

RESPONSE TO SGX QUERIES::

Issuer & Securities

Issuer/ Manager

SHANGHAI TURBO ENTERPRISES LTD

Securities

SHANGHAI TURBO ENTERPRISES LTD - KYG8064W1160 - AWM

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Submitted By (Co./ Ind. Name)

Hong Yong

Designation

Non-Executive Chairman & Lead Independent Director

Description (Please provide a detailed description of the change in the box below)

Please see attached.

Attachments

[ST_Annt Response To SGX_16 March 2021.pdf](#)

Total size =289K MB

SHANGHAI TURBO ENTERPRISES LTD.

(Company Registration No.: CT-151624)

Incorporated in the Cayman Islands

RESPONSE TO SGX QUERIES ON UNAUDITED FULL YEAR RESULTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “Board”) of Shanghai Turbo Enterprises Ltd. (the “Company”) wishes to announce the following in response to the queries raised by Singapore Exchange Securities Trading Limited (“SGX-ST”) on the Company’s unaudited full year results for financial year ended 31 December 2020 (“FY2020 Results”):-

1. It is disclosed that trade receivables is RMB21,141,000, representing 64.6% of revenue of RMB34,273,000 for the year ended 31 December 2020.

Please disclose:

- (i) the breakdown of the Group’s trade receivables;
- (ii) the ageing profile of the Group’s trade receivables in bands of 3 months;
- (iii) whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify;
- (iv) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates;
- (v) whether these customers are still in operation; and
- (vi) the Board’s assessment on the recoverability of the Group’s trade receivables, and the basis for such an assessment.

Response:

- (i) The breakdown of the Group’s trade receivables is as follows:-

No.	Customer :	RMB’ 000	%
1	A	10,689	94.17
2	B	7,051	2.85
3	Others	2,934	2.98
	Total	21,141	100.00

- (ii) The ageing profile of the Group’s trade receivables in bands of 3 months is as follows:-

No.	Ageing Days	RMB’ 000	%
1	0-90	10,689	48.26
2	91-180	7,051	31.85
3	181-270	2,934	13.25
4	More Than 270	1,467	6.64
	Total	21,141	100.00

- (iii) These outstanding amounts are not owing to any related parties.
- (iv) These debtors are not related to any directors, key executives, substantial shareholders or their respective associates.

- (v) These customers are still in operation.
- (vi) Based on the assessment performed by the management on the current trade receivables, they are still recoverable although payment may be slow, barring any unforeseen circumstances or changes to the business environment and sluggish market conditions. The management is of the view that the Group has unconditional rights on trade receivables including unbilled trade receivables as at 31 December 2020.

The Board has assessed the recoverability of the Group's trade receivables based on the contracts signed with the customers and the acceptance of the goods by the customer. The Board will, together with management, closely monitor the recovery of the Group's trade receivables.

- 2. Given the Group's significant liabilities of RMB 40,892,000 and cash and bank balance of only RMB 3,811,000 and noting that the Company incurred losses of RMB7,557,000 in FY2020 (FY2019: Loss of RMB14,947,000) and gross losses of RMB3,901,000 in FY2020 (FY2019: Gross Loss of RMB15,132,000), please disclose the Board's assessment:
 - (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of RMB39,334,000, including its bases of assessment; and
 - (ii) how the Company intends to fulfill its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfill its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Response:

- (i) The Company's current assets are adequate to meet the Company's short term liabilities of RMB39,334,000.

The current liabilities are higher than current assets, mainly due to the provision of RMB4.37 million made for government fine by its wholly-owned subsidiary, Changzhou 3D Technological Complete Set Equipment Co., Ltd ("CZ3D"), based on the estimation made by the management. To-date, CZ3D has not received any notice on the government fine. The provision for the government fine will be written back and reclassified as other operating income in the event if CZ3D has received waiver from the government. Other payables will also be reduced based on the actual payout of the staff's social benefits and VAT.

- (ii) The Company intends to fulfill its significant payment obligations in the next 12 months and has already worked out debt repayment plans fulfilling such obligations. The Company has been paying the loan and loan interest on time without delay and CZ3D has also made timely payments to suppliers based on the terms and conditions stated in the contracts. Management has discussed with Crowe Horwath First Trust LLP ("Crowe Horwath") on the payment of the outstanding audit fee of S\$77,671.93 and executed a supplementary payment agreement with Crowe Horwath on 11 March 2021.

3. Please elaborate on the reasons for the gross loss. The Company had explained, on page 12 of the FY2020 Results, that the increase in the cost of sales for YTD4Q FY2020 was “mainly due to lower production units, leading to higher cost per unit resulting in from the under absorption of direct and in-direct overheads for the period. Cost of sales exceeded revenue due to absorption of higher overheads relative to lower sales volume...”. Given the increase in revenue of 138% from FY2019, please elaborate on why there were lower production units and lower sales volume in FY2020.

Response:

The production capacity was 67% in 2020 as compared with 49% in 2019 even though the production capacity and the plant and machineries have not been fully utilized. Management has taken efforts to expand the businesses overseas by promoting and selling goods to overseas customers such as Korea and Japan instead of selling goods to the local customers.

4. As at 31 December 2020, the Group has working capital deficit of RMB 4,612,000. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.
- (i) Please assess the Company's ability to operate as a going concern.
 - (ii) Please assess the Company's ability to meet its debt covenants (if any).
 - (iii) Please assess the Company's ability to meet its short-term obligations when they fall due.

Response:

- (i) The loan has reduced from RMB13.3 million in 2019 to RMB9.5 million in 2020. With the successful rollover of RMB9.5 million bank loan affirming by the bank, the Company is able to improve its liquidity and operate as a going concern.
- (ii) The Company does not have any debt covenants.
- (iii) The Company has ability to meet its short-term obligations when they fall due, as the Company has awarded with tender amounting RMB74.22 million from a major customer in 2020 with contracts of RMB42.59 million signed. In addition, the Company is currently negotiating certain contracts with some Korean companies, Japanese companies and local companies.

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

Hong Yong
Non-Executive Chairman & Lead Independent Director

16 March 2021