis or from time to time when the need arises. In this respect, the NC believes that it would not be necessary to prescribe a maximum number of listed company board representations a director may hold. The Board affirms and supports this view.

Currently, no alternate directors have been appointed in respect of any of the Directors.

During the year, the NC had reviewed the directorships and principal commitments disclosed by each Director and was of the view that the existing directorships and principal commitments of the respective Directors have not affected their abilities to discharge their duties. Each member of the NC shall abstain from deliberating and voting on any resolutions in respect of the assessment of his performance or re-nomination as Director. The Board concurred with the NC.

None of the Directors are related and do not have any relationship with the Company or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgements.

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

The NC is responsible for assessing the Board as a whole and also each individual director's contribution.

To ensure confidentiality, the evaluation forms completed by directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the Board's performance for the year.

The NC and the Board had approved and adopted a set of new performance criteria for the assessment of each individual director.

The Board has taken the view that the financial indicators, as set out in the Code as a guide for the evaluation of the board and its directors, may not be appropriate as these are more of a measurement of management's performance and therefore less applicable to directors.

The Board has conducted performance evaluation exercise to assess the effectiveness of the AC, NC, RC and the Board for FY2019 and is satisfied that sufficient time and attention has been given by the directors to the affairs of the Group. The NC is generally satisfied with the results of the performance for the AC, NC, RC and the Board for FY2019, which indicated areas of strengths and those that could be improved further. No significant problems were identified. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further. The NC would continue to evaluate the process for such review and its effectiveness from time to time.

The NC had put in place a formal process for short listing, evaluating and nominating candidates for appointment as new directors.

The NC, in consultation with Management and the Board, determines the qualifications and expertise required or expected of a new board member taking into account the current board size, structure, composition and progressive renewal of the board. Prospective candidates are sourced through recommendations from board members, business associates, advisors, professional bodies and other industry players. These candidates are reviewed by the NC. The criteria for assessing the suitability of any nominee or candidate are determined by the NC.

The NC, in evaluating the suitability of the nominee or candidate, will take into account his qualifications, business and related experience and ability to contribute effectively to the board. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other board appointments and principal commitments, and if he is independent.

The evaluation process will also involve an interview or meeting with the nominee or candidate. Appropriate background checks and confidential searches will also be made. Recommendations of the NC are then put to the board for consideration.

The Company may appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment involves specific skill sets or industry specialisation.

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

Presently, the RC comprises 4 members, all of whom (including the Chairman) are Independent Directors:-

Mr Koh Wee Kiang*	(Chairman)
Mr Huang Wooi Teik*	(Member)
Mr Lee Kiang Piaw*	(Member)
Mr Loh Kai Keong*#	(Member)

* Appointed on 30 April 2019
\# Resigned on 31 December 2019

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management. The RC's review will cover all aspects of remuneration including, but not limited to, directors' fees, salaries, allowances, bonus, share options and benefits in kind and specific remuneration packages for each director. In structuring a compensation framework for executive directors and key executives, the RC seeks to link a proportion of executive compensation to the Group's performance. The RC's recommendation are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration.

No remuneration consultants were engaged in FY2019.

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

The Executive Director of Changzhou 3D does not receive director's fees. The Executive Director remuneration packages are based on service contracts. The reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Director commensurates with his performance and that of the Company, giving due regard to the financial, commercial health and business needs of the Group.

The performance of the Executive Director of Changzhou 3D reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk management policies of the Group. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Company.

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 FY2019, 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[1].

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.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

The Company uses contractual provisions to allow the Company to reclaim incentive components of remuneration from its Executive Director, but not its key management personnel in China, in exceptional circumstances of mis-statement of financial results, or of misconduct resulting in financial loss to the Company. The RC has obtained legal advice on the unenforceability of such provisions on key management personnel in the People's Republic of China.

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

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 RMB2,000,000 for FY2020 for the Non-Executive Directors. The RC has also recommended the payment of additional Directors' Fees of RMB150,000 for the financial year ended 31 December 2019 due to the increase of directors from 4 to 6 and the time and effort spent by the directors to understand and to resolve the Company's current financial and operational issues.

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.

Remuneration for the directors for FY2019 is as follows:

Remuneration Bands & Salary	Salary %	Bonus %	Other Remuneration %	Directors Fees %	Total %
	100	–	–	–	100
Below S$250,000					
Non-Executive Independent Directors					
Mr Wee Liang Hiam*	–	–	–	100	100
Mr Leng Yew Chee Philip*	–	–	–	100	100
Mr Ong Sing Huat*	–	–	–	100	100
Mr Seet Chong Tong*	–	–	–	100	100
Mr Huang Wooi Teik**	–	–	–	100	100
Mr Loh Kai Keong**#	–	–	–	100	100
Mr Koh Wee Kiang**	–	–	–	100	100
Mr Lee Kiang Piaw**	–	–	–	100	100
Non-Independent Directors					
Dr Daniel Liu Danjun	–	–	–	100	100
Dr Wong Kee Hau**	–	–	–	100	100

* Stepped down on 30 April 2019
** Appointed on 30 April 2019
# Resigned on 31 December 2019

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.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

Remuneration for the top six Key Management Personne[1] for FY2019 is as follows:

	Salary	**Bonus**	**Other Remuneration**	**Total**
	%	**%**	**%**	**%**
Below S$250,000				
Ms Elaine Leow Siew Phaik	100	–	–	100
Mr Isaac Peh Lin Siah*	99	1	–	100
Mr Zhang Rong**	32	–	68	100
Mr Jiang Ronglin***	77	2	21	100
Mr Shi LinBin****	89	4	7	100
Mr Long Wei*****	100	–	–	100

* Resigned on 16 January 2019
** Resigned on 10 May 2019
*** Resigned on 31 May 2019
**** Resigned on 31 March 2020
***** Resigned on 13 May 2020

The Group currently has only two Key Management Personnel.

The aggregate of the total remuneration paid to the top six Key Management Personnel[1] of the Group for FY2019 is RMB2,410,000.

There were no termination, retirement and post-employment benefits granted to Directors or the top Key Management Personnel of the Group in FY2019. As at 10 May 2019, the ex-General Manager of the operating subsidiary, Changzhou 3D Technological Complete Set Equipment Co, Ltd ("Changzhou 3D"), Zhang Rong has received a termination compensation of RMB595,000.

For confidentiality reasons and given the competitive hiring pressures and disadvantages that this might bring, the Company is not disclosing the aggregate total remuneration and each individual's remuneration. However, disclosure had been provided in bands of S$250,000, with a breakdown in percentage of the remuneration earned through salary, fixed component, variable component, benefits in kind, and/or other long term incentives.

The remuneration packages of the Executive Directors and the Key Management Personnel of the Company and its subsidiaries comprise base salaries and bonuses.

There are no employees who were substantial shareholders of the Company in FY2019.

There are no immediate family members of directors or GM in employment with the Group whose remuneration exceeds S$100,000 during FY2019.

The Company does not have any share scheme.

Based on both the internal and external auditors' reports, the actions taken by the Management, the on-going review and continuing efforts in improving internal controls and processes, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls that has been maintained by the Management throughout the financial year being reported on is adequate and effective to meet the needs of the Group, and addresses the financial, operational and compliance risks.

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

The Board has received written assurance from the General Manager of Changzhou 3D ("**GM**") and the current Financial Controller ("**FC**") that:

(a) The financial records of the Group have been properly maintained and financial statements for the financial year ended 31 December 2019 give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks. Business continuity measures are in place to ensure that corporate functions will remain active in the event of any disruption to factory operations.

ACCOUNTABILITY AND AUDIT

Principle 9: The Board should present a balanced and understandable assessment of the performance, position and prospects

The Board is accountable to shareholders. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The management is accountable to the Board by providing the Board with the necessary financial information for the discharge of its duties.

During the year, the Board has reviewed reports from the management to ensure compliance with all the Group's policies, operational practices and procedures and relevant legislative and regulatory requirements.

The management updates the Board regularly on the Group's business activities and financial performance through operations reports. Such reports compare the Group's actual performance against results of the previous year and, where appropriate, against forecast. They also highlight key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make balanced and informed assessment of the Group's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 10: 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

As the Company does not have a risk management committee, the Board, the AC and the management assume the responsibility of the risk management function. The management reviews regularly the Group's business and operational activities to identify areas of significant risks, as well as appropriate measures to control and mitigate these risks. The management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

The AC has the responsibility to establish an independent internal audit function, review the internal audit program and ensure co-ordination between internal auditors, external auditors and the Management, and ensure that the internal auditor meets or exceeds the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors

The Company outsourced the internal audit function to BDO China Shu Lun Pan Certified Public Accounts LLP. The internal auditor is to report directly to the AC Chairman on internal audit matters and to the Management on administrative matters. To ensure the adequacy of the internal audit function, the AC will review and approve, on an annual basis, the internal audit plans and the resources required to adequately perform this function.

An internal audit review was commissioned to assess the operating and internal control protocols of the Company's subsidiary, Changzhou 3D. The afore-mentioned review was conducted by BDO China Shu Lun Pan Certified Public Accounts LLP's completed in accordance with the objectives as outlined in the latter's engagement letter. The external auditors, during the course of their audit, also reported on matters relating to internal controls. Any material non-compliance and recommendation for improvement had in the past been and will in future be reported to the AC. Nonetheless, the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

In May 2019, an audit was conducted by Changzhou Jinding Certified Public Accountants when there is a transition of general manager. It is a regular practice in China. In respect of findings, with advice of its Legal counsel, Changzhou 3D reported to the Chinese Public Security authorities in October 2019 certain ambiguous transactions. Investigation is ongoing and the outcome is presently still unknown.

AUDIT COMMITTEE

Principle 11: The Board has an Audit Committee ("AC") which discharges its duties objectively

Presently, the Audit Committee ("**AC**") comprises 4 members, all of whom (including the Chairman) are Independent Directors are:-

Mr Loh Kai Keong#	(Chairman)
Mr Huang Wooi Teik*	(Member - Acting Chairman since 1 January 2020 till now)
Mr Koh Wee Kiang*	(Member)
Mr Lee Kiang Piaw*	(Member)

* Appointed on 30 April 2019
\# Resigned on 31 December 2019

The AC assists the Board to maintain a high standard of Corporate Governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems.

The members of AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

The functions of the AC are as follows:

1. assists our Board in discharging its statutory responsibilities on financial and accounting matters;

2. reviews the financial and operating results and accounting policies of the Group;

3. reviews 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. reviews and reports 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. reviews 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. appraises and reports to our 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. reviews 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. reviews interested person transactions, as defined in the Listing Manual of the SGX-ST;

9. reviews the remuneration of employees who are related to the Company's directors or substantial shareholders; and

10. reviews the effectiveness of the Company's internal audit function.

The AC has adequate resources to enable it to discharge its responsibilities properly. The AC has explicit authority to investigate any matter within its terms of reference.

The AC has full access to the Internal Audit reports and the Company's external auditors, Crowe Horwath First Trust LLP, Singapore ("**External Auditors**"). No former partner or director of the External Auditors is a member of the AC. The AC also has the discretion to invite any director or key executive to attend its meetings. It meets with the External Auditors without the presence of the management at least once a year.

The AC has reviewed the non-audit services performed by the External Auditors and noted that there was no non-audit service performed in FY2019. The audit service fees for the financial year ended 31 December 2019 amounted to RMB971,000.

