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## Issuer &amp; Securities

## Issuer/ Manager

SHANGHAI TURBO ENTERPRISES LTD

## Securities

SHANGHAI TURBO ENTERPRISES LTD - KYG8064W1160 - AWM

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## Announcement Details

## Announcement Title

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## Submitted By (Co./ Ind. Name)

Hong Yong

## Designation

Non-Executive Chairman &amp; 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 2020.

## Additional Details

## Period Ended

31/12/2020

## Attachments

[Shanghai Turbo Annual Report 2020.pdf](#)

Total size =4415K MB

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2020

ANNUAL  
REPORT



*Shanghai Turbo*

SHANGHAI TURBO ENTERPRISES LTD.

上海动力发展有限公司

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Hong Yong <sup>(1)</sup>  
Mr. Simon Poh Siew Beng <sup>(2)</sup>  
Mr. Foo Chee Meng <sup>(3)</sup>  
Dr. Daniel Liu Danjun <sup>(4)</sup>

## AUDIT COMMITTEE (“AC”)

Mr. Simon Poh Siew Beng (Chairman) <sup>(2)</sup>  
Mr. Hong Yong <sup>(1)</sup>  
Mr. Foo Chee Meng <sup>(3)</sup>

## NOMINATING COMMITTEE (“NC”)

Mr. Hong Yong (Chairman) <sup>(1)</sup>  
Mr. Simon Poh Siew Beng <sup>(2)</sup>  
Mr. Foo Chee Meng <sup>(3)</sup>  
Dr. Daniel Liu Danjun <sup>(4)</sup>

## REMUNERATION COMMITTEE (“RC”)

Mr. Hong Yong (Chairman) <sup>(1)</sup>  
Mr. Simon Poh Siew Beng <sup>(2)</sup>  
Mr. Foo Chee Meng <sup>(3)</sup>

## 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  
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

RT LLP  
297 South Bridge Road  
Singapore 058839

Audit Partner-In-Charge  
Mr. Arumugam Ravinthran  
Appointed with effect from financial year 2020

## INTERNAL AUDITORS

Zhong Xing Cai Guang Hua  
(A member of PKF international CPA network)  
2nd floor, XinDa Building,  
1399 Beijing West Road, JiangAn District,  
Shanghai, 200040

Audit Partner-In-Charge  
Mr. Liu Sheng Jing  
Appointed with effect from financial year 2020

## INVESTOR AND MEDIA CONTACT

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

<sup>(1)</sup> Appointed as Non-Executive Chairman & Lead Independent Director, Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee on 30 September 2020.

<sup>(2)</sup> Appointed as Non-Executive Independent Director and a member of the Audit Committee, Nominating Committee and Remuneration Committee on 8 July 2020 and appointed as Chairman of the Audit Committee on 3 February 2021.

<sup>(3)</sup> Appointed as Non-Executive Independent Director and a member of the Audit Committee, Nominating Committee and Remuneration Committee on 2 May 2021.

<sup>(4)</sup> Appointed as Non-Executive Non-Independent Director on 1 May 2016 and appointed as a member of the Nominating Committee on 30 April 2019.

# CORPORATE PROFILE

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

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# LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors (“Board”), I hereby present the results of Shanghai Turbo Enterprises Ltd. (the “Company”, and together with its subsidiaries, the Group) for the financial year ended 31 December 2020 (“FY2020”).

## Changes to the Board

The 3 Non-Executive Independent Directors, Dr. Pan Peiwen, Mr. Victor Goh Yeow Kiang and Mr. Joseph Liew Yoke Pheng were appointed on 9 June 2020 and they had all stepped down at the AGM held on 30 June 2020. Dr. Wong Kee Hau (Non-Executive Non-Independent Director & NC Member) was appointed on 30 April 2019 and resigned on 16 June 2020, Mr. Huang Wooi Teik (Non-Executive Chairman and Lead Independent Director, NC Chairman, AC Member & RC Member), Mr. Koh Wee Kiang (Non-Executive Independent Director, RC Chairman, AC Member & NC Member) and Mr. Lee Kiang Piaw (Non-Executive Independent Director, AC Member, NC Member & RC Member) were all appointed on 30 April 2019 and resigned on 30 June 2020. Mr. Shi Bin (Non-Executive Chairman and Lead Independent Director, NC Chairman, RC Chairman & AC Member) was appointed on 9 June 2020 and resigned on 30 September 2020. Mr. Zhang Wenjun (Non-Executive Non-Independent Director & NC Member) was appointed on 9 June 2020 and resigned on 13 January 2021. Mr. Cheah Kian Choong (Non-Executive Independent Director, AC Chairman, NC Member & RC Member) was appointed on 9 June 2020 and resigned on 3 February 2021.

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

## Business Challenges

China’s economy was the first to be hit by the COVID-19 pandemic outbreak, the first to be locked down, and the first to begin an economic recovery. During 1Q FY2020, in accordance with the Law of the People’s Republic of China on the Prevention and Control of Covid-19, the JiangSu province and ChangZhou City had announced on 29 January 2020 that all factories must not resume work

before 9 February 2020. The subsidiary actually resumed work on 13 February 2020. The manufacturing sites are now subjected to strict hygiene and social distancing requirements. We are fortunate that there has been no infection involving our China employees and their families throughout the year.

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

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

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

## Moving On

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

## Appreciation

The Board would like to express gratitude to the shareholders, management and staff, and all corporate advisors. The Board are thankful that all of you have continued to keep faith with the Company. The Board would like to thank the previous Board and current Board for all their contributions and efforts in 2020.

## Hong Yong

Non-Executive Chairman and Lead Independent Director

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

# GENERAL MANAGER'S STATEMENT

Dear Shareholders,

China's economy grew more than expected last year, even as the rest of the world was upended by the coronavirus pandemic. The world's second largest economy expanded 2.3 per cent in 2020 compared to a year earlier. The Chinese economy advanced 6.5 per cent year-on-year in the December quarter, after registering a 4.9 per cent growth in the third quarter which is above the market consensus of 6.1 per cent. The latest reading pointed to pre-pandemic growth rates, with industrial output rising the most in 3-1/2 years in December. For the full year 2020, the country's GDP expanded 2.3 percent, the slowest pace in more than four decades. Still, China is likely to be the only major economy to avoid contraction due to the COVID-19 shocks. In 2020, the primary sector went up 3 per cent, with live pig inventory surging 31 per cent. Industry advanced 2.6 per cent, with manufacturing rising 3.4 percent, utilities 2 per cent and mining 0.5 percent. The tertiary sector expanded 2.1 percent. Also, real estate investment grew 7 per cent, with residential rising 7.6 percent and office building 5.4 per cent. Fortunately, the Group is not directly involved in the sectors most severely impacted by COVID-19.

The Group has bidden aggressively for tender awards from the major customer since 2019 to 2020. The awarded contracts in 2019 and 2020 amounted to RMB101.18 million. The contracts signed on hand for the 2 years amounted to RMB47.05 million as at 31 December 2020. The goods delivered to the major customer during the 2 years up to 31 December 2020 amounted to RMB36.56 million.

The Group has further improved control measures in procurement and production to reduce the gross loss margin for production. The Subsidiary reduced gross loss amounting to 11.23 million from RMB15.13 million in YTD 4Q FY2019 to RMB3.90 million in YTD 4Q FY2020. The efforts put in by the management team have been fruitful in generating the good results.

On 28 August 2020, the Company and Mr. Liu Ming had executed a Settlement Agreement in respect of all disputes between the Company and Mr. Liu Ming arising out of and/or in connection with HC/S 571/2017 in the Singapore Courts, as well as all disputes between CZ3D and Mr. Liu Ming arising out of and/or in connection with Civil Case 4690 in the People's Republic of China Courts. While the specific terms of the Settlement Agreement are confidential, the legal effect of the Settlement Agreement is that the Company and Mr. Liu Ming will not be able to continue or commence legal proceedings on any disputes related to HC/S 571/2017 or Civil Case 4690. The Group has received the out of court settlement amounting to

RMB0.27 million on 25 September 2020 from Mr. Liu Ming and it has been classified as other operating income in 3Q FY2020. Liu Ming has paid the out of court settlement amounting to RMB0.23 million on 5 February 2021 and 25 February 2021. All of the out of court settlement amount RMB0.50 million had been fully paid prior to 1 March 2021 and fulfilled all the requirements as per the Settlement Agreement.