Pursuant to Rule 716 of the SGX-ST Listing Manual, 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 PRC to audit the statutory financial statements of Changzhou 3D would not compromise the standard and effectiveness of the audit of the Company.

The AC has recommended to the Board of Directors that Crowe Horwath First Trust LLP, Singapore, be nominated for reappointment as external auditors at the forthcoming AGM of the Company. The Board concurred with the AC's recommendation.

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 (with immediate effect on 28 May 2020) and call to the mobile number at +8613584505373 anonymously, and this email is only accessible by members of the Audit Committee. The details of the whistle-blowing policies and arrangements have been made available to all employees.

There were whistle-blowing letters received by AC Members related to furlough programme in FY2019 and have been accordingly dealt with by the management in keeping with local practice.

In addition to the activities undertaken to fulfil its responsibilities, the AC is kept abreast by the management and external auditors on changes to accounting standards, stock exchange rules and other codes and regulations which could have an impact on the Group's business and financial statements.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 12: 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

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.

The Company 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.

In line with the continuous disclosure obligations under the listing rules of the SGX-ST, the Board informs shareholders promptly of all major developments that may have a material impact on the Group. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Material information on the Group is released to the public through the Company's announcements via the SGXNET.

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.

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 and 2019. 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.

As the result of the series of unfortunate events in 2017, which perpetuate to 2019, the Company has sustained massive losses and hence is not in a position to pay any dividends for FY2019.

ENGAGEMENT WITH SHAREHOLDERS

Principle 13: 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

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 14: 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

All shareholders receive the annual report and notice of the AGM. At the AGM, shareholders are given the opportunity to voice their views and ask directors or the management questions regarding the Company's affairs. If the Company convenes an extraordinary general meeting ("EGM"), the same is practised save for the shareholders receiving a circular or letter explaining the purpose of the EGM and notice of EGM.

The Chairmen of the AC, NC and RC will normally be present at AGM to answer any questions relating to the work of these Committees. The external auditors are also present at the AGM to answer questions from shareholders.

The Company's Articles of Association allows a member of the Company to appoint not more than two proxies to attend and vote in place of the member. A member or the Company entitled to attend and vote at the AGM and who holds two or more shares is entitled to appoint one (1) or two (2) proxies to attend and vote.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions.

Pursuant to the Company's Articles of Association and Cayman Companies Law, the members of the Company have no general right to inspect or obtain copies of the corporate records or the minutes of the general meetings.

The Board noted that the SGX-ST had introduced new listing rules to promote greater transparency in general meetings and support listed companies in enhancing their shareholders' engagement. The Company would be required to conduct its voting at general meetings by poll with effect from 1 August 2015 where shareholders are accorded rights proportionate to the shareholding and all votes are counted and the voting results of the general meetings are released via SGXNet on the same day. The Board believes that the new rule will enhance transparency of the voting process and encourage greater shareholder participation. Accordingly, the Company would be conducting its voting at the upcoming AGM by poll.

DEALING IN SECURITIES

The Company has adopted its own internal compliance code pursuant to the best practices on dealings in securities and these are applicable to all its officers in relation to their dealings in the Company's securities. Its officers are advised not to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's quarterly results and one month before the announcement of the Company's full year results, or if they are in possession of unpublished price- sensitive information of the Company. In addition, directors and officers should not deal in the Company's securities on short-term considerations and are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

The Group has complied with Listing Rule 1207(19) of the Listing Manual.

MATERIAL CONTRACTS

There are no material contracts of the Company or its subsidiaries involving the interests of the Executive Directors, each director or controlling shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

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 Manual of SGX-ST, 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 Manual) are as follows:-

Name of Interested Person	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)	Aggregate value of all interested person transactions conducted during the financial year under review under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Nil	Nil	Nil

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.

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 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 42 to 101 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 2019 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:

Huang Wooi Teik	(appointed on 30 April 2019)
Koh Wee Kiang	(appointed on 30 April 2019)
Lee Kiang Piaw	(appointed on 30 April 2019)
Wong Kee Hau	(appointed on 30 April 2019)
Daniel LiuDanjun	

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.

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

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.

Audit committee

The members of the Audit Committee at the end of financial year are as follows:

Loh Kai Keong (Chairman)*	Non-Executive Independent Director (appointed on 30 April 2019)
Huang Wooi Teik	Non-Executive Independent Director and Lead Independent Director
Koh Wee Kiang	Non-Executive Independent Director
Lee Kiang Piaw	Non-Executive Independent Director

* Loh Kai Keong resigned on 31 December 2019.

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 2019 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, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has reviewed the independence of the auditors and determined that the auditors were independent in carrying out their audit of the financial statements.

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.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

HUANG WOOI TEIK	**KOH WEE KIANG**
Director	Director

8 June 2020

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Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and subsidiaries (the "Group") set out on pages 42 to 101, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, 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

For the current financial year, the Group reported gross loss, loss after tax and negative operating cash flows of RMB 15,132,000, RMB 55,568,000 and RMB 1,877,000 respectively. In addition, revenue of the Group has further reduced by 52% and gross loss margin has deteriorated to 105% as compared to 56% recorded in previous year. As stated in Note 2 to the financial statements, these events and conditions, together with other matters as set forth in Note 2 including the operational uncertainties, indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concern.

The directors have prepared the financial statements on a going concern basis based on the assumptions that are largely dependent on the ability of the sole operating subsidiary, Changzhou 3D Technological Complete Set Equipment Co., Limited (Changzhou 3D) to generate sufficient cash flows from the operations to improve its liquidity position and to obtain continuous support from a bank, as disclosed more fully in Note 2. However, based on the information available to us, we have not been able to obtain sufficient audit evidence to support the realisation of these assumptions. We are therefore unable to conclude on the appropriateness of the use of the going concern basis in the preparation of the financial statements.

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 realised 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.

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Basis for Disclaimer of Opinion (Continued)

2. Impairment testing on property, plant and equipment

As at 31 December 2019, the carrying amounts of the Group's property, plant and equipment amounted to RMB 74,473,000, stated after accumulated impairment loss of RMB 4,273,000, which is determined to be a Cash-Generating Unit (CGU).

In view of the facts and circumstances described in matter 1 above, the Group performed an impairment assessment on the CGU and determined the recoverable amount of CGU based on value in use (VIU) calculation. Based on the outcome of management's assessment, the Group did not recognise additional impairment loss for the current year. The key management assumptions used in the VIU computation, as disclosed in Note 9 (i) to the financial statements, include significant improvement in revenue and gross profit margin. However, based on information available to us, we were unable to obtain sufficient appropriate audit evidence regarding the reasonableness of those key assumptions used in determination of the recoverable amount of the CGU.

During the current financial year, the Group has reversed impairment loss previously provided on leasehold buildings and motor vehicles, totalling RMB 530,000, based on their fair value as at 31 December 2019 as disclosed in Note 9 (ii). The impairment loss recognised as at 31 December 2018 represents allocation of impairment loss calculated on the CGU level based on VIU without taking into account the fair value of individual assets.

Our independent auditor's report dated 12 April 2019 expressed a disclaimer of opinion on the financial statements for the financial year ended 31 December 2018 (FY 2018) arising from the same matter as described above in relation to the recoverable amount of property, plant and equipment. Any adjustments to the opening balance would have a corresponding effect on the carrying amounts as at 31 December 2019, and the impairment loss recognised or reversed during the year.

Given the material uncertainties over the going concern of the Group, we were also unable to assess the reasonableness and appropriateness of the carrying amounts of the Group's property, plant and equipment as at 31 December 2019. Consequently, we were unable to determine whether any adjustments to those carrying amounts, loss for the year and accumulated losses as at 1 January 2019 were necessary, including the disclosures therein.

Basis for Disclaimer of Opinion (Continued)

3. Impairment assessment of investment in subsidiaries

As at 31 December 2019, the carrying amount of the Company's investment in subsidiaries was RMB 156,236,000. In view of the facts and circumstances described in matter 1 above, the Company performed an impairment assessment of the investments on a VIU basis, and did not recognise any impairment loss for the current year based on the outcome of management's assessment. The key management assumptions used in the VIU computation are disclosed in Note 11 to the financial statements. However, similar to the matter 2 above, we were unable to obtain sufficient appropriate audit evidence regarding the reasonableness of the key assumptions applied to arrive at the recoverable amount of the investment in subsidiaries, and unable to assess the reasonableness and appropriateness of the carrying amounts of the Company's investment in subsidiaries as at 31 December 2019 given the material uncertainties over the going concern of the Group and the Company.

Consequently, we were unable to determine whether any adjustments to the carrying amount of the investment in subsidiaries as at 31 December 2019 were necessary. Any impairment loss would have decreased the carrying amount of investment in subsidiaries and increased the accumulated loss of the Company as at that date.

Our independent auditor's report for FY 2018 included a disclaimer of opinion on the same matter. Any adjustments to the carrying amounts of investment in subsidiaries as at 31 December 2018 would have a corresponding effect on the current year's financial statements of the Company.

4. Ongoing investigation of debt collection agent fees by Public Security authorities

As disclosed in Note 27(ii) to the financial statements, a subsidiary, Changzhou 3D, incurred debt collection agent fees amounting to approximately RMB 3,151,000 (2018: RMB 3,330,000) which was grouped under and classified as administrative expenses in the Group's statement of profit or loss and other comprehensive income. In October 2019, on the findings and advice of its Chinese legal counsel, Changzhou 3D reported these debt collection agent fees to the Chinese Public Security authorities which had since embarked on an investigation of the matter. As at the date of this report, the investigation by Chinese Public Security authorities is still ongoing and the outcome of the investigation is presently unknown.

Based on information available to us, we are unable to satisfy ourselves as to the economic substance and propriety of these debt collection agent fees. We were also unable to ascertain, at this juncture, whether the ongoing investigation would have an impact on the financial statements of the Group.

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Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Alfred Cheong Keng Chuan.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

8 June 2020

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019   Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	Group			Company	
		31.12.2019 RMB'000	31.12.2018 RMB'000 (Restated) (Note 35)	1.1.2018 RMB'000 (Restated) (Note 35)	2019 RMB'000	2018 RMB'000
EQUITY						
Capital and reserves attributable to equity						
Share capital	4	55,409	55,409	55,409	55,409	55,409
Share premium	5	78,470	78,470	78,470	78,470	78,470
		133,879	133,879	133,879	133,879	133,879
Other reserves						
Statutory reserve	6	30,526	30,526	30,526	-	-
Translation deficit	7	(3,355)	(3,372)	(3,414)	-	-
		27,171	27,154	27,112	-	-
Accumulated losses	8	(67,214)	(11,646)	(2,822)	(4,792)	(3,180)
TOTAL EQUITY		93,836	149,387	158,169	129,087	130,699
ASSETS						
Non-current assets						
Property, plant and equipment	9	74,473	87,628	103,506	-	-
Right-of-use assets	10	9,296	-	-	-	-
Subsidiaries	11	-	-	-	156,236	156,236
Intangible assets	12	-	9,658	9,167	-	-
		83,769	97,286	112,673	156,236	156,236
Current assets						
Inventories	13	2,850	1,983	1,629	-	-
Trade receivables	14	29,575	81,815	54,787	-	-
Contract assets	23(b)	426	-	-	-	-
Other receivables, deposits and prepayments	15	1,902	2,377	3,438	-	-
Intangible assets	12	372	889	251	-	-
Cash and cash equivalents	16	7,526	14,285	28,612	857	1,149
		42,651	101,349	88,717	857	1,149
TOTAL ASSETS		126,420	198,635	201,390	157,093	157,385

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

As at 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	Group			Company	
		31.12.2019 RMB'000	31.12.2018 RMB'000 (Restated) (Note 35)	1.1.2018 RMB'000 (Restated) (Note 35)	2019 RMB'000	2018 RMB'000
LIABILITIES						
Current liabilities						
Trade payables	17	7,733	17,660	28,928	-	-
Other payables and accruals	18	5,124	9,434	5,905	1,381	1,902
Provision	31	4,373	4,373	4,373	-	-
Bank loans	20	13,300	16,000	-	-	-
Due to subsidiaries (non-trade)	21	-	-	-	26,625	24,784
Contract liabilities	23(b)	496	-	-	-	-
Income tax payable		-	-	602	-	-
		31,026	47,467	39,808	28,006	26,686
Non-current liabilities						
Deferred government grants	19	1,558	1,781	2,003	-	-
Deferred tax liability	22	-	-	1,410	-	-
		1,558	1,781	3,413	-	-
TOTAL LIABILITIES		32,584	49,248	43,221	28,006	26,686
NET ASSETS		93,836	149,387	158,169	129,087	130,699

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 2019   Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2019 RMB'000	2018 RMB'000 (Restated) (Note 35)
Revenue	23	14,402	29,845
Cost of sales		(29,534)	(46,609)
Gross loss		(15,132)	(16,764)
Other operating income	24	2,163	1,466
Selling and distribution expenses		(5,879)	(6,662)
Administrative expenses		(32,244)	(42,897)
Other operating expenses	25	(1,214)	(1,186)
Finance costs		(1,414)	(911)
Impairment loss on financial assets - (addition) / written back, net	33 (iii)	(1,340)	56,793
Loss before income tax	27	(55,060)	(10,161)
Income tax (expenses) / credit	28	(508)	1,337
Loss for the year		(55,568)	(8,824)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
- Currency translation differences arising from consolidation	7	17	42
Total comprehensive loss for the year, representing loss attributable to equity holders of the Company		(55,551)	(8,782)
Loss per share (cents)			
Basic and diluted	29	(202.30)	(32.12)

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

For the Financial Year Ended 31 December 2019   Amounts in thousands of Chinese Renminbi ("RMB'000")

	Attributable to equity holders of the Company					
	Share capital	Share premium	Statutory reserve	Translation deficit	Accumulated losses	Total equity
	RMB'000 (Note 4)	RMB'000 (Note 5)	RMB'000 (Note 6)	RMB'000 (Note 7)	RMB'000	RMB'000
Balance at 1 January 2018, as originally presented	55,409	78,470	30,526	(3,414)	(3,028)	157,963
Prior year adjustments (Note 35)	-	-	-	-	206	206
Balance at 1 January 2018 (Restated)	55,409	78,470	30,526	(3,414)	(2,822)	158,169
Loss for the year	-	-	-	-	(8,824)	(8,824)
Other comprehensive income, net of tax						
Currency translation differences arising from consolidation	-	-	-	42	-	42
Total comprehensive loss for the year	-	-	-	42	(8,824)	(8,782)
Balance at 31 December 2018 (Restated)	55,409	78,470	30,526	(3,372)	(11,646)	149,387
Balance at 1 January 2019, as originally presented	55,409	78,470	30,526	(3,372)	(11,606)	149,427
Prior year adjustments (Note 35)	-	-	-	-	(40)	(40)
Balance at 1 January 2019 (Restated)	55,409	78,470	30,526	(3,372)	(11,646)	149,387
Loss for the year	-	-	-	-	(55,568)	(55,568)
Other comprehensive income, net of tax						
Currency translation differences arising from consolidation	-	-	-	17	-	17
Total comprehensive loss for the year	-	-	-	17	(55,568)	(55,551)
Balance at 31 December 2019	55,409	78,470	30,526	(3,355)	(67,214)	93,836

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2019   Amounts in thousands of Chinese Renminbi (“RMB’000”)

	Note	2019 RMB’000	2018 RMB’000 (Restated) (Note 35)
Cash flows from operating activities			
Loss before income tax		(55,060)	(10,161)
Adjustments:			
Impairment loss on financial assets made / (written back)	33(iii)	1,340	(56,793)
Depreciation of property, plant and equipment	9	14,384	16,372
Depreciation of right-of-use assets	10	240	-
Amortisation of intangible assets	12	639	517
Inventory written off	13	-	2,204
Allowance for inventory obsolescence written back	13	-	(8,730)
Allowance for inventory obsolescence	13,25	931	-
Amortisation of deferred government grants	19	(223)	(222)
Reversal of impairment loss on property, plant and equipment	9,24	(530)	-
Gain on disposal of property, plant and equipment	24	(5)	(291)
Interest income	24	(87)	(54)
Impairment loss on intangible assets written back	12,24	-	(369)
Written off of advances to suppliers	25	-	301
Exchange differences		91	(18)
Interest expenses		1,414	911
Operating loss before working capital changes		(36,866)	(56,333)
Inventories		(1,798)	6,172
Trade and other receivables		51,375	30,525
Contract assets		(426)	-
Trade and other payables		(14,237)	(7,739)
Contract liabilities		496	-
Cash used in operations		(1,456)	(27,375)
Interest income received		87	54
Income taxes paid		(508)	(675)
Net cash used in operating activities		(1,877)	(27,996)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		65	642
Purchase of property, plant and equipment	9	(759)	(845)
Purchase of intangible assets	12	-	(1,277)
Net cash used in investing activities		(694)	(1,480)

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

For the Financial Year Ended 31 December 2019   Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2019 RMB'000	2018 RMB'000 (Restated) (Note 35)
Cash flows from financing activities			
Withdrawal of pledged deposits	16	1,511	1,316
Proceeds from bank loans		16,000	16,000
Repayment of bank loans		(18,700)	-
Interest expenses paid		(1,414)	(911)
Net cash (used in) / from financing activities		(2,603)	16,405
Net decrease in cash and cash equivalents		(5,174)	(13,071)
Cash and cash equivalents at beginning of year		11,552	24,563
Effects of exchange rate changes in cash and cash equivalents		(74)	60
Cash and cash equivalents at end of year	16	6,304	11,552

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

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 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 8 June 2020.

2. FUNDAMENTAL ACCOUNTING CONCEPT

For the current financial year, the Group continued to report significant loss after tax of RMB 55,568,000 (2018: RMB 8,824,000, or RMB 65,617,000 excluding write back of impairment on financial assets of RMB 56,793,000) and reported negative operating cash flows of RMB 1,877,000 (2018: RMB 27,996,000). In addition, revenue of the Group has further reduced by 52% (2018: reduced by 20%) as compared to previous year and the Group has incurred a gross loss of RMB 15,132,000 (2018: RMB 16,764,000) or a gross loss margin of 105% (2018: 56%). As at 31 December 2019 and 31 May 2020, the Group's cash and cash equivalents balance were continuously lower than the outstanding balance of bank loans by RMB 5,774,000 and RMB 3,787,000 respectively (2018: lower by RMB 1,715,000). 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 a going concern.

Notwithstanding the above, the accompanying financial statements have been prepared on a going concern basis. Management's assessment of the Group and the Company's ability to continue as a going concern includes the following key assumptions that the Group's subsidiary in PRC, Changzhou 3D Technological Complete Set Equipment Co., Limited ("Changzhou 3D") is able to:

(i) obtain sufficient sales orders from its customers in order to optimise its production capacity and cover fixed operational expenditures, thereby restore gross profit margin. Changzhou 3D has recorded revenue of RMB 4,510,000 from January to April 2020 and have unfulfilled contracts with value of RMB 25,791,000 as at the date of these financial statements;

(ii) improve working capital by collecting trade receivables in sufficient amount and in time to meet its obligations and obtaining support from its suppliers with regards to payment terms and continuous supply;

(iii) successfully roll-over its remaining short-term bank loans of RMB 6,000,000 due for repayment on 19 June 2020 (Note 20). The directors of the Company are confident that the Group will continue to receive financial support from the bank;

2. FUNDAMENTAL ACCOUNTING CONCEPT (Continued)

(iv) operate continuously and without material and adverse interruptions despite the multiple legal proceedings in Singapore and PRC, as regularly announced by the Company up to the date of these financial statements and despite the substantial change in senior management of Changzhou 3D; and

(v) not to be imposed fine with immediate repayment by government and/or ordered to perform rectification works due to non-compliance of laws and regulations relating to its properties in a manner that would disrupt normal business operation (Note 31).

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 realised 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 statement 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 2019, 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, except as disclosed in below.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 16 *Leases*

This new standard on leases supersedes the previous standard (IAS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For lessees, IFRS 16 reforms lessee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, and the Group adopted IFRS 16 retrospectively with any cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019. Under this approach, comparatives are not restated.

The Group, as lessee, has previously prepaid the land use right, presented in intangible assets which is re-classified as "right-of-use" assets on 1 January 2019. The Group has no other operating lease or finance lease during the current or previous financial years.

Practical expedients applied

As allowed by IFRS 16, the Group applies definition of leases under IFRS 16 only to contracts entered on or after 1 January 2019 to determine whether or not the contracts contain a lease. For contracts determined to be a lease as at 31 December 2018 using IAS 17 and IFRIC 4, the Group applied transition requirements in IFRS 16 as described above.

In addition, the Group also elect to apply the practical expedients to exclude initial direct costs from the measurement of right-of-use ("ROU") assets at 1 January 2019.

The Group has performed impairment review for the ROU assets on 1 January 2019 and determined that there is no impairment required.

Standards issued but not yet effective

Descriptions	Effective for annual periods beginning on or after
Amendments to IFRS 3: *Definition of a Business*	1 January 2020
Amendments to IAS 1 and IAS 8: *Definition of Material*	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform*	1 January 2020
Amendments to IFRS 16: *Covid-19-Related Rent Concessions*	1 June 2020
IFRS 17: *Insurance Contracts*	1 January 2021
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2022
Annual Improvements to IFRS 2018-2020	
- Amendments to IFRS 1, IFRS 9 and IAS 41	1 January 2022
Amendments to IAS 16: *Proceeds before Intended Use*	1 January 2022
Amendments to IFRS 3: *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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- 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.

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 recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (Continued)

(a) Basis of consolidation (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised 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 recognised 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.

(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 recognised 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 recognised 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 remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised 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 recognise 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 recognised 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 derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (Continued)

(c) Disposals of subsidiaries or businesses (Continued)

Any retained interest in the entity is remeasured 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 recognised 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.

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 recognised 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 recognised 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 recognised 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 recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised 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 recognised in profit or loss.

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 recognised 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 recognised 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 recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised 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 recognised 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 derecognised 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 recognised in the profit or loss within "other operating income / (expenses)".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and are recognised in profit or loss in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised 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 amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised 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 amortised. 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 recognised in the profit or loss when the asset is derecognised.

Acquired computer software licences

Computer software licences were acquired separately and are amortised 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 amortisation and accumulated impairment losses. The land use right is amortised on a straight-line basis over the remaining lease term of 38 years as at 1 January 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Impairment losses are recognised 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 recognised 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 recognised 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 recognised. 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 recognised previously. Such write back is recognised in the profit or loss.

Financial assets and liabilities

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities are recognised 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 recognised 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 amortised 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:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

- Amortised 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.