The legal proceedings in the Subsidiary ended on 9 July 2020 and the Group has collected the court order fund amounting to RMB0.51 million from the 4 defendants on 9 October 2020 through the Subsidiary.

The Group has explored various options to increase its cash holdings, which precludes discounting on commercial bills receivables to realize cash, increased efforts on collections and reassessment of its operating assets. The Group had obtained bank loans RMB9.5 million from Jiangnan Bank as at 31 Dec 2020 by pledging its land use right. The Group had further obtained non-secured bank loan amounting to RMB6 million from Bank of Communications as at 31 March 2021.

I believe the Group can grow well, I have supported the Group through a special placement executed in accordance with the terms of the Subscription Agreement, pursuant to which 3,051,527 Placement Shares were (i) allotted and issued on 24 May 2021, and (ii) credited to the Subscriber's designated securities account on 25 May 2021.

My team and I will continue facing a lot of challenges, but I believe the Group can progress and turn profitable in future.

## **Gao Zhong**

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

# OPERATIONAL AND FINANCIAL REVIEW

## Statement of Profit or Loss and Other Comprehensive Income

Group revenue increased by 138% from RMB14.40 million in YTD 4Q FY2019 to RMB34.27 million in YTD 4Q FY2020, as the Subsidiary has aggressively bid for projects after work resumption and the major customer has awarded tenders amounting to RMB74.22 million (YTD 4Q FY2019: RMB26.97 million). For the same period, the Subsidiary has converted the tenders into contracts amounting to RMB31.62 million (YTD 4Q FY2019: RMB15.43 million) and has also delivered goods amounting to RMB24.80 million to the customers during YTD 4Q FY2020 (YTD 4Q FY2019: RMB5.33 million).

Cost of sales increased by 29% from RMB29.53 million in YTD 4Q FY2019 to RMB38.17 million in YTD 4Q FY2020, mainly due to lower production units, leading to higher cost per unit resulting from 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 and combination of the Subsidiary's deliberate strategy of securing more contracts to keep existing manpower fully engaged even if the Company has to bid at lower price.

The Group's gross loss diminished by 74% amounting to RMB3.90 million in 4Q FY2020 as compared to a loss of RMB15.13 million in 4Q FY2019. The explanations for 4Q FY2019 is applicable to YTD 4Q FY2019.

Other operating income increased by 28% from RMB2.16 million in YTD 4Q FY2019 to RMB2.76 million in YTD 4Q FY2020. The other operating income consists mainly of sales of scraps and wastage iron (YTD 4Q FY2020: RMB1.74 million, YTD 4Q 2019: RMB2.06 million) including out of court and court settlement (YTD 4Q FY2020: RMB0.78 million, YTD 4Q 2019: RMB0) as well as receiving the subsidy from Singapore SGX Government Grant related to the AGM Facilitation Webcasting Cost amounting to RMB0.02 million (YTD 4Q FY2020: RMB0.02 million (Singapore Government Grant), YTD 4Q 2019: RMB0.1 million (China Government Grant)).

Selling and distribution expenses decreased by 55% from RMB5.88 million in 4Q FY2019 to RMB2.64 million in 4Q FY2020 mainly due to decrease in entertainment expenses (YTD 4Q FY2020: RMB1.33 million; YTD 4Q FY2019: RMB1.80 million) and travelling expenses (YTD 4Q FY2020: RMB0.05 million; YTD 4Q FY2019: RMB0.14 million). There was increase in headcounts and salary amounting to RMB0.71 million in 4Q FY2020 as compared to RMB0.54 million in 4Q FY2019.

Administrative expenses decreased from RMB32.24 million in YTD 4Q FY2019 to RMB28.84 million in YTD 4Q FY2020. The decrease was mainly due to the Subsidiary has no longer engaged professional debt collector to collect the long outstanding debts from customers. The Subsidiary

has spent RMB3.25 million during 1Q FY2019 (1Q FY2020: RMB0), legal fee RMB1.16 million in YTD 4Q FY2020 (YTD 4Q FY2019: RMB3.49 million), staff welfare expenses RMB0.90 million in YTD 4Q FY2020 (YTD 4Q FY2019: RMB1.09 million), social benefits RMB1.54 million in YTD 4Q FY2020 (YTD 4Q FY2019: RMB3.07 million), employee compensation costs of RMB0.21 million in YTD 4Q FY2020 (YTD 4Q FY2019: RMB1.03 million), audit fee of RMB0.78 million in YTD 4Q FY2020 (YTD 4Q FY2019: RMB1.03 million) and depreciation cost of RMB6.78 million in YTD 4Q FY2020 (YTD 4Q FY2019: RMB6.78 million).

The Group ended FY2020 with a net loss of RMB29.23 million, compared to RMB55.56 million net loss in FY2019.

## Statement of Financial Position

As at 31 December 2020, the Group's non-current assets stood at RMB70.46 million, a decrease from RMB83.77 million, mainly due to the depreciation of Property, plant and equipment (PPE).

Over the same period, current assets decreased from RMB42.65 million to RMB35.36 million, mainly due to the collection of trade receivables amounting to RMB32.57 million during the year.

The Group's total liabilities increased from RMB32.58 million as at 31 December 2019 to RMB41.31 million as at 31 December 2020 as trade payables increased from RMB7.69 million 31 December 2019 to RMB18.12 million as at 31 December 2020 due to increase in procurement for trading activities in YTD 4Q FY2020.

## Statement of Cash Flows

The Group's net cash generated from operating activities amounting to RMB1.31 million arising from loss before income tax adjusted for non-cash effects items of RMB29.23 million after accounting of positive changes in working capital amounting to RMB14.27 million.

The Group's net cash generated from investing activities amounting to RMB0.24 million was mainly applied on acquisition of office equipment RMB22,000 and a second hand motor vehicle amounting to RMB35,000 as well as offset with the disposal of plant and machinery amounting to RMB0.29 million.

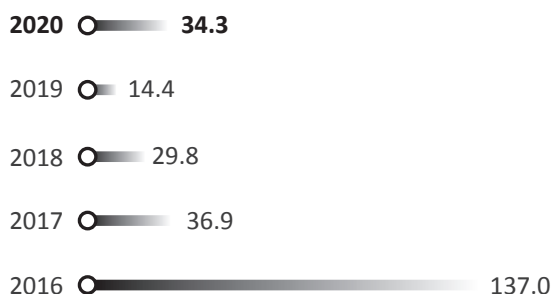
The Group's net cash used in financing activities amounting to RMB4.51 million mainly due to an interest payment of bank loan amounting to RMB1.14 million and repayment of bank loan amounting to RMB13.30 million. The Subsidiary has performed the net withdrawal of pledged deposits amounting to RMB0.44 million in YTD 4Q FY2020.

In view of the above, there was a net decrease in cash and cash equivalents of about RMB2.96 million in FY2020, compared to a net decrease of RMB5.17 million in FY2019.



# FINANCIAL HIGHLIGHTS

## Revenue (RMB million)



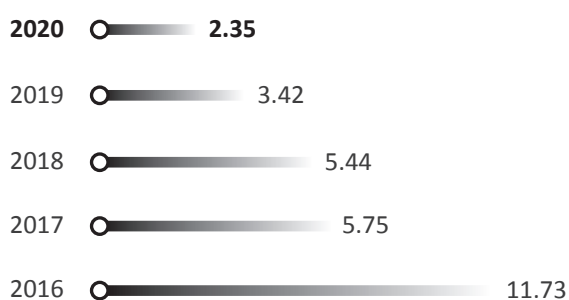
## Net Profit After Tax (RMB million)



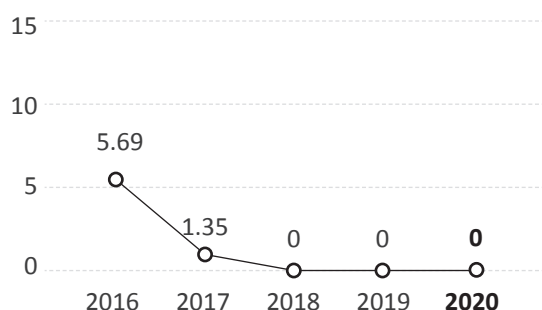
## Earnings Per Share (RMB)



## Net Asset Value Per Share (RMB)

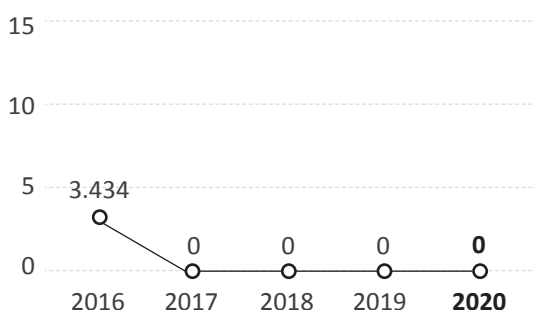


## Dividend Yield Chart\*\* (%)



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.