Financial assets at amortised costs

Unless designated at FVPL, financial assets are measured at amortised 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 amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised 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 recognised in profit or loss. Other net gains and losses (including changes in fair value) are recognised 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 2019 and 1 January 2019.

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 recognised 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 recognised in OCI which will never be reclassified to profit or loss.

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 amortised 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 amortised 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 recognised in profit or loss.

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

Financial liabilities

Financial liabilities are subsequently measured at amortised 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 amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised 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) recognised in profit or loss. Directly attributable transaction costs are recognised 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 amortised cost.

(iii) Derecognition

Financial assets

Financial assets are derecognised 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 recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(iii) Derecognition (Continued)

Financial assets (Continued)

All regular way purchases and sales of financial assets are recognised or derecognised 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 derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognises 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 recognised 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 recognised 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 realise 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 amortised 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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

The Group applies simplified approach to all trade receivables. Impairment loss allowance is measured at life time 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 recognises 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 recognised in profit or loss. Loss allowance on financial assets at amortised 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 reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Stage 2) (Continued)
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.

Inventories

Inventories are stated at the lower of cost and net realisable 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 realisable 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 realisable 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised 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 recognised 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 recognises 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.

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 recognised 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.

- Revenue from subcontracting services is recognised over time based on output of finished products to date as a proportion of the total contracted output. The Group normally invoices the customers upon customers' acceptance of the processed subcontracting products with 90 days credit term.

Other revenue

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable. Dividend income is recognised when the Group's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised 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 amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 authorised for issue.

Borrowing costs

Borrowing costs are recognised 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 recognised 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 recognised in profit or loss except to the extent that the tax relates to items recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

(i) Income tax (Continued)

Deferred tax is recognised 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised 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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised 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 realised, 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.

Government grants and deferred capital grant

Government grants are recognised 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 recognised as deferred government grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset on a straight line basis.

Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(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 3 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 9, 10 and 12 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 3 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 11 to the financial statements.

(c) Impairment of financial assets

Impairment allowance for financial assets measured at amortised 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 33 (iii) to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(d) Provision for government fine

As disclosed in Note 31 to the financial statements, Changzhou 3D was served a notice dated in 2017 by local government agency for non-compliance of property regulations which required it to provide building permits in accordance with relevant laws and notification in PRC. As at 31 December 2019, the management estimated and provided for provision of government fine of RMB 4,373,000 (2018: RMB 4,373,000) which is 10% of the replacement construction cost estimated by a certified construction cost engineer. In accordance with relevant laws and regulations as advised by Changzhou 3D's legal counsel, 10% of construction cost is the upper limit of the fine prescribed which ranges from 5% to 10% of construction cost. If the government agency imposes the lower limit of the fine at 5%, a write back of RMB 2,186,500 (2018: RMB 2,186,500) will be recognised as "other operating income" in the profit or loss in the year of write back. Any changes to the total construction costs deemed acceptable by the government agency would also result in changes in the provisions.

(e) Net realisable values of inventory

An assessment of net realisable values is made periodically on inventory for excess inventory, obsolescence and declines in net realisable 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 realisable 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 13, the net carrying amount of inventories of the Group as at 31 December 2019 is RMB 2,850,000 (2018: RMB 1,983,000), and the Group recognised an allowance for inventory obsolescence amounting to RMB 931,000 (2018: net write back of allowance made amounting to RMB 8,730,000) during the year.

(f) 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 2019 was approximately RMB 61,764,000 (2018: RMB 73,629,000) (Note 9).

(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 recognised in the financial statements.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

4. SHARE CAPITAL

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares at US$0.25 each		US$'000	US$'000
Authorised	200,000,000	200,000,000	50,000	50,000
Issued and fully paid				
At beginning and end of the year	27,468,473	27,468,473	6,867	6,867
Equivalent to (RMB'000)			55,409	55,409

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	
	2019	2018
	RMB'000	RMB'000
At beginning and end of the year	78,470	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	
		2019	2018
		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.

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.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

7. TRANSLATION DEFICIT

	Group	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	(3,372)	(3,414)
Currency translation differences arising from consolidation	17	42
At end of the year	(3,355)	(3,372)

8. ACCUMULATED LOSSES

	Company	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	(3,180)	(453)
Loss for the year	(1,612)	(2,727)
At end of the year	(4,792)	(3,180)

9. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings	Plant and machinery	Office equipment	Motor vehicles	Renovation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
As at 1.1.2018	32,580	239,546	3,226	4,085	4,797	284,234
Additions	-	49	745	51	-	845
Disposals	-	(1,907)	(396)	(1,494)	-	(3,797)
As at 31.12.2018	32,580	237,688	3,575	2,642	4,797	281,282
As at 1.1.2019	32,580	237,688	3,575	2,642	4,797	281,282
Additions	-	198	30	531	-	759
Disposals	-	-	(13)	(142)	-	(155)
As at 31.12.2019	32,580	237,886	3,592	3,031	4,797	281,886

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold buildings	Plant and machinery	Office equipment	Motor vehicles	Renovation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation						
As at 1.1.2018	18,340	148,134	2,679	3,508	3,264	175,925
Charge for the year	1,454	13,409	311	176	1,022	16,372
Disposals	-	(1,717)	(384)	(1,345)	-	(3,446)
As at 31.12.2018	19,794	159,826	2,606	2,339	4,286	188,851
As at 1.1.2019	19,794	159,826	2,606	2,339	4,286	188,851
Charge for the year	1,454	12,063	282	74	511	14,384
Disposals	-	-	(6)	(89)	-	(95)
As at 31.12.2019	21,248	171,889	2,882	2,324	4,797	203,140
Accumulated impairment losses						
As at 1.1.2018 and 31.12.2018	490	4,233	40	40	-	4,803
Write back of impairment losses	(490)	-	-	(40)	-	(530)
As at 31.12.2019	-	4,233	40	-	-	4,273
Net carrying amount						
As at 31.12.2019	11,332	61,764	670	707	-	74,473
As at 31.12.2018	12,296	73,629	929	263	511	87,628

As at 31 December 2018, machineries with net carrying amount of RMB 28,106,000 included in plant and machinery were pledged in connection with a bank facility including bill payable facilities (Note 17) and bank loans (Note 20).

(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 2019 (2018: Nil), as the Group has estimated the recoverable amount of the CGU to be higher than the net carrying amount.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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 (2018: 1 year) 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:-

	2019	2018
Next financial year		
- Forecasted revenue (RM'000)	65,000	83,300
- Gross profit margin	23%	22%
Subsequent years up to year 2027		
- Revenue growth rate (declining)	30.8% - 6.1%	6.5%
- Gross profit margin (increasing)	19.7% - 28.4%	22%
Discount rate	12%	7.27%

The management is cautiously confident in the business recovery of Changzhou 3D in 2020 despite the current economic environment in the PRC; and are of the view that the above key assumptions represents 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.

(ii) Impairment reversals - leasehold buildings and motor vehicles

As at 31 December 2018, accumulated impairment loss recognised on these assets represents allocation of impairment loss calculated on the CGU level based on VIU (as described in (i) above) without taking into account the fair value of individual assets.

During the current financial year, the Group has estimated their fair value based on valuations performed by Avista Group, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the assets being valued. The valuations are based on comparable market transactions that consider the sales of similar assets that have been transacted in the open market. In assessing fair value of leasehold buildings, the Group takes into account potential rectification costs as disclosed in Note 31 which may be necessary to be incurred before the Group is able to dispose the properties.

On the basis of the fair value, the Group has reversed impairment loss previously provided on leasehold buildings and motor vehicles, amounting to RMB 490,000 and RMB 40,000 respectively which is included in "other operating income" in the profit or loss.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

10. RIGHT-OF-USE ASSETS

Group	Land Use Right
	RMB'000
Cost	
As at 1.1.2019	-
Effect on initial adoption of IFRS 16 (Note 12)	12,547
As at 31.12.2019	12,547
Accumulated depreciation	
As at 1.1.2019	-
Effect on initial adoption of IFRS 16 (Note 12)	3,011
Charge for the year	240
As at 31.12.2019	3,251
Net carrying amount	
As at 31.12.2019	9,296

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 37 years (2018: 38 years).

As at 31 December 2019, the entire land use right is pledged in connection with a bank facility including both bill payable facilities (Note 17) and bank loans (Note 20).

Impairment testing of land use right

No impairment loss is recognised in 2019 (2018: Nil), as the Group has estimated the recoverable amount of the land use rights to be higher than the net carrying amount. The recoverable amount of the land use rights was based on its fair value on 31 December 2019. Valuations are performed by Avista Group, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the land use rights being valued. The valuations are based on comparable market transactions that consider the sales of similar assets that have been transacted in the open market.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

11. SUBSIDIARIES

	Company	
	2019 RMB'000	2018 RMB'000
Unquoted equity shares, at cost	156,236	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	
			2019 %	2018 %
Held by the Company				
Best Success (Hong Kong) Limited [(1)] ("Best Success")	Investment holding	Hong Kong	100	100
Held by Best Success				
Changzhou 3D Technological Complete Set Equipment Co., Limited [(2)] ("Changzhou 3D")	Manufacturing of vane products and relating subcontracting services	PRC	100	100

(1) Audited by S. W. Chan & Co, Hong Kong and reviewed by Crowe Horwath First Trust LLP for consolidation purpose.

(2) Audited by Changzhou Xinhuarui CPAs (常州新华瑞联合会计师事务所), a firm of Certified Public Accountants registered in the PRC for statutory purpose and by Crowe Horwath First Trust LLP for consolidation purpose.

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 recognised in 2019 and 2018, 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 9, and applied a forecasted growth rate of 3% (2018: 3.1%) to extrapolate cash flow projections from 2028 onwards (2018: 2028 onwards).

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

12. INTANGIBLE ASSETS

Group	Land Use Right	Software	Total
	RMB'000	RMB'000	RMB'000
Cost			
As at 1.1.2018	12,547	-	12,547
Additions	-	1,277	1,277
As at 31.12.2018	12,547	1,277	13,824
As at 1.1.2019	12,547	1,277	13,824
Transfer to right-of-use assets on initial adoption of IFRS 16 (Note 10)	(12,547)	-	(12,547)
As at 31.12.2019	-	1,277	1,277
Accumulated amortisation			
As at 1.1.2018	2,760	-	2,760
Charge for the year	251	266	517
As at 31.12.2018	3,011	266	3,277
As at 1.1.2019	3,011	266	3,277
Transfer to right-of-use assets on initial adoption of IFRS 16 (Note 10)	(3,011)	-	(3,011)
Charge for the year	-	639	639
As at 31.12.2019	-	905	905
Accumulated impairment losses			
As at 1.1.2018	369	-	369
Write back of impairment losses	(369)	-	(369)
As at 31.12.2018, 1.1.2019 and 31.12.2019	-	-	-
Net carrying amount			
As at 31.12.2019	-	372	372
As at 31.12.2018	9,536	1,011	10,547

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

12. INTANGIBLE ASSETS (Continued)

	Group	
	2019	2018
	RMB'000	RMB'000
Presentation on statement of financial position, based on amount to be amortised:		
- Not later than one year, current portion	372	889
- Later than one year but not later than five years	-	1,377
- Later than five years	-	8,281
Non-current portion	-	9,658