# FINANCIAL HIGHLIGHTS

|  | 2016    | 2017     | 2018    | 2019    | 2020           |
|--|---------|----------|---------|---------|----------------|
| <b>Statement of Profit or Loss and Other Comprehensive Income (in RMB'000)</b> |         |          |         |         |                |
| Revenue  | 136,997 | 36,875   | 29,845  | 14,402  | <b>34,273</b>  |
| Gross profit/loss  | 30,644  | -1,160   | -16,764 | -15,132 | <b>-38,174</b> |
| Profit/loss before tax   | 4,987   | -160,420 | -10,161 | -55,060 | <b>-29,228</b> |
| Net profit/loss after tax  | 2,293   | -160,478 | -8,782  | -55,568 | <b>-29,329</b> |
| <b>Statement of Financial Position (in RMB'000)</b>                            |         |          |         |         |                |
| Property, plant and equipment  | 126,332 | 112,673  | 97,286  | 83,769  | <b>70,455</b>  |
| Inventories  | 33,582  | 1,629    | 1,983   | 2,850   | <b>7,773</b>   |
| Trade receivables  | 164,045 | 54,787   | 81,815  | 29,575  | <b>22,953</b>  |
| Cash and bank balances   | 50,402  | 28,612   | 14,285  | 7,526   | <b>3,811</b>   |
| Trade payables   | 52,409  | 28,928   | 17,660  | 7,733   | <b>17,685</b>  |
| Other payables and accruals  | 4,765   | 5,905    | 9,434   | 5,124   | <b>8,419</b>   |
| Provision  | -       | 4,373    | 4,373   | 4,373   | <b>4,373</b>   |
| Bank loan  | 7,000   | -        | 16,000  | 13,300  | <b>9,497</b>   |
| Shareholders' equity   | 322,082 | 158,169  | 149,387 | 93,836  | <b>64,507</b>  |
| Total assets   | 389,112 | 201,390  | 198,635 | 126,420 | <b>105,816</b> |
| Total liabilities  | 67,030  | 43,221   | 49,248  | 32,584  | <b>41,309</b>  |
| <b>Statement of Cash Flows (in RMB'000)</b>                                    |         |          |         |         |                |
| Operating activities   | 14,105  | -12,877  | -27,996 | -1,877  | <b>1,314</b>   |
| Investing activities   | -32,254 | 2,108    | -1,480  | -694    | <b>235</b>     |
| Financing activities   | 3,948   | -9,840   | 16,405  | -2,603  | <b>-4,506</b>  |
| Net movement   | -14,201 | -20,609  | -13,071 | -5,174  | <b>-2,957</b>  |
| <b>Financial Ratios</b>  |         |          |         |         |                |
| Earnings per share (RMB)   | 0.08    | -5.84    | -0.32   | -2.02   | <b>-1.06</b>   |
| Net asset value per share (RMB)  | 11.73   | 5.75     | 5.44    | 3.42    | <b>2.35</b>    |
| Dividend yield (%)   | 5.69    | 1.35     | -       | -       | -              |
| Dividend payment quantum (RMB'000)   | 3,434   | -        | -       | -       | -              |

# BOARD OF DIRECTORS

## MR. HONG YONG / AGE 50

Non-Executive Chairman &  
Lead Independent Director

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

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

Length of service:  
11 months (as at 31 August 2021)

### Serves on the following Board Committees

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

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- NIL

### Directorships in other listed companies held over the preceding three years (2018-2020)

- NIL

### Background and experience

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

## MR. SIMON POH SIEW BENG / AGE 59

Non-Executive Independent Director

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

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

Length of service:  
14 months (as at 31 August 2021)

### Serves on the following Board Committees

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

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- Associate Professor at NUS

### Directorships in other listed companies held over the preceding three years (2018-2020)

- NIL

### Background and experience

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

# BOARD OF DIRECTORS

## MR. FOO CHEE MENG / AGE 53

Non-Executive Independent Director

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

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

Length of service:  
4 months (as at 31 August 2021)

### Serves on the following Board Committees

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

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- NIL

### Directorships in other listed companies held over the preceding three years (2018-2020)

- NIL

### Background and experience

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

## DR. DANIEL LIU DANJUN / AGE 52

Non-Executive Non-Independent Director

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

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

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

Length of service:  
5 years 4 months (as at 31 August 2021)

### Serves on the following Board Committees

- Nominating Committee – Member

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- NIL

### Directorships in other listed companies held over the preceding three years (2018-2020)

- NIL

### Background and experience

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

# KEY MANAGEMENT

## MS. ELAINE LEOW SIEW PHAIK / AGE 47

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

ACCA (United Kingdom)  
MIA (Malaysia)  
CMIIA (Malaysia)

Date of appointment:  
16 January 2019

Length of service:  
2 years 8 months (as at 31 August 2021)

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- NIL

### Directorships in other listed companies held over the preceding three years (2018-2020)

- NIL

### Background and experience

Ms. Leow has over 20 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:  
15 April 2017

Date of cessation:  
9 July 2021

Length of service:  
4 years 3 months (as at 9 July 2021)

### 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 (2018-2020)

- 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.

# KEY MANAGEMENT

## MR. GAO ZHONG / AGE 52

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

Bachelor Degree In Financial Management, Beijing Foreign Studies University

Date of appointment:  
5 November 2020

Length of service:  
10 months (as at 31 August 2021)

### Present directorships in other listed companies

- NIL

### Present principal commitments

(other than directorships in other listed companies)

- NIL

### Directorships in other listed companies held over the preceding three years (2018-2020)

- NIL

### Background and experience

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

## MR. SHI LINBIN / AGE 45

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

Graduated from Che Qiao Shi Secondary School, Huai An, Jiangsu, China

Date of appointment:  
12 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 (2018-2020)

- NIL

### Background and experience

Mr. Shi started his career in 1998 with a state-owned enterprise. He has joined CZ3D 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.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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 and its Board of Directors (“the Board”) are 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 2020.

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<sup>1</sup>, 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.

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

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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 Independent Directors 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. 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”) provides that the directors may conduct meetings by means of telephone or video conference or other methods of simultaneous communication.