13. INVENTORIES

	Group	
	2019	2018
	RMB'000	RMB'000
Statements of Financial Position:		
Raw materials	490	276
Work-in-progress	2,156	515
Finished goods	204	1,192
	2,850	1,983
Consolidated Statement of Profit or Loss and Other Comprehensive Income:		
Inventories recognised as expense in cost of sales, reduced by net write back of allowance	3,792	2,357
Inclusive of following charges:		
- Net write back of allowance included as reduction of cost of sales	-	(8,730)
- Inventory written off included in cost of sales	-	2,204
- Allowance for inventory obsolescence included in other operating expenses	931	-

The movement in allowance for inventory obsolescence is as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	23,537	34,325
Write back of allowance for inventory obsolescence	-	(8,730)
Write back of allowance due to inventory written off	-	(2,058)
Additional allowance provided	931	-
At end of the year	24,468	23,537

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

14. TRADE RECEIVABLES

	Note	Group		
		2019 RMB'000	2018 RMB'000 (Restated)	2017 RMB'000 (Restated)
Trade receivables	A	42,260	92,483	122,890
Allowance for impairment of trade receivables	33 (iii)	(23,396)	(20,456)	(78,849)
		18,864	72,027	44,041
Bills receivables		10,711	11,388	10,746
Allowance for impairment of bill receivables	33 (iii)	-	(1,600)	-
		10,711	9,788	10,746
		29,575	81,815	54,787

Note A

Included in the Group's trade receivables are unbilled trade receivables arising from revenue recognised on sales of goods and subcontracting services but not invoiced to customers amounting to approximately RMB 1,636,000 and RMB 471,000 (2018: RMB 7,496,000 and RMB 6,831,000; 2017: RMB 10,478,000 and RMB 947,000) respectively as at 31 December 2019. The management is of the view that the Group has unconditional rights to trade receivables including unbilled trade receivables as at the reporting date.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2019 RMB'000	2018 RMB'000
Advances to suppliers	875	288
Advances to employees	105	-
Prepayments	168	69
Tender deposits	500	500
Advances to labour union	159	159
Value-Added Tax receivables	-	1,279
Other receivables	95	82
	1,902	2,377

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

16. CASH AND CASH EQUIVALENTS

	Note	Group	
		2019	2018
		RMB'000	RMB'000
Cash in hand		18	54
Bank balances		7,508	14,231
Cash and bank balances as stated in the statement of financial position		7,526	14,285
Less: Pledged deposits	A	(1,222)	(2,733)
Cash and cash equivalents as stated in the consolidated statement of cash flows		6,304	11,552

As at 31 December 2019, the Group has bank balances placed with banks in the PRC denominated in Chinese Renminbi ("RMB") amounting to RMB 4,153,000 (2018: RMB 11,638,000). 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.

<u>Note A</u>

Bank balances of RMB 1,222,000 (2018: RMB 2,733,000) are pledged in connection with bills payable facilities (Note 17).

The movement in pledged deposits:

	Group	
	2019	2018
	RMB'000	RMB'000
Balance at beginning of the year	2,733	4,049
Withdrawal of pledged deposits	(1,511)	(1,316)
Balance at end of the year	1,222	2,733

17. TRADE PAYABLES

	Group	
	2019	2018
	RMB'000	RMB'000
Trade payables	6,261	12,093
Bills payable	1,472	5,567
	7,733	17,660

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

17. TRADE PAYABLES (Continued)

Bills payable facilities are secured by a pledge of land use right (Note 10) (2018: machineries included in property plant and equipment, Note 9).

18. OTHER PAYABLES AND ACCRUALS

	Group			Company	
	2019 RMB'000	2018 RMB'000 (Restated)	2017 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000
Accrued operating expenses	1,127	1,673	1,191	940	1,051
Accrued outsourced charges	148	2,096	236	-	-
Accrued employee benefits	1,498	2,543	1,763	92	550
Shipping fee payable	-	144	-	-	-
Security fee payable	38	65	587	-	-
Legal and professional fee payable	1,056	1,991	250	349	301
Electricity bill payable	259	187	140	-	-
Labour union expenditure payable	44	31	137	-	-
Value-Added Tax payables	310	-	-	-	
Other taxes payable	268	241	689	-	-
Others	376	463	912	-	-
	5,124	9,434	5,905	1,381	1,902

19. DEFERRED GOVERNMENT GRANTS

	Group	
	2019 RMB'000	2018 RMB'000
Balance at the beginning of financial year	1,781	2,003
Transfer to profit or loss	(223)	(222)
Balance at the end of financial year	1,558	1,781

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

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

20. BANK LOANS

	Group 2019 RMB'000	Group 2018 RMB'000
Secured borrowings	13,300	16,000

These borrowings are secured by a pledge of the Group's land use rights with carrying amount of RMB 9,296,000 (Note 10) (2018: machineries with net carrying amount of approximately RMB 28,106,000 (Note 9)) as at 31 December 2019.

Interest on secured bank loans were charged at the rate of 6.75% (2018: 6.6%) per annum. Bank loans of RMB 7,300,000 and RMB 6,000,000 (2018: RMB 6,000,000 and RMB 10,000,000) are repayable in May and June 2020 (2018: June and July 2019) respectively. As at date of these financial statements, the former has been repaid and the balance stood at RMB 6,000,000.

Reconciliation of liabilities arising from financing activities

	As at 1 January 2019 RMB'000	Financing cash flows RMB'000	As at 31 December 2019 RMB'000
Bank loans			
- current	16,000	(2,700)	13,300

	As at 1 January 2018 RMB'000	Financing cash flows RMB'000	As at 31 December 2018 RMB'000
Bank loans			
- current	-	16,000	16,000

21. DUE TO SUBSIDIARIES (NON-TRADE)

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

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

22. DEFERRED TAX LIABILITY

	Note	Group	
		2019	2018
		RMB'000	RMB'000
At beginning of the year		-	1,410
Written back in the profit or loss	28	-	(1,410)
At end of the year		-	-
Presented after appropriate offsetting as follows:			
Deferred tax assets		(633)	(2,092)
Deferred tax liabilities		633	2,092
Deferred tax liabilities, net		-	-

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

Deferred tax liabilities of the Group	Unbilled revenue
	RMB'000
As at 1.1.2018	1,657
Recognised in the profit or loss	435
As at 31.12.2018	2,092
As at 1.1.2019	2,092
Recognised in the profit or loss	(1,459)
As at 31.12.2019	633

Deferred tax assets of the Group	Unutilised tax losses
	RMB'000
As at 1.1.2018	(247)
Recognised in the profit or loss	(1,845)
As at 31.12.2018	(2,092)
As at 1.1.2019	(2,092)
Recognised in the profit or loss	1,459
As at 31.12.2019	(633)

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue

		Group	
		2019	2018
	Timing of recognition	RMB'000	RMB'000
Sale of goods	Point in time	6,085	16,018
Subcontracting services	Over time	8,317	13,827
		14,402	29,845

All revenue in 2018 and 2019 are derived from the PRC.

(b) Contract balances

	Group	
	2019	2018
	RMB'000	RMB'000
Trade receivables (Note 14)	18,864	72,027
Contract assets [(i)]	426	-
Contract liabilities [(ii)]	496	-

(i) Contract assets

Contract assets relate primarily to the Group's right to consideration for subcontracting service work completed but not delivered at the reporting date in respect of its business. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group delivers the goods to the customer and customer's acceptance.

(ii) Contract liabilities

Contract liabilities are arising from advances from customers. The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

24. OTHER OPERATING INCOME

	Note	Group	
		2019	2018
		RMB'000	RMB'000
Gain on disposal of property, plant and equipment		5	291
Gain on sale of scrap materials		979	528
Government grants for High Technology Enterprise (one-off)		100	-
Amortisation of deferred government grants	19	223	222
Settlement discount from suppliers		99	-
Interest income		87	54
Reversal of impairment loss			
- property, plant and equipment	9	530	-
- intangible assets	12	-	369
Others		140	2
		2,163	1,466

25. OTHER OPERATING EXPENSES

	Note	Group	
		2019	2018
		RMB'000	RMB'000
Advances to supplier written off		-	301
Allowance for inventory obsolescence	13	931	-
Foreign exchange loss, net		-	264
Other expenses		283	621
		1,214	1,186

26. PERSONNEL EXPENSES

	Group	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses *	20,290	20,953
Other personnel expenses	1,044	1,613
Short-term employees' benefits	21,334	22,566
Contributions to defined contribution plans	3,075	3,372
Termination benefits	990	4,067
	25,399	30,005

* This includes directors' remuneration as disclosed in Note 27 and 30.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

27. LOSS BEFORE INCOME TAX

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

	Note	Group	
		2019	2018
		RMB'000	RMB'000
Depreciation of property, plant and equipment	9	14,384	16,372
Reversal of impairment loss written back			
- property, plant and equipment	9	(530)	-
- intangible assets	12	-	(369)
Depreciation of right-of-use assets	10	240	-
Amortisation of intangible assets	12	639	517
Write back of allowance for inventory obsolescence	13	-	(8,730)
Allowance for inventory obsolescence	13	931	-
Inventory written off	13	-	2,204
Audit fees			
- auditors of the Company		971	918
- other auditors		39	114
Gain on disposal of property, plant and equipment		(5)	(291)
Personnel expenses [(i)]	26	25,399	30,005
Directors' fees			
- directors of the Company	30	1,625	1,800
Foreign exchange loss, net		-	264
Debt collection agent fee [(ii)]		3,151	3,330
Expected credit loss on bill receivables	33(iii)	-	1,600
Expected credit loss on trade receivables	33(iii)	1,340	-
Expected credit loss on trade receivables written back	33(iii)	-	(58,393)
Legal and professional fee		5,043	3,211

[(i)] Includes directors' remuneration as disclosed in this note.

[(ii)] In 2018 and 2019, a subsidiary, Changzhou 3D Technological Complete Set Equipment Co., Limited ("Changzhou 3D") (through its former director), entered into seven debt collection service agreements with two purportedly third party companies ("Debt Collection Agents") to collect certain trade receivables on behalf of Changzhou 3D. The amounts to be collected by these Debt Collection Agents as stipulated under these agreements were approximately RMB11.5 million and RMB14.1 million for FY 2018 and FY 2019 respectively; the actual amounts collected were RMB11.0 million and RMB14.1 million respectively. The debt collection agent fees amounted to approximately RMB 3.33 million and RMB 3.15 million for FY 2018 and FY 2019 respectively, and were grouped under and classified as administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

In June 2019, Changzhou 3D appointed a local accounting firm in China ("Chinese Accounting Firm") to carry out an ad hoc internal control review over some issues, including the appropriateness of the debt collection agent fees incurred as described above. As stated in the internal control report issued in the same month, the Chinese Accounting Firm raised concerns on the cost-effectiveness of these debt collection agent fees given that the proportion of the debt collection agent fees to the amounts of receivables to be collected was inexplicably significant (ranging from 16% to 68%).

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

27. LOSS BEFORE INCOME TAX (Continued)

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 characterising these debt collection agent fees as potential misappropriation of company's property by the then management personnel authorising 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.

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.