To enable the Board and the members of the Board 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 2020 are as follows:-

|   | Board | Audit Committee<br>(“AC”) | Nominating Committee<br>(“NC”) | Remuneration Committee<br>(“RC”) |
|---|-------|---------------------------|--------------------------------|----------------------------------|
| <b>Number of meetings</b>                       | 6     | 4                         | 2                              | 2                                |
| <b>Name of Directors</b>                        |       |                           |                                |                                  |
| <b>Non-Executive Independent Directors:</b>     |       |                           |                                |                                  |
| Mr. Hong Yong <sup>(1)</sup>                    | 1     | 1                         | 0                              | 0                                |
| Mr. Simon Poh Siew Beng <sup>(2)</sup>          | 3     | 2                         | 0                              | 0                                |
| Mr. Huang Wooi Teik <sup>(3)</sup>              | 4     | 2                         | 1                              | 1                                |
| Mr. Koh Wee Kiang <sup>(3)</sup>                | 4     | 2                         | 1                              | 1                                |
| Mr. Lee Kiang Piaw <sup>(3)</sup>               | 4     | 2                         | 1                              | 1                                |
| Mr. Shi Bin <sup>(4)</sup>                      | 0     | 0                         | 0                              | 0                                |
| Mr. Cheah Kian Choong <sup>(5)</sup>            | 3     | 2                         | 0                              | 0                                |
| <b>Non-Executive Non-Independent Directors:</b> |       |                           |                                |                                  |
| Dr. Daniel Liu Danjun <sup>(6)</sup>            | 5     | 1                         | 0                              | 0                                |
| Dr. Wong Kee Hau <sup>(7)</sup>                 | 4     | 2                         | 1                              | 1                                |
| Mr. Zhang Wenjun <sup>(8)</sup>                 | 2     | 2                         | 0                              | 0                                |



# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

- <sup>(1)</sup> Appointed on 30 September 2020.
- <sup>(2)</sup> Appointed on 8 July 2020.
- <sup>(3)</sup> Appointed on 30 April 2019 and resigned on 30 June 2020.
- <sup>(4)</sup> Appointed on 9 June 2020 and resigned on 30 September 2020.
- <sup>(5)</sup> Appointed on 9 June 2020 and resigned on 3 February 2021.
- <sup>(6)</sup> Appointed on 1 May 2016.
- <sup>(7)</sup> Appointed on 30 April 2019 and resigned on 30 June 2020.
- <sup>(8)</sup> Appointed on 9 June 2020 and resigned on 13 January 2021.

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 FY2020, 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.

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.

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.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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 four directors, all of whom are non-executive, of which three are independent and one is non-independent.

### Non-Executive Chairman & Lead Independent Director

Mr. Hong Yong <sup>(1)</sup>  
Mr. Huang Wooi Teik <sup>(4)</sup>  
Mr. Shi Bin <sup>(5)</sup>

### Non-Executive Non-Independent Directors

Dr. Daniel Liu Danjun <sup>(7)</sup>  
Dr. Wong Kee Hau <sup>(8)</sup>  
Mr. Zhang Wenjun <sup>(9)</sup>

### Non-Executive Independent Directors

Mr. Hong Yong <sup>(1)</sup>  
Mr. Simon Poh Siew Beng <sup>(2)</sup>  
Mr. Foo Chee Meng <sup>(3)</sup>  
Mr. Huang Wooi Teik <sup>(4)</sup>  
Mr. Koh Wee Kiang <sup>(4)</sup>  
Mr. Lee Kiang Piaw <sup>(4)</sup>  
Mr. Shi Bin <sup>(5)</sup>  
Mr. Cheah Kian Choong <sup>(6)</sup>  
Mr. Goh Yeow Kiang, Victor <sup>(10)</sup>  
Mr. Liew Yoke Pheng, Joseph <sup>(10)</sup>  
Dr. Pan Peiwen <sup>(10)</sup>

<sup>(1)</sup> Appointed on 30 September 2020.

<sup>(2)</sup> Appointed on 8 July 2020.

<sup>(3)</sup> Appointed on 2 May 2021.

<sup>(4)</sup> Appointed on 30 April 2019 and resigned on 30 June 2020.

<sup>(5)</sup> Appointed on 9 June 2020, appointed as Non-Executive Chairman and Lead Independent Director on 30 June 2020 and resigned on 30 September 2020.

<sup>(6)</sup> Appointed on 9 June 2020 and resigned on 3 February 2021.

<sup>(7)</sup> Appointed on 1 May 2016.

<sup>(8)</sup> Appointed on 30 April 2019 and resigned on 30 June 2020.

<sup>(9)</sup> Appointed on 9 June 2020 and resigned on 13 January 2021.

<sup>(10)</sup> Appointed on 9 June 2020 and stepped down on 30 June 2020.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

As at date of this Report, three out of four members of the Board are Independent Directors including the Non-Executive Chairman who is also the Lead Independent Director, there is a strong independent element on the Board.

Individual directors’ profiles are shown in the “Board of Directors” section of this Annual Report as set on pages 7 to 8.

Mr. Gao Zhong, the General Manager of the operating subsidiary, Changzhou 3D Technological Complete Set Equipment Co., Ltd (“**Changzhou 3D**”), was appointed on 5 November 2020. Prior to that appointment, the Ex-General Manager, Tan Juay Kiat was appointed on 13 May 2020 and left on 31 August 2020. The previous General Manager Mr. Long Wei was appointed at 13 May 2019 and resigned on 13 May 2020. 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.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 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 positions 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. Hong Yong, being the Non-Executive Chairman (“Chairman”) and Lead Independent Director (“LID”) since 30 September 2020, 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 CZ3D 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 4 members, of which 3 members (including Chairman) are Independent Directors:-

|  |            |
|--|------------|
| Mr. Hong Yong <sup>(1)</sup>           | (Chairman) |
| Mr. Simon Poh Siew Beng <sup>(2)</sup> | (Member)   |
| Mr. Foo Chee Meng <sup>(3)</sup>       | (Member)   |
| Dr. Daniel Liu Danjun <sup>(4)</sup>   | (Member)   |

<sup>(1)</sup> Appointed on 30 September 2020.

<sup>(2)</sup> Appointed on 8 July 2020.

<sup>(3)</sup> Appointed on 2 May 2021.

<sup>(4)</sup> Appointed on 1 May 2016.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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. Hong Yong, Mr. Simon Poh Siew Beng, Mr. Foo Chee Meng 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 24.46% shareholders (as at 24 May 2021) (as defined under the Code) of the Company. Dr. Wong Kee Hau is not independent by virtue of him representing the interests of his 26.99% (as at 24 May 2021) 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 12.02% 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.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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.

Mr. Hong Yong, Mr. Simon Poh Siew Beng, Mr. Foo Chee Meng, who are retiring pursuant to Article 85(6) of the Company’s Articles of Association will be put forward for re-elections at the forthcoming AGM.

Mr. Hong Yong will, upon re-election as Director of the Company, remain as Non-Executive Chairman, Lead Independent Director, Chairman of the NC and RC and Member of the AC. Mr. Simon Poh Siew Beng will, upon re-election as Director of the Company, remain as Non-Executive Independent Director, Chairman of the AC and Member of the NC and RC. Mr. Foo Chee Meng will, upon re-election as Director of the Company, remain as Non-Executive Independent Director and Member of the AC, NC and RC.

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 Directors to be put forward for re-elections at the forthcoming Annual General Meeting are disclosed on pages 97 to 103.

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 Independent 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.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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 FY2020 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 FY2020, 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 3 members, all of whom (including the Chairman) are Independent Directors:-

|  |            |
|--|------------|
| Mr. Hong Yong <sup>(1)</sup>           | (Chairman) |
| Mr. Simon Poh Siew Beng <sup>(2)</sup> | (Member)   |
| Mr. Foo Chee Meng <sup>(3)</sup>       | (Member)   |

<sup>(1)</sup> Appointed on 30 September 2020.

<sup>(2)</sup> Appointed on 8 July 2020.

<sup>(3)</sup> Appointed on 2 May 2021.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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 FY2020.

## 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 CZ3D 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 CZ3D 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 FY2020, 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<sup>1</sup>.

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.

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.



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The RC has recommended to the Board the payment of directors’ fees of RMB1,950,000 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 FY2020 is as follows:

| Remuneration Bands & Salary                 | Salary<br>% | Bonus<br>% | Other<br>Remuneration<br>% | Directors<br>Fees<br>% | Total<br>% |
|---|-------------|------------|----------------------------|------------------------|------------|
|   | 100         | –          | –                          | –                      | 100        |
| <b>Below S\$250,000</b>                     |             |            |                            |                        |            |
| Mr. Hong Yong <sup>(1)</sup>                | –           | –          | –                          | 100                    | 100        |
| Mr. Simon Poh Siew Beng <sup>(2)</sup>      | –           | –          | –                          | 100                    | 100        |
| Mr. Foo Chee Meng <sup>(3)</sup>            | –           | –          | –                          | 100                    | 100        |
| Mr. Huang Wooi Teik <sup>(4)</sup>          | –           | –          | –                          | 100                    | 100        |
| Mr. Koh Wee Kiang <sup>(4)</sup>            | –           | –          | –                          | 100                    | 100        |
| Mr. Lee Kiang Piaw <sup>(4)</sup>           | –           | –          | –                          | 100                    | 100        |
| Mr. Shi Bin <sup>(5)</sup>                  | –           | –          | –                          | 100                    | 100        |
| Mr. Cheah Kian Choong <sup>(6)</sup>        | –           | –          | –                          | 100                    | 100        |
| Mr. Goh Yeow Kiang, Victor <sup>(10)</sup>  | –           | –          | –                          | 100                    | 100        |
| Mr. Liew Yoke Pheng, Joseph <sup>(10)</sup> | –           | –          | –                          | 100                    | 100        |
| Dr. Pan Peiwen <sup>(10)</sup>              | –           | –          | –                          | 100                    | 100        |
| <b>Non-Independent Directors</b>            |             |            |                            |                        |            |
| Dr. Daniel Liu Danjun <sup>(7)</sup>        | –           | –          | –                          | 100                    | 100        |
| Dr. Wong Kee Hau <sup>(8)</sup>             | –           | –          | –                          | 100                    | 100        |
| Mr. Zhang Wenjun <sup>(9)</sup>             | –           | –          | –                          | 100                    | 100        |

<sup>(1)</sup> Appointed on 30 September 2020.

<sup>(2)</sup> Appointed on 8 July 2020.

<sup>(3)</sup> Appointed on 2 May 2021.

<sup>(4)</sup> Appointed on 30 April 2019 and resigned on 30 June 2020.

<sup>(5)</sup> Appointed on 9 June 2020 and resigned on 30 September 2020.

<sup>(6)</sup> Appointed on 9 June 2020 and resigned on 3 February 2021.

<sup>(7)</sup> Appointed on 1 May 2016.

<sup>(8)</sup> Appointed on 30 April 2019 and resigned on 30 June 2020.

<sup>(9)</sup> Appointed on 9 June 2020 and resigned on 13 January 2021.

<sup>(10)</sup> Appointed on 9 June 2020 and stepped down on 30 June 2020.

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.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

Remuneration for the top five Key Management Personnel<sup>1</sup> for FY2020 is as follows:

|                                  | Salary | Bonus | Other<br>Remuneration | Total |
|----------------------------------|--------|-------|-----------------------|-------|
|                                  | %      | %     | %                     | %     |
| <b>Below S\$250,000</b>          |        |       |                       |       |
| Ms. Elaine Leow Siew Phaik       | 100    | –     | –                     | 100   |
| Mr. Gao Zhong <sup>(1)</sup>     | 97     | –     | 3                     | 100   |
| Mr. Tan Juay Kiat <sup>(2)</sup> | 97     | –     | 3                     | 100   |
| Mr. Long Wei <sup>(3)</sup>      | 98     | –     | 2                     | 100   |
| Mr. Shi Linbin <sup>(4)</sup>    | 94     | –     | 6                     | 100   |

<sup>(1)</sup> Appointed on 5 November 2020.

<sup>(2)</sup> Appointed on 13 May 2020 and left at 31 August 2020.

<sup>(3)</sup> Appointed on 13 May 2019 and resigned on 13 May 2020

<sup>(4)</sup> Appointed on November 2018 and resigned on 31 March 2020.

The Group currently has only two Key Management Personnel.

The aggregate of the total remuneration paid to the top five Key Management Personnel<sup>1</sup> of the Group for FY2020 is RMB1,457,000.

There were no termination, retirement and post-employment benefits granted to Directors or the top Key Management Personnel of the Group in FY2020. As of to-date, no shareholders' approvals were obtained on the proposed payments of directors' fees for FY2020 and FY2019.

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 FY2020.

Mr. Gao Zhong, who is the GM of CZ3D is a substantial shareholder of the Company in FY2021.

A Placement has taken place in accordance with the terms of the Subscription Agreement, pursuant to which 3,051,527 Placement Shares were (i) allotted and issued on 24 May 2021, and (ii) credited to the GM of CZ3D.

There are no immediate family members of directors or GM in employment with the Group whose remuneration exceeds S\$100,000 during FY2020.

The Company does not have any share scheme.

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

# CORPORATE GOVERNANCE REPORT

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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.

The Board has received written assurance from the GM and the current FC that:

- (a) The financial records of the Group have been properly maintained and financial statements for the financial year ended 31 December 2020 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.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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, CZ3D. The afore-mentioned review was conducted by Zhong Xing Cai Guang Hua (A member of PKF international CPA network) located 2nd floor, XinDa Building, 1399 Beijing West Road, JiangAn District, 200040 Shanghai, China, 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.

## AUDIT COMMITTEE

### ***Principle 11: The Board has an Audit Committee (“AC”) which discharges its duties objectively***

Presently, the Audit Committee (“AC”) comprises 3 members, all of whom (including the Chairman) are Independent Directors are:-

|  |            |
|--|------------|
| Mr. Simon Poh Siew Beng <sup>(2)</sup> | (Chairman) |
| Mr. Hong Yong <sup>(1)</sup>           | (Member)   |
| Mr. Foo Chee Meng <sup>(3)</sup>       | (Member)   |

<sup>(1)</sup> Appointed on 30 September 2020.

<sup>(2)</sup> Appointed on 8 July 2020.

<sup>(3)</sup> Appointed on 2 May 2021.

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;

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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, RT 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 a non-audit service performed in FY2020. The audit service fees for FY2020 amounted to RMB750,000.

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 CZ3D would not compromise the standard and effectiveness of the audit of the Company.

The AC has recommended to the Board of Directors that RT 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](mailto:whistleblowing@shanghaiturbo.com) (with immediate effect on 28 May 2020) and call to the mobile number at +86 13584505373 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 FY2020 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.

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## 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, 2019 and 2020. The form, frequency and amount of dividends declared each year will take into consideration the Group’s profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other macroeconomic and internal factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

As the result of the series of unfortunate events in 2017, which perpetuate to 2020, the Company has sustained massive losses and hence is not in a position to pay any dividends for FY2020.

### 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.

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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.

## CONDUCT OF AGM IN 2020 AMIDST CURRENT COVID-19 PANDEMIC

The Company has issued its Annual Report 2019 on 15 June 2020.

In view of the COVID-19 pandemic, the Company has released the Notice of 2020 AGM on 15 June 2020 to notify shareholders that the 2020 AGM will be held via electronic means complying with the requirement of COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (“the Order”).

The Company had held the 2020 AGM by electronic means on 30 June 2020 pursuant to the Order. Shareholders were invited to participate in the virtual 2020 AGM by (a) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the 2020 AGM; and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2020 AGM.

The Chairman and Directors had participated in the virtual 2020 AGM by way of audio-visual webcast. The Company has published, on the Company’s website and SGXNet, the minutes of 2020 AGM.

## 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.

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## 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) |
|---|--|---|
| Loan to major shareholder, holding 26.99%, Mr. Liu Ming | RMB4,106,784   | NA  |

The Group has not obtained a general mandate from shareholders for Interested Person Transactions. All Interested Person Transactions are subject to review by the Board and the AC.

Based on the latest audited consolidated financial statements of the Company for the financial year ended 31 December 2019, the Group’s latest audited net tangible assets (“**Group NTA**”) is approximately RM93.84 million as at 31 December 2019.

There are no interested person transactions entered into by the Group with the Borrower and his associates (excluding transactions which are less than S\$100,000 and the Loan Agreement which is the subject of this announcement) for the current financial year commencing 1 January 2020 up to 20 May 2021.

The Loan of RMB4 million provided to Mr. Liu Ming and the interest payable of RMB106,307 are approximately 4.376% of the Group NTA. Accordingly, no approval of the shareholders of the Company (“**Shareholders**”) is required to be sought for the Loan pursuant to Rule 906(1)(b) of the Listing Manual of SGX-ST. This announcement is being made by the Company pursuant to Rule 905(2) of the Listing Manual of SGX-ST as the aforesaid percentage figure exceeded the relevant threshold of 3.0%.