28. INCOME TAX EXPENSES / (CREDIT)

Major components of income tax expense / (credit) for the year ended 31 December were:

	Note	Group	
		2019	2018
		RMB'000	RMB'000
Current tax			
- Over provision in prior year		-	(591)
- Withholding tax on dividend income		508	664
		508	73
Deferred tax			
- Origination of temporary differences	22	-	(1,410)
		508	(1,337)

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

28. INCOME TAX EXPENSES / (CREDIT) (Continued)

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

	Group	
	2019 RMB'000	2018 RMB'000 (Restated)
Loss before income tax	(55,060)	(10,161)
Tax at the PRC statutory tax rate of 25% (2018: 25%)	(13,765)	(2,540)
Tax effects of:		
- different tax rates in other countries	4	-
- income not subject to tax	(133)	(17,387)
- expenses not deductible for tax purpose	1,450	1,349
- expenses incurred in tax-free jurisdictions	1,561	2,009
- deferred tax asset not recognised	10,883	15,159
	-	(1,410)
Over provision of current year income tax in prior years	-	(591)
Withholding tax on dividend income	508	664
Income tax	508	(1,337)

At the reporting date, the Group has unrecognised tax losses of approximately RMB 150,932,000 (2018: RMB 107,399,000) that are available to carry forward. These losses, comprise of RMB 46,583,000, RMB 60,816,000 and RMB 43,533,000 (2018: RMB 46,583,000 and RMB 60,816,000), relate to a subsidiary in PRC that have history of losses, will expire in 2027, 2028 and 2029 (2018: 2027 and 2028) respectively, and may not be used to offset taxable income elsewhere in the Group. The subsidiary has neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group had been able to recognise all unrecognised deferred tax assets, loss for the financial year would have decreased by approximately RMB 37,733,000 (2018: RMB 26,850,000).

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

28. INCOME TAX EXPENSES / (CREDIT) (Continued)

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:

(i) Best Success, which is subject to Hong Kong tax rate of 16.5% (2018: 16.5%), does not have taxable profit since its incorporation on 23 April 2005.

(ii) 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.

29. 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.

	Group	
	2019	2018
Net loss attributable to equity holders of the Company (RMB'000)	(55,568)	(8,824)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	27,468,473	27,468,473
Basic and diluted loss per share (RMB cents per share)	(202.30)	(32.12)

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.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

30. 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	
		2019	2018
		RMB'000	RMB'000
Key management personnel compensation			
Directors of the Company:			
- Directors' fee	27	1,625	1,800
Other key management personnel			
- Salaries and bonus		1,801	1,738
- Contributions to defined contribution plans		595	15
		4,021	3,553
Total compensation comprises:			
Short-term employee benefits		3,426	3,538
Contributions to defined contributions plans		595	15
		4,021	3,553

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.

31. PROVISION FOR GOVERNMENT FINE AND CONTIGENT 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 RMB 4,373,000 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.

For the Financial Year Ended 31 December 2019   Amounts in thousands of Chinese Renminbi (“RMB’000”)

31. PROVISION FOR GOVERNMENT FINE AND CONTIGENT LIABILITY (Continued)

Provision for government fine (Continued)
The balance of provision is as follows:

	Group	
	2019	2018
	RMB’000	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. In 2019, the management has estimated rectification cost of approximately RMB 4,200,000 which are based on indicative quotations obtained from third-party contractors and consultants.

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 of these financial statements, the management confirms that the Changzhou 3D has received neither further information regarding the investigation nor notification of the specific necessary rectification from the government agency.

32. SEGMENT INFORMATION

The Group operates in only one operating segment, i.e. the manufacture and sale of vane products and related subcontracting services. Subcontracting services are not separately reported to the CEO and the management, as it is considered as the same business with manufacturing activities due to shared technology and production processes. The products for which the Group provided subcontracting services are similar to the products that the Group manufactures. The subcontracting services mainly arose due to a major customer’s arrangement to source for its own raw material in certain contracts.

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 33 (iii). The Group’s entire non-current assets are located in PRC.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. 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 authorised 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 **2019**	Singapore dollars	Chinese Renminbi	United States dollars	Hong Kong dollars	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and cash equivalents	857	6,305	230	134	7,526
Trade receivables	-	29,575	-	-	29,575
Contract assets	-	426	-	-	426
Other receivables	-	859	-	-	859
	857	37,165	230	134	38,386
Financial liabilities					
Trade payables	-	7,733	-	-	7,733
Other payables and accruals	1,288	3,243	-	15	4,546
Bank loans	-	13,300	-	-	13,300
	1,288	24,276	-	15	25,579
Net financial (liabilities) / assets	(431)	12,889	230	119	12,807
Less: Net financial assets denominated in the respective entities' functional currencies	-	(10,737)	-	(119)	(10,856)
Foreign currency exposure	(431)	2,152	230	-	1,951

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2018 (restated)	Japanese Yen	Singapore dollars	Chinese Renminbi	United States dollars	Hong Kong dollars	Total
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000 (Restated)
Financial assets						
Cash and cash equivalents	25	1,149	11,941	1,008	162	14,285
Trade receivables (restated)	-	-	81,815	-	-	81,815
Other receivables	-	-	741	-	-	741
	25	1,149	94,497	1,008	162	96,841
Financial liabilities						
Trade payables	-	-	17,660	-	-	17,660
Other payables and accruals (restated)	-	1,352	7,817	-	24	9,193
Bank loans	-	-	16,000	-	-	16,000
	-	1,352	41,477	-	24	42,853
Net financial assets / (liabilities)	25	(203)	53,020	1,008	138	53,988
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	(52,716)	-	(138)	(52,854)
Foreign currency exposure	25	(203)	304	1,008	-	1,134

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2017 (restated)	Singapore dollars	Chinese Renminbi	United States dollars	Hong Kong dollars	Total
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000 (Restated)
Financial assets					
Cash and bank balances	2,858	15,665	9,793	296	28,612
Trade receivables (restated)	-	54,748	39	-	54,787
Other receivables	-	1,251	-	-	1,251
	2,858	71,664	9,832	296	84,650
Financial liabilities					
Trade payables	-	28,928	-	-	28,928
Other payables and accruals (restated)	-	5,216	-	-	5,216
	-	34,144	-	-	34,144
Net financial assets	2,858	37,520	9,832	296	50,506
Less: Net financial assets denominated in the respective entities' functional currencies	-	(37,520)	-	(296)	(37,816)
Foreign currency exposure	2,858	-	9,832	-	12,690

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 2019	Singapore dollars	Chinese Renminbi	Total
	RMB'000	RMB'000	RMB'000
Financial assets			
Cash and cash equivalents	857	-	857
Financial liabilities			
Other payables and accruals	1,288	93	1,381
Due to subsidiaries (non-trade)	-	26,625	26,625
	1,288	26,718	28,006
Net financial liabilities	(431)	(26,718)	(27,149)
Add: Net financial liabilities denominated in the Company's functional currency	-	26,718	26,718
Foreign currency exposure	(431)	-	(431)

Company 2018	Singapore dollars	Chinese Renminbi	Total
	RMB'000	RMB'000	RMB'000
Financial assets			
Cash and cash equivalents	1,149	-	1,149
Financial liabilities			
Other payables and accruals	1,352	550	1,902
Due to subsidiaries (non-trade)	-	24,784	24,784
	1,352	25,334	26,686
Net financial liabilities	(203)	(25,334)	(25,537)
Add: Net financial liabilities denominated in the Company's functional currency	-	25,334	25,334
Foreign currency exposure	(203)	-	(203)

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. 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% (2018: 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% (2018: 5%) against the relevant foreign currencies with all the other variables held constant, loss for the year will increase / (decrease) by:

	Chinese renminbi	Singapore dollars	United States dollars
	RMB'000	RMB'000	RMB'000
Group			
2019			
Loss for the year	81	(16)	9
2018 (Restated)			
Loss for the year	11	(8)	38
Company			
2019			
Loss for the year	-	(16)	-
2018			
Loss for the year	-	(8)	-

A weakening Chinese Renminbi against the above foreign currencies at 31 December would have had the equal but opposite effect on the above foreign currencies to the amounts shown above, on the basis that all other variables remain constant.

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.

33. 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 favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 31 December 2019, 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 20) and are measured at amortised 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 minimises 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 2019 and 31 December 2018 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 14) 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 and subcontracting services is 90 days (2018: 90 days). No interest is imposed on overdue trade receivables.

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.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

	Group		
Carrying amount	2019	2018	2017
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
By geographical areas			
- PRC	18,864	72,027	44,002
- Japan	-	-	39
	18,864	72,027	44,041
By types of customers			
Non-related parties			
- Government linked companies	10,142	40,029	38,756
- Private companies	8,722	31,998	5,285
	18,864	72,027	44,041

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.

		Trade receivables			Write back / (additional)
Group	Revenue	Gross	ECL	Net	ECL
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2019					
Not credit-impaired					
Customer A	5,296	12,942	(2,800)	10,142	700
Customer D	6,473	6,595	-	6,595	-
Credit-impaired					
Customer B	27	12,796	(12,796)	-	969
Customer C	-	6,028	(6,028)	-	(5,311)
Others	2,606	3,899	(1,772)	2,127	702
At end of year	14,402	42,260	(23,396)	18,864	(2,940)

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Group	Revenue	Trade receivables Gross	Trade receivables ECL	Trade receivables Net	Write back ECL
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2018 (Restated)					
Customer A	17,442	39,717	(3,500)	36,217	2,182
Customer B	6,976	43,765	(13,765)	30,000	40,950
Customer C	-	4,428	(717)	3,711	13,894
Others	5,427	4,573	(2,474)	2,099	1,367
At end of year	29,845	92,483	(20,456)	72,027	58,393

Customer A

The Group collected RMB 34,360,000 (2018: RMB 5,682,000) from this customer during the year. Balance not past due accounts for 55% of the total outstanding balance as at the reporting date (2018: 43%). Out of the carrying amount of RMB 10,142,000 (2018: RMB 36,217,000) as at 31 December 2019, an amount of RMB 4,144,000 (2018: RMB 14,460,000) has been collected subsequent to the reporting date.

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 RMB 2,800,000 (2018: RMB 3,500,000) as at 31 December 2019 and write back of ECL for RMB 700,000 has been recognised during the year accordingly.

Customer B

In 2019, a total collection of RMB 31,000,000 (2018: RMB 24,425,000) was recovered from this customer, against a net carrying amount of RMB 30,000,000 as at 31 December 2018 (2018: RMB 5,000,000 as at 31 December 2017). As a result, a write back of ECL amounting to RMB 969,000 (2018: RMB 40,950,000) has been recognised during the year. As at 31 December 2019, the outstanding balance amounting RMB 12,796,000 (2018: partial balance amounting to RMB 13,765,000) remains impaired as there were minimal sales made to this customer during the year and the amount and timing of further recovery are highly uncertain.

Customer C

No payment has been received from this customer in 2019; and commercial bill receivable amounting to RMB 1,600,000 provided by this customer is not redeemable by its maturity in January 2019. Since there is unsettled dispute with this customer and there was no sales transactions nor collection in 2019, the Group has fully impaired the balance due from this customer by recognising an additional impairment of RMB 3,711,000 in the financial year 2019. In 2018, there was a write back of RMB 13,894,000 due to a total collection of RMB 12,600,000 recovered in 2018.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Customer D

Customer D has become one of the major customers during 2019. The management is of the view that no impairment is deemed necessary on amount due from this customer in view of ageing profile. RMB 4,006,000 or 61% of total balance was not past due as at 31 December 2019 and approximately 39% has been collected subsequent to reporting date.