For the financial year commencing 1 January 2020 up to the date of this announcement, the aggregate value of all transactions entered into by the Group with all interested persons (excluding transactions which are less than S\$100,000 and the Loan Agreement which is the subject of this announcement) is stated as above .

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.



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## USE OF PLACEMENT PROCEEDS AS AT THE DATE OF THE ANNUAL REPORT

The Board refers to the net proceeds of approximately SGD1,235,420.92 raised from the Placement of 3,051,527 new ordinary shares at SGD0.423 each in the issued and paid-up share capital of the Company on 24 May 2021 (the “Net Proceeds”).

As at date of this annual report, the status on the use of the Net Proceeds is as follows:–

| Description   | SGD           | RMB           | HKD           |
|---|---------------|---------------|---------------|
| Net Proceeds Raised as at 25 May 2021                 | 1,235,420.92  | *5,968,194.92 | *7,224,741.54 |
| Working Capital Required and Utilized on 25 June 2021 | #1,206,703.83 | 5,653,548.77  | 6,903,340.00  |
| Balance of Net Proceeds as at 30 June 2021            | 28,717.09     | 314,646.15    | 321,401.54    |
| Working Capital Required and Utilized on 19 July 2021 | 28,717.09     | 314,646.15    | 321,401.54    |

### Notes:

\* The calculation is based on the Monetary Authority of Singapore’s (“MAS”) exchange rates as at 25 May 2021 with SGD1 = RMB4,8309 and SGD1 = HKD5.848.

# The amount is extracted from the bank debit advice as at 25 June 2021.

The balance of the Net Proceeds as at 25 June 2021 amounting to SGD28,717.09 was placed in the escrow account maintained with The United Overseas Bank Limited in Singapore. The amount of SGD28,717.09 has been utilized to make the partial payment of Directors’ Fees for the financial year ended 31 December 2021 which was approved at the Extraordinary General Meeting held on 31 March 2021 and due for payment on 30 June 2021. This amount has been deducted from the Company’s bank account on 19 July 2021.

## THE PLACEMENT

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

The Board of CZ3D has requested the Company to raise working capital for its daily operation amounting to RMB5,653,548.77 with the purpose of repayment of trade payables and procurement of machinery on 18 June 2021.

The Board of CZ3D has further commented that such working capital should be deposited to CZ3D through increasing of share capital by its foreign investor, Best Success (Hong Kong) Limited (“BS”). BS is holding 100% shareholdings of CZ3D and it is a company incorporated in Hong Kong.

On 31 May 2021, the Board of BS held a Board Meeting and a Board Minutes were recorded. 2 members of the Board of BS were present at the Board Meeting and 1 member was absent on 31 May 2021. The Board Minutes dated 31 May 2021 were notarized through the lawyer of Hong Kong, Liang Jin Ming, on 16 June 2021 and validated by The Ministry of Justice of the People’s Republic of China entrusted Hong Kong lawyers with notarized documents used in the Mainland, China Legal Services (Hong Kong) Co., Ltd., Shenzhen No. 32951 《中华人民共和国司法部委托香港律师办理内地使用的公证文书，中国法律服务（香港）有限公司，深办第32951号》 dated 17 June 2021.

# CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

On 18 June 2021, the Board of CZ3D held a Board Meeting and 2 Board Resolutions were signed by 2 out of 3 members of the Board of CZ3D. One resolution agreed that BS will increase the share capital of RMB5,653,548.77 of CZ3D and CZ3D will use the share capital of RMB5,653,548.77 to make the repayment to trade payables accounts as well as procurement of machineries.

On 25 June 2021, after reviewing the Board Resolutions of CZ3D, Board Minutes of BS and Notarized Documents of BS, the Board of the Company, 3 out of 4 have agreed to transfer the money of HKD6,903,340 equivalent to RMB5,653,548.80 to BS. The Board of the Company has agreed to use the Net Proceeds of HKD6,903,340 equivalent to RMB5,653,548.80 to increase the share capital of BS. Then, when BS received the Net Proceeds of HKD6,903,340, BS will transfer the sum to the bank account of CZ3D to increase the share capital of CZ3D to RMB5,653,548.80. Thereafter, CZ3D will use the money to pay the trade payables accounts and procurement of machineries.

The Company has utilized the Net Proceeds through injection of share capital of HKD6,903,340 (RMB5,653,548.77) from the Company to Best Success (Hong Kong) Limited (“BS”). Then, BS will further inject the share capital of RMB5,653,548.77 to Changzhou 3D Technological Complete Set Equipment Co., Ltd (“CZ3D”). Under China’s Banking Rule and Regulations, as the Company does not have any direct relationship with CZ3D, the Net Proceeds could not transfer from the Company to CZ3D directly. Hence, the Net Proceeds has to be channeled through BS to CZ3D and CZ3D has lodged a report with Changzhou Municipal Bureau of Industry and Commerce (常州市工商局) to allow CZ3D to open a foreign investor injection fund bank account to receive the Net Proceeds amounting RMB5,653,548.77 from BS.

On 28 June 2021, Changzhou Municipal Bureau of Industry and Commerce (常州市工商局) has grant approval to approved CZ3D to update its share capital paid from RMB111,846,451.77 to 117,500,000 and the amount must deposit during July 2021. On 19 July 2021, CZ3D has received the share capital paid RMB5,653,548.77 from BS.

On 7 July 2021, CZ3D has successfully opened such foreign investor injection fund bank account with China Construction Bank and BS has transferred the amount of RMB5,653,548.77 to CZ3D at 4.16 pm on 13 July 2021 and this amount has been credited to CZ3D’s foreign investor injection fund bank account on 19 July 2021.

## RATIONALE AND USE OF NET PROCEEDS

The Board was of the view that the Placement is beneficial to the Group as it has increased the resources and working capital available to the Company so as to pursue acquisition and/or business opportunities and improve cash flow, as part of management’s strategy to achieve long-term growth and deliver shareholder value.

The estimated Net Proceeds from the Placement (after deducting professional fees and related expenses of approximately S\$55,375) are approximately S\$1,235,420.92 .

The Company intends to utilize the entire amount of the Net Proceeds for general working capital purposes to be used by the Company and CZ3D.

The Company has utilized the Net Proceeds through injection of share capital of HKD6,903,340 (RMB5,653,548.80) from the Company to BS. Then, BS will further inject the share capital of RMB5,653,548.80 to CZ3D. Under China’s Banking Rule and Regulations, as the Company does not have any direct relationship with CZ3D, the Net Proceeds cannot be directly transferred from the Company to CZ3D. Therefore, the Net Proceeds must be channelled through BS. Thereafter, BS can then transfer it to CZ3D. CZ3D must lodge a report with Changzhou Municipal Bureau of Industry and Commerce (常州市工商局) and CZ3D has to open a foreign investor injection fund bank account to receive the Net Proceeds amount of RMB5,653,548.77 from BS.

The above utilization is in line with the intended uses of the Net Proceeds stated in the Company’s announcement released on 27 April 2021.

# DIRECTORS' STATEMENT

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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 2020 and the statement of financial position of the Company as at 31 December 2020.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

## Directors

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

|                     |                                  |
|---------------------|----------------------------------|
| Hong Yong           | (appointed on 30 September 2020) |
| Simon Poh Siew Beng | (appointed on 8 July 2020)       |
| Foo Chee Meng       | (appointed on 2 May 2021)        |
| Daniel Liu Danjun   |                                  |

## Directors' interests in shares or debentures

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2021.

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

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

## Share options

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

# DIRECTORS' STATEMENT

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## Audit committee

The members of the Audit Committee are as follows:

|   |                                    |
|---|------------------------------------|
| Simon Poh Siew Beng (Chairman) <sup>(2)</sup> | Non-Executive Independent Director |
| Hong Yong <sup>(1)</sup>                      | Non-Executive Independent Director |
| Foo Chee Meng <sup>(3)</sup>                  | Non-Executive Independent Director |
| Cheah Kian Choong (Chairman) <sup>(4)</sup>   | Non-Executive Independent Director |

<sup>(1)</sup> Appointed on 30 September 2020.

<sup>(2)</sup> Appointed on 8 July 2020 and appointed as Chairman of the Audit Committee on 3 February 2021.

<sup>(3)</sup> Appointed on 2 May 2021.