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 life time ECL under Simplified Approach:

Group 2019	Trade receivables RMB'000 (Note 14)	Bill receivables RMB'000 (Note 14)	Total RMB'000
Gross amount of financial assets subject to ECL	42,260	10,711	52,971
Movement of life-time ECL:			
Balance at 1 January 2019	20,456	1,600	22,056
ECL recognised during the year	3,714	-	3,714
Transfer (Note (i))	1,600	(1,600)	-
ECL written back during the year			
– due to recovery in cash and bills receivable	(1,674)	-	(1,674)
– Customer A	(700)	-	(700)
	2,940	(1,600)	1,340
Balance at 31 December 2019	23,396	-	23,396
Carrying amounts of financial assets, representing net exposure as at reporting date	18,864	10,711	29,575

Note (i)

In 2018, ECL of RMB 1,600,000 was provided on bill receivables as the Group is unable to redeem this commercial bill receivable upon maturity in January 2019, due to an ongoing dispute with Customer C. The management was of the view that the maximum exposure to this dispute is limited to this commercial bill receivable. In 2019, this bill receivable is reclassified to trade receivables and remained fully impaired.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

Group 2018	Trade receivables	Bill receivables	Total
	RMB'000 (Note 14) (Restated)	RMB'000 (Note 14)	RMB'000
Gross amount of financial assets subject to ECL	92,483	11,388	103,871
Movement of life-time ECL:			
Balance at 1 January 2018	78,849	-	78,849
ECL recognised during the year	13,232	1,600 (Note (i))	14,832
ECL written back during the year			
– due to recovery in cash and bills receivable	(40,331)	-	(40,331)
– Customer B (other than those recovered in cash and bills receivables)	(30,000)	-	(30,000)
– Customer C (other than those recovered in cash and bills receivables)	(1,294)	-	(1,294)
	(58,393)	1,600	(56,793)
Balance at 31 December 2018	20,456	1,600	22,056
Carrying amounts of financial assets, representing net exposure as at reporting date	72,027	9,788	81,815

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 15), bank balances and pledged deposits (Note 16).

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

Credit risk concentration

As at 31 December 2019, other than as disclosed above and elsewhere, the Group's significant credit risk exposure to single counterparty or group of counterparties having similar characteristics, are mainly cash and cash equivalents amounting to RMB 4,153,000 (2018: RMB 11,638,000) (Note 16) including pledged deposits (Note 16) which are placed with government controlled commercial banks in the PRC and approximately RMB 2,131,000 (2018: 304,000) placed with Hong Kong branch of a Singapore bank.

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	
	2019 RMB'000	2018 RMB'000 (Restated)	2017 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000
Financial assets					
Financial assets at amortised cost	38,386	96,841	-	857	1,149
Loans and receivables (including cash and bank balances)	-	-	84,650	-	-
Financial liabilities					
Financial liabilities at amortised cost	25,579	42,853	34,144	28,006	26,686

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 maximising the return to stakeholders through the optimisation 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, reserves and accumulated losses as disclosed in Notes 4 to 8.

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 2018.

For the Financial Year Ended 31 December 2019 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives (Continued)

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 utilisation 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 years ended 31 December 2019 and 31 December 2018.

34. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair values in 2019 and 2018.

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.

35. PRIOR YEAR ADJUSTMENTS

Prior year adjustments relate to:

(i) Omission of revenue of the financial year ended 31 December 2017; and
(ii) Under-accrual of outsourced service charges in the financial year ended 31 December 2017 and 31 December 2018.

The impact on consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income are as follows:

Group 2018	As previously reported RMB'000	Adjustment (i) RMB'000	Adjustment (ii) RMB'000	As restated RMB'000
<u>Consolidated statement of financial position</u>				
Accumulated losses	11,606	(380)	420	11,646
Trade receivables	81,435	380	-	81,815
Other payables and accruals	9,014	-	420	9,434
<u>Consolidated statement of profit or loss and other comprehensive income</u>				
Cost of sales	46,363	-	246	46,609

Group 2017	As previously reported RMB'000	Adjustment (i) RMB'000	Adjustment (ii) RMB'000	As restated RMB'000
<u>Consolidated statement of financial position</u>				
Accumulated losses	3,028	(380)	174	2,822
Trade receivables	54,407	380	-	54,787
Other payables and accruals	5,731	-	174	5,905

36. SUBSEQUENT EVENT

The COVID-19 outbreak has brought uncertainties to the Group's operating environment and impacted the Group's operations subsequent to the financial year end. The production line of Changzhou 3D was shut down in late January 2020 for Chinese New Year ("CNY"). However, after CNY period, local authorities in Jiangsu province has ordered Changzhou 3D to remain closed and all employees were asked to stay-home. After situations have been eased locally, since 13 February 2020, 90% of workforce have returned to work and operation have resumed. The Group is continuously monitoring closely the impact of the outbreak, macroeconomic development, and put in place measures to mitigate the impact. As the situation is evolving, the full effect of the outbreak is uncertain.

The critical estimates and assumptions made by the Group concerning the future is estimated based on the facts and circumstances existing at the reporting date in which the effect of COVID-19 outbreak had not been factored in as it is an event subsequent to the reporting date. COVID-19 will most likely have adverse impact on the key assumptions concerning impairment of the Group's financial and non-financial assets, net realisable values of inventory and the Company's impairment on investment in subsidiaries in financial year 2020.

SHAREHOLDINGS STATISTICS

As at 29 May 2020 Amounts in thousands of Chinese Renminbi ("RMB'000")

Class of equity securities	Number of equity securities	Voting rights
Ordinary	27,468,473	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	19	2.84	943	0.00
100 - 1,000	265	39.61	171,916	0.63
1,001 - 10,000	348	52.02	1,234,145	4.49
10,001 - 1,000,000	30	4.48	2,805,662	10.21
1,000,001 AND ABOVE	7	1.05	23,255,807	84.67
TOTAL	**669**	**100.00**	**27,468,473**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

	NUMBER OF ORDINARY SHARES			
	DIRECT INTEREST	%	DEEMED INTEREST	%
LIU MING	8,240,000	29.98	0	0
ALLPORT LIMITED	7,464,340	27.18	0	0
ASUKA DBJ INVESTMENTS CO., LTD[1]	0	0.00	7,464,340	27.18
MERCURIA INVESTMENTS CO., LTD[2]	0	0.00	7,464,340	27.18
MAMORU TANIYA[3]	0	0.00	7,464,340	27.18
YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN[4]	3,300,000	12.01	0	0
YONEHARA SHINICHI	0	0.00	3,300,000	12.01
LIN CHUANJUN	2,296,850	8.36	0	0

Notes:

1 Asuka DBJ Investments LPS 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% shareholders of Allport Limited. By virtue of Section 4 of the Securities and Future Act, Cap. 289, of Singapore, Mamoru Taniya is deemed to be interested in the shares of the Company held by Allport Limited.

4 Yugen Kaisha Simon Murray And Company Japan is wholly-owned by Yonehara Shinichi.

As at 29 May 2020 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	27.18
2	CITIBANK NOMINEES SINGAPORE PTE LTD	5,195,683	18.92
3	YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN	3,300,000	12.01
4	LIU MING	3,296,217	12.00
5	LIN CHUANJUN	1,611,650	5.87
6	ZHANG PING	1,309,250	4.77
7	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,077,667	3.92
8	PHILLIP SECURITIES PTE LTD	765,450	2.79
9	TAN ENG CHUA EDWIN	741,400	2.70
10	RAFFLES NOMINEES (PTE.) LIMITED	305,000	1.11
11	YONG WOON CHONG	162,200	0.59
12	DBS NOMINEES (PRIVATE) LIMITED	157,022	0.57
13	OCBC SECURITIES PRIVATE LIMITED	100,190	0.36
14	BOON KIA IN VINCENT (WEN JIAYIN)	65,000	0.24
15	UOB KAY HIAN PRIVATE LIMITED	60,800	0.22
16	MAYBANK KIM ENG SECURITIES PTE.LTD	59,000	0.21
17	KOH TECK YEOW	35,500	0.13
18	CHEW CHIN SING	30,800	0.11
19	LIM SIAN KOK	30,000	0.11
20	LYE SOO MENG	30,000	0.11
	TOTAL	**25,798,169**	**93.92**

PERCENTAGE OF SHAREHOLDING IN HANDS OF PUBLIC

Based on the information available to the Company as at 29 May 2020, approximately 23% 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 electronic means on Tuesday, 30 June 2020 at 9.30 a.m. (of which there will be a live webcast), 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 2019 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Dr Daniel Liu Danjun retiring pursuant to Article 86(1) of the Company's Articles of Association. **(Resolution 2)**

   Dr Daniel Liu Danjun will, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director and a member of the Nominating Committee and will be considered non-independent.

3. To re-elect the following Directors retiring pursuant to Article 85(6) of the Company's Articles of Association:

   Mr Zhang Wenjun **(Resolution 3)**
   Mr Shi Bin **(Resolution 4)**
   Mr Cheah Kian Choong **(Resolution 5)**
   Dr Pan Peiwen **(Resolution 6)**
   Mr Liew Yoke Pheng, Joseph **(Resolution 7)**
   Mr Goh Yeow Kiang, Victor **(Resolution 8)**

   Mr Zhang Wenjun will, upon re-election as Director of the Company, remain as Non-Executive Non-Independent Director.

   Mr Shi Bin will, upon re-election as Director of the Company, remain as Non-Executive Independent Director.

   Mr Cheah Kian Choong will, upon re-election as Director of the Company, remain as Non-Executive Independent Director.

   Dr Pan Peiwen will, upon re-election as Director of the Company, remain as Non-Executive Independent Director.

   Mr Liew Yoke Pheng, Joseph, will, upon re-election as Director of the Company, remain as Non-Executive Independent Director.

   Mr Goh Yeow Kiang, Victor will, upon re-election as Director of the Company, remain as Non-Executive Independent Director.

4. To approve the payment of additional Directors' Fees of RMB150,000 for the financial year ended 31 December 2019. **(Resolution 9)**
   [See Explanatory Note (i)]

5. To approve the payment of Directors' Fees of RMB2,000,000 for the financial year ending 31 December 2020. (FY2019: RMB1,625,000) **(Resolution 10)**

6. To re-appoint Messrs. Crowe Horwath First Trust LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 11)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

8. **Authority to allot and issue shares**

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 12)**

By Order of the Board

Wong Yoen Har
Company Secretary

Singapore, 15 June 2020

Explanatory Notes:

(i) The Ordinary Resolution 9 in item 4 above, is to seek shareholders' approvals for the additional Directors' Fees of RMB150,000 for the financial year ended 31 December 2019. The additional Directors' Fees were due to the increase of directors from 4 to 6 and the time and efforts spent by the directors to understand and resolving the Company's current financial and operations situations.

(ii) The Ordinary Resolution 12 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards and any subsequent consolidation or subdivision of shares.

Notes:

(1) The Annual General Meeting ("AGM") is being convened, and will be held, by electronic means pursuant to the Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period and checklist jointly issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020, which are based on the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No. 2) Order 2020.

(2) Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the attached accompanying document entitled "**Instructions to Members for Annual General Meeting 2020**".

(3) **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

(4) The Chairman of the AGM, as proxy, need not be a member of the Company.

(5) The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:

(a) if submitted by post, be lodged at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623; or

(b) if submitted electronically, be submitted via email to the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at AGM.TeamE@boardroomlimited.com,

in either case, at least 48 hours before the time for holding the AGM.

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

(6) The Company shall be entitled to, and will, treat any valid instrument appointing the Chairman of the AGM as proxy(ies) which was delivered by a member to the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. before 9.30 a.m. on 28 June 2020 as a valid instrument appointing the Chairman of the AGM as the member's proxy to attend, speak and vote at the AGM if:

(a) the member had indicated how he/she/it wished to vote for or vote against or abstain from voting on each resolution; and

(b) the member has not withdrawn the appointment.

(7) The Annual Report for the financial year ended 31 December 2019 ("**2019 Annual Report**") may be accessed at https://www.bigbangdesign.co/shanghaiturbo_webcast_registration.html or on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company or a Depositor, as the case may be (i) consents to the collection, use and disclosure of the member or Depositor's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member or a Depositor discloses the personal data of the member or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents), the member or Depositor 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) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member or Depositor's breach of warranty.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 relating to the Directors to be put forward for re-elections at the forthcoming Annual General Meeting are disclosed below:

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
Date of Appointment	1 May 2016	9 June 2020	9 June 2020	9 June 2020	9 June 2020	9 June 2020	9 June 2020
Age	51	50	59	50	61	64	47
Country of Principal Residence	China	China	China	Singapore	Singapore	Singapore	Singapore
Date of last re-appointment	15 April 2017	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	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	The Board has reviewed the credential of Mr Zhang Wenjun and has approved the Nominating Committee's recommendation of the appointment of Mr Zhang Wenjun as Non-Executive Non-Independent Director	The Board has reviewed the credential of Mr Shi Bin and has approved the Nominating Committee's recommendation of the appointment of Mr Shi Bin as Non-Executive Independent Director	The Board has reviewed the credential of Mr Cheah Kian Choong and has approved the Nominating Committee's recommendation of the appointment of Mr Cheah Kian Choong as Non-Executive Independent Director	The Board has reviewed the credential of Dr Pan Peiwen and has approved the Nominating Committee's recommendation of the appointment of Dr Pan Peiwen as Non-Executive Independent Director	The Board has reviewed the credential of Mr Liew Yoke Pheng, Joseph n and has approved the Nominating Committee's recommendation of the appointment of Mr Liew Yoke Pheng, Joseph Non-Executive Independent Director	The Board has reviewed the credential of Mr Goh Yeow Kiang, Victor and has approved the Nominating Committee's recommendation of the appointment of Mr Goh Yeow Kiang, Victor as Non-Executive Independent Director
Whether appointment is executive, and if so, the area of responsibility	Non-Executive Non-Independent Director	Non-Executive Non-Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Non-Independent Director and a member of Nominating Committee	Non-Executive Non-Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
Professional qualifications	Harbin Institute of Technology, Ph.D in Electrical Engineering and Automation	Bachelor of Engineering Degree, Xi'an Jiaotong University (China) MBA, Macau International Public University (China)	Bachelor of Engineering, Department of Mathematics, Shanghai Normal University	Master (MSc) of Science in Real Estate & Property Management, The University of Salford, Manchester (UK)	PhD in Corporate Governance & Strategic Planning (USA), FIPA (Australia), FFA (United Kingdom), MSID (Singapore)	Bachelor of Commerce (Accountancy)	MBus (Finance), FCA (ISCA), FCCA (UK), FIPAS (Singapore)
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	No	No	No	No	No
Conflict of interest (including any competing business)	No	No	No	No	No	No	No
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
Working experience and occupation(s) during the past 10 years	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 technology companies, and various industry groups, as well as being Chairman for a number of technology companies. Dr Liu has a Ph.D in Electrical Engineering and Automation, as well as Master's and Bachelor's degres in Material Science and Engineering, from the Harbin Institute of Technology	General Manager - Shanghai Branch of Ping An Securities Company Ltd. Assistant President - Shanghai Branch and Shenyang Branch of Ping An Bank Limited	Director - Basic Education Development Center in Shanghai Normal University	2015 - Present - Advisor - Fujairah National Group, Fujairah Investment Establishment, Fujairah Holding, UAE 2000 - 2015 - Managing Director - i-Realty Network	2020 - Present - Director, Houston Kemp Pte Ltd 2017 - Present - Director, Continuum Energy Levanter Pte Ltd. 2017 - Present - Director, Continuum Wind Energy Ltd 2017 - Present - Director, Clean Energy Investing Ltd 2010 - Present - Executive Advisor, EastWestWorld Private Equity Pte Ltd 2019 - 2020 - Chief Data Protection Officer, Soverus Consultancy and Services Pte Ltd.	Executive Chairman and Chief Executive Officer of Hoe Leong Corporation Limited (Listed on SGX Mainboard) Lead Independent Director and Chairman of the Audit Committee of Grand Venture Technology Limited (Listed on SGX Catalist) Independent Director of Innovalues Limited Independent Director of Lew Foundation Director of Char Yong Foundation General Manager of Business Compliance cum Senior Advisor of Internal Control of Giti Tire (China) Investment Company Ltd. Consultant for GT Asia Pacific Holdings Pte Ltd Director & Chief Financial Officer for Asia & Middle East of Sage Software Asia Pte Ltd	Practising public accountant in Baker Tilly TFW LLP (Chartered Accountant) specializing in corporate restructuring & insolvency services

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
Shareholding interest in the listed issuer and its subsidiaries	No	No	No	No	No	No	No
Shareholding Details	No	No	No	No	No	No	No
Other Principal Commitments Including Directorships							
Past (for the last 5 years)	Nil	Nil	Nil	Nil	2020 - Present - Director, Houston Kemp Pte Ltd 2017 - Present - Director, Continuum Energy Levanter Pte Ltd 2017 - Present - Director, Continuum Wind Energy Ltd 2017 - Present - Director, Clean Energy Investing Ltd 2010 - Present - Executive Advisor, EastWestWorld Private Equity Pte Ltd 2019 - 2020 - Chief Data Protection Officer, Soverus Consultancy and Services Pte Ltd.	Independent Director of Innovalues Limited	Nil

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
Present	Nil	Nil	Nil	Nil	2020 - Present - Director, Houston Kemp Pte Ltd 2017 - Present - Director, Continuum Energy Levanter Pte Ltd 2017 - Present - Director, Continuum Wind Energy Ltd 2017 - Present - Director, Clean Energy Investing Ltd 2010 - Present - Executive Advisor, EastWestWorld Private Equity Pte Ltd 2019 - 2020 - Chief Data Protection Officer, Soverus Consultancy and Services Pte Ltd.	Executive Chairman and Chief Executive Officer of Hoe Leong Corporation Limited (Listed on SGX Mainboard) Lead Independent Director and Chairman of the Audit Committee of Grand Venture Technology Limited (Listed on SGX Catalist) Independent Director of Innovalues Limited Independent Director of Lew Foundation Director of Char Yong Foundation	Insolvency Advisory Pte Ltd
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	No	No	No	No	No

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
(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	No	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No	No	No	No
(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?	No	No	No	No	No	No	No

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
(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?	No	No	No	No	No	No	No
(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?	No	No	No	No	No	No	No

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
(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?	No	No	No	No	No	No	No
(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 management of any entity or business trust?	No	No	No	No	No	No	No
(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	No	No	No	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:-							
(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	No	No	No	No	

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
(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	No	No	No	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	No	No	No	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	No	No	No	No	No

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
(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	No	No	No	No	No
Disclosure Applicable to the Appointment of Director Only							
Any prior experience as a director of an issuer listed on the Exchange?	Yes	No	No	No	No	Yes	No
If Yes, please provide details of prior experience.	1 May 2016 - Present - Shanghai Turbo Enterprises Ltd., Non-Executive Non-Independent Director	NA	NA	NA	NA	1. Executive Chairman and Chief Executive Officer of Hoe Leong Corporation Limited (Listed on SGX Mainboard) 2. Lead Independent Director and Chairman of the Audit Committee of Grand Venture Technology Limited (Listed on SGX Catalist) 3. Independent Director of Innovalues Limited	NA

Name of Director	Dr Daniel Liu Danjun	Mr Zhang Wenjun	Mr Shi Bin	Mr Cheah Kian Choong	Dr Pan Peiwen	Mr Liew Yoke Pheng, Joseph	Mr Goh Yeow Kiang, Victor
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	NA	Will be attending training as prescribed by the Exchange	Will be attending training as prescribed by the Exchange	Will be attending training as prescribed by the Exchange	Will be attending training as prescribed by the Exchange	NA	Will be attending training 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)	NA	NA	NA	NA	NA	NA	NA

SHANGHAI TURBO ENTERPRISES LTD.

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

INSTRUCTIONS TO MEMBERS FOR ANNUAL GENERAL MEETING 2020

Due to the current COVID-19 restriction orders in Singapore, Depositors and Shareholders ("**Members**") will **not** be allowed to attend the Annual General Meeting of Shanghai Turbo Enterprises Ltd. (the "**Company**") for its financial year ended 31 December 2019 (the "**AGM**"). Instead, alternative arrangements have been put in place to allow Members to participate at the AGM by (a) watching the AGM proceedings via live webcast or listening to the AGM proceedings via live audio feed, (b) submitting questions in advance of the AGM, and/or (c) voting by appointing the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. Please see paragraphs I to III below for these alternative arrangements.

I. To vote at the virtual AGM

Members (whether individual or corporate) who wish to exercise their votes must submit their instrument appointing the Chairman of the AGM ("**Proxy Form**") to vote on their behalf.

Members (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.

The completed and signed Proxy Form can be submitted to the Company in hard copy form or by email:

(a) if the Proxy Form is in hard copy and sent personally or by post, by depositing the duly completed Proxy Form at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623; or

(b) if submitted electronically, by scanning and submitting the duly completed Proxy Form via email to the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at AGM. TeamE@boardroomlimited.com,

in either case, by 9.30 a.m. on 28 June 2020.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for Members to submit completed Proxy Forms personally or by post, Members are strongly encouraged to submit the completed Proxy Forms electronically via email.

II. Registration for the live webcast

Members will be able to watch the AGM proceedings through a live webcast via their mobile phones, tablets or computers or listen to the AGM proceedings through a live audio feed via telephone.

Members who wish to attend the AGM via webcast are required to pre-register at the following website:

https://www.bigbangdesign.co/shanghaiturbo_webcast_registration.html

by 9.30 a.m. on 25 June 2020 (the "**Registration Deadline**"),

to enable the Company to verify their status as Members. Following the verification, authenticated Members will receive an email by 26 June 2020, containing user ID and password details as well as the link to access the webcast of the AGM. Please do not disclose your ID or password details to persons who are not entitled to attend the AGM. Your presence via webcast shall be taken as attendance at the AGM.

Members who have registered by the Registration Deadline but do not receive an email **by 9.30 a.m. on 29 June 2020** should contact the Company for assistance via email to AGM.TeamE@boardroomlimited.com.

The Company advises all Members to register as early as possible.

III. Submission of Questions

Members who pre-register to watch the live webcast or listen to the live audio feed may also submit questions related to the resolutions to AGM.TeamE@boardroomlimited.com **by the Registration Deadline**.

Please note that Members will **not** be able to ask questions "live" during the webcast and the audio feed. It is therefore important for Members to pre-register their participation and submit their questions early.

The Company will address all substantial questions relating to the resolutions at the AGM or by releasing an announcement on the SGXNET.

Subsequent to the AGM, the Company will publish the minutes of the AGM via SGXNET within one (1) month after the date of AGM.

The Company would remind Members that, with the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Members are encouraged to check the Company's announcement regularly for any updates on the AGM.

The Company wishes to thank all Members for their patience and co-operation in enabling the Company to hold the AGM with the optimum safe distancing measures amidst the current COVID-19 pandemic.

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

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