<sup>(4)</sup> Appointed on 9 June 2020 and resigned on 3 February 2021.

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 2020 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

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

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

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

# DIRECTORS' STATEMENT

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## Independent auditors

The independent auditors, RT LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

**HONG YONG**  
Director

**SIMON POH SIEW BENG**  
Director

5 August 2021

# INDEPENDENT AUDITOR'S REPORT

To the Members of Shanghai Turbo Enterprises Ltd. For the Financial Year Ended 31 December 2020



## RT LLP

297 South Bridge Road  
Singapore 058839  
Tel: +65 6226 0080  
Fax: +65 6978 6850  
www.rtasean.com

## Report on the Audit of the Financial Statements

### *Disclaimer of Opinion*

We were engaged to audit the financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### *Basis for Disclaimer of Opinion*

#### 1. Going concern assumption

As at 31 December 2020, the Group's and the Company's net current liabilities exceeded their current assets by RMB4,613,000 and RMB28,469,000 respectively (2019: Group's net current assets of RMB11,625,000 and Company's net current liabilities of RMB27,149,000). Additionally, the Group and the Company incurred net losses of RMB29,522,000 and RMB913,000 respectively for the year then ended (2019: Group's loss of RMB55,568,000 and Company's loss of RMB1,612,000). These conditions indicate the existence of material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns.

As disclosed in Note 2 to the financial statements, the directors have prepared the financial statements on a going concern basis based on the assumptions that are largely dependent on the ability of the sole operating subsidiary to generate sufficient cash flows from operation to improve its liquidity position; obtaining new loans from bank; and obtaining proceeds from placement shares. However, we have not been able to obtain sufficient audit evidence to support the realisation of these assumptions at the date of this audit report.

Accordingly, we were unable to assess the appropriateness of the management's use of the going concern assumption in the preparation of the financial statements. The financial statements of the Group and the Company have been prepared on a going concern basis, which assumes that the Group and the Company will continue in operation at least for a period of twelve months from the end of this reporting period.

This means that the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue in operation in the foreseeable future. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Shanghai Turbo Enterprises Ltd. For the Financial Year Ended 31 December 2020



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

### 2. Impairment testing on property, plant and equipment

As at 31 December 2020, the carrying amounts of the Group's property, plant and equipment amounted to RMB74,473,000, stated after accumulated impairment loss of RMB4,273,000, which is determined to be a Cash-Generating Unit (CGU).

The Group performed an impairment assessment for the CGU by estimating its recoverable amounts based on value in use method. As disclosed in Note 7 to the financial statements, the recoverable amounts of CGU have been derived using its discounted cash flow forecast. We were unable to obtain sufficient appropriate audit evidence regarding the key assumptions applied to arrive at the recoverable amount of the CGU. Consequently, we were unable to determine whether any adjustments were necessary in respect of the accompanying statement of financial position of the Group as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity for the year ended 31 December 2020.

### 3. Impairment assessment of investment in subsidiaries

Following on from item 2 above, we were also unable to determine whether any adjustment to the carrying amount of the investment in subsidiaries of RMB156,346,000 (2019: RMB156,236,000) shown in the Company's statement of financial position was necessary.

### 4. Opening balances and comparative figures

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2019, which form the basis for the comparative figures presented in the current year's consolidated financial statements, was disclaimed by the predecessor auditor because of the following matters which remain unresolved in the current financial year ended 31 December 2020:

- a. Ongoing investigation of debt collection agent fees by Public Security authorities;
- b. Impairment assessment on property, plant and equipment; and
- c. Impairment assessment on investment in subsidiaries

We were unable obtain sufficient audit evidence to support the key assumptions applied in the discounted cash flow forecast for the financial year ended 31 December 2019. As a result, we were unable to determine whether any adjustment was required on the impairment of property, plant and equipment and investment in subsidiaries.

Also, the investigation of debt collection agent fees by Public Security authorities is still in progress and we could not obtain sufficient audit evidence to ascertain the economic substance and propriety of the debt collection agent fees.

In view of the abovementioned matters, we were unable to determine whether the opening balances of the Group as at 1 January 2020 and the comparative figures were fairly presented.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Shanghai Turbo Enterprises Ltd. For the Financial Year Ended 31 December 2020



## ***Other Matter***

The financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who expressed a disclaimer of opinion on those statements on 8 June 2020.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ravinthran Arumugam.

## **RT LLP**

Public Accountants and  
Chartered Accountants  
Singapore

5 August 2021



# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020 Amounts in thousands of Chinese Renminbi ("RMB'000")

|   | Note | Group           |                 | Company         |                 |
|---|------|-----------------|-----------------|-----------------|-----------------|
|   |      | 2020<br>RMB'000 | 2019<br>RMB'000 | 2020<br>RMB'000 | 2019<br>RMB'000 |
| <b>EQUITY</b>   |      |                 |                 |                 |                 |
| <b>Capital and reserves attributable to equity holders of the Company</b> |      |                 |                 |                 |                 |
| Share capital   | 4    | 55,409          | 55,409          | 55,409          | 55,409          |
| Share premium   | 5    | 78,470          | 78,470          | 78,470          | 78,470          |
|   |      | <u>133,879</u>  | <u>133,879</u>  | <u>133,879</u>  | <u>133,879</u>  |
| <b>Other reserves</b>   |      |                 |                 |                 |                 |
| Statutory reserve   | 6    | 30,526          | 30,526          | –               | –               |
| Translation deficit   |      | (3,456)         | (3,355)         | (112)           | –               |
|   |      | <u>27,070</u>   | <u>27,171</u>   | <u>(112)</u>    | <u>–</u>        |
| Accumulated losses  |      | (96,442)        | (67,214)        | (6,000)         | (4,792)         |
| <b>TOTAL EQUITY</b>   |      | <u>64,507</u>   | <u>93,836</u>   | <u>127,767</u>  | <u>129,087</u>  |
| <b>ASSETS</b>   |      |                 |                 |                 |                 |
| <b>Non-current assets</b>   |      |                 |                 |                 |                 |
| Property, plant and equipment   | 7    | 61,400          | 74,473          | –               | –               |
| Right-of-use assets   | 8    | 9,055           | 9,296           | –               | –               |
| Subsidiaries  | 9    | –               | –               | 156,236         | 156,236         |
| Intangible assets   | 10   | –               | –               | –               | –               |
| <b>Current assets</b>   |      |                 |                 |                 |                 |
| Inventories   | 11   | 7,773           | 2,850           | –               | –               |
| Trade receivables   | 12   | 22,953          | 29,575          | –               | –               |
| Contract assets   | 21   | –               | 426             | –               | –               |
| Other receivables, deposits and prepayments                               | 13   | 824             | 1,902           | –               | –               |
| Intangible assets   | 10   | –               | 372             | –               | –               |
| Cash and cash equivalents   | 14   | 3,811           | 7,526           | 1,392           | 857             |
|   |      | <u>35,361</u>   | <u>42,651</u>   | <u>1,392</u>    | <u>857</u>      |
| <b>TOTAL ASSETS</b>   |      | <u>105,816</u>  | <u>126,420</u>  | <u>157,628</u>  | <u>157,093</u>  |

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020 Amounts in thousands of Chinese Renminbi ("RMB'000")

|                                 | Note | Group           |                 | Company         |                 |
|---------------------------------|------|-----------------|-----------------|-----------------|-----------------|
|                                 |      | 2020<br>RMB'000 | 2019<br>RMB'000 | 2020<br>RMB'000 | 2019<br>RMB'000 |
| <b>LIABILITIES</b>              |      |                 |                 |                 |                 |
| <b>Current liabilities</b>      |      |                 |                 |                 |                 |
| Trade payables                  | 15   | 17,685          | 7,733           | –               | –               |
| Other payables and accruals     | 16   | 8,419           | 5,124           | 1,681           | 1,381           |
| Provision                       | 29   | 4,373           | 4,373           | –               | –               |
| Contract liabilities            | 21   | –               | 496             | –               | –               |
| Bank term loans                 | 18   | 9,497           | 13,300          | –               | –               |
| Due to subsidiaries (non-trade) | 19   | –               | –               | 28,180          | 26,625          |
|                                 |      | 39,974          | 31,026          | 29,861          | 28,006          |
| <b>Non-current liabilities</b>  |      |                 |                 |                 |                 |
| Deferred government grants      | 17   | 1,335           | 1,558           | –               | –               |
|                                 |      | 1,335           | 1,558           | –               | –               |
| <b>TOTAL LIABILITIES</b>        |      | <b>41,309</b>   | <b>32,584</b>   | <b>29,861</b>   | <b>28,006</b>   |
| <b>NET ASSETS</b>               |      | <b>64,507</b>   | <b>93,836</b>   | <b>127,767</b>  | <b>129,087</b>  |

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 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

|   | Note     | 2020<br>RMB’000 | 2019<br>RMB’000 |
|---|----------|-----------------|-----------------|
| <b>Revenue</b>  | 21       | 34,273          | 14,402          |
| Cost of sales   |          | (38,174)        | (29,534)        |
| Gross loss  |          | (3,901)         | (15,132)        |
| Other operating income  | 22       | 2,760           | 2,163           |
| Selling and distribution expenses   |          | (2,641)         | (5,879)         |
| Administrative expenses   |          | (23,839)        | (32,244)        |
| Other operating expenses  | 23       | (46)            | (1,214)         |
| Finance costs   |          | (1,561)         | (1,414)         |
| Impairment loss on financial assets   | 31 (iii) | –               | (1,340)         |
| <b>Loss before income tax</b>   | 25       | (29,228)        | (55,060)        |
| Income tax expenses   | 26       | –               | (508)           |
| <b>Loss for the year</b>  |          | (29,228)        | (55,568)        |
| <b>Other comprehensive income</b>   |          |                 |                 |
| <b>Item that may be reclassified subsequently to profit or loss:</b>  |          |                 |                 |
| - Currency translation differences arising from consolidation   |          | (101)           | 17              |
| <b>Total comprehensive loss for the year, representing loss attributable to equity holders of the Company</b> |          | (29,329)        | (55,551)        |
| <b>Loss per share (cents)</b>   |          |                 |                 |
| Basic and diluted   | 27       | (106.41)        | (202.30)        |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

|  | Attributable to equity holders of the Company |   |   |                                   |                                  | Total<br>equity<br>RMB’000 |
|--|---|---|---|-----------------------------------|----------------------------------|----------------------------|
|  | Share<br>capital<br>RMB’000<br>(Note 4)       | Share<br>premium<br>RMB’000<br>(Note 5) | Statutory<br>reserve<br>RMB’000<br>(Note 6) | Translation<br>deficit<br>RMB’000 | Accumulated<br>losses<br>RMB’000 |                            |
| <b>Balance at 1 January 2019</b>                               | 55,409  | 78,470                                  | 30,526                                      | (3,372)                           | (11,606)                         | 149,427                    |
| Loss for the year  | -   | -                                       | -   | -                                 | (55,568)                         | (55,568)                   |
| <u>Other comprehensive loss,<br/>net of tax</u>                |   |   |   |                                   |                                  |                            |
| Currency translation differences<br>arising from consolidation | -   | -                                       | -   | 17                                | -                                | 17                         |
| Total comprehensive loss for<br>the year                       | -   | -                                       | -   | 17                                | (55,568)                         | (55,551)                   |
| <b>Balance at 31 December 2019</b>                             | 55,409  | 78,470                                  | 30,526                                      | (3,355)                           | (67,214)                         | 93,836                     |
| <b>Balance at 1 January 2020</b>                               | 55,409  | 78,470                                  | 30,526                                      | (3,355)                           | (67,214)                         | 93,836                     |
| Loss for the year  | -   | -                                       | -   | -                                 | (29,228)                         | (29,228)                   |
| <u>Other comprehensive loss,<br/>net of tax</u>                |   |   |   |                                   |                                  |                            |
| Currency translation differences<br>arising from consolidation | -   | -                                       | -   | (101)                             | -                                | (101)                      |
| Total comprehensive loss for<br>the year                       | -   | -                                       | -   | (101)                             | (29,228)                         | (29,329)                   |
| <b>Balance at 31 December 2020</b>                             | 55,409  | 78,470                                  | 30,526                                      | (3,456)                           | (96,442)                         | 64,507                     |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

|  | Note | 2020<br>RMB’000 | 2019<br>RMB’000 |
|--|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                  |      |                 |                 |
| Loss before income tax                                       |      | (29,228)        | (55,060)        |
| Adjustments:   |      |                 |                 |
| Impairment loss on financial assets                          |      | –               | 1,340           |
| Impairment loss on trade receivables                         | 12   | 1,688           | –               |
| Reversal of impairment loss on property, plant and equipment | 7    | –               | (530)           |
| Depreciation of property, plant and equipment                | 7    | 12,864          | 14,384          |
| Amortisation of intangible assets                            | 10   | 372             | 639             |
| Gain on disposal of property, plant and equipment            | 22   | (26)            | (5)             |
| Interest income  | 22   | (53)            | (87)            |
| Amortisation of deferred government grants                   | 22   | (223)           | (223)           |
| Allowance for inventory obsolescence                         | 23   | –               | 931             |
| Amortisation of right-of-use of assets                       | 23   | 241             | 240             |
| Foreign exchange loss, net                                   |      | 217             | 91              |
| Interest expenses  |      | 1,143           | 1,414           |
| Operating loss before working capital changes                |      | (13,005)        | (36,866)        |
| Inventories  |      | (4,923)         | (1,798)         |
| Trade and other receivables                                  |      | 6,438           | 50,949          |
| Trade and other payables                                     |      | 12,751          | (13,741)        |
| Cash generated from / (used in) operations                   |      | 1,261           | (1,456)         |
| Interest income received                                     |      | 53              | 87              |
| Income taxes paid  |      | –               | (508)           |
| Net cash generated from / (used in) operating activities     |      | 1,314           | (1,877)         |
| <b>Cash flows from investing activities</b>                  |      |                 |                 |
| Purchase of property, plant and equipment                    | 7    | (57)            | (759)           |
| Proceeds from disposal of property, plant and equipment      |      | 292             | 65              |
| Net cash generated from / (used in) investing activities     |      | 235             | (694)           |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

|  | Note | 2020<br>RMB’000 | 2019<br>RMB’000 |
|--|------|-----------------|-----------------|
| <b>Cash flows from financing activities</b>                          |      |                 |                 |
| Withdrawal of pledged deposits                                       | 14   | 440             | 1,511           |
| Loan from banks  |      | 9,500           | 16,000          |
| Repayment of bank loans  |      | (13,303)        | (18,700)        |
| Interest expenses paid   |      | (1,143)         | (1,414)         |
| Net cash used in financing activities                                |      | (4,506)         | (2,603)         |
| <b>Net decrease in cash and cash equivalents</b>                     |      | (2,957)         | (5,174)         |
| <b>Cash and cash equivalents at beginning of year</b>                |      | 6,304           | 11,552          |
| <b>Effects of exchange rate changes in cash and cash equivalents</b> |      | (125)           | (74)            |
| <b>Cash and cash equivalents at end of year</b>                      | 14   | 3,222           | 6,304           |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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

## 1. GENERAL INFORMATION

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

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

The financial statements for the financial year ended 31 December 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 5 August 2021.

## 2. FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2020, the Group’s and the Company’s net current liabilities exceeded their current assets by RMB4,613,000 and RMB28,469,000 respectively (2019: Group’s net current assets of RMB11,625,000 and Company’s net current liabilities of RMB27,149,000). Additionally, the Group and the Company incurred a net loss of RMB29,522,000 and RMB913,000 respectively for the year then ended (2019: Group’s loss of RMB55,568,000 and Company’s loss of RMB1,612,000). The Group’s cash and cash equivalents balance were continuously lower than the outstanding balance of bank loans by RMB5,686,000 (2019: lower by RMB5,774,000). These facts and circumstances indicate the existence of material uncertainties that may cast significant doubts over the ability of the Group and of the Company to continue as going concerns.

Notwithstanding the above, the accompanying financial statements have been prepared on a going concern basis. Management’s assessment of the Group’s and the Company’s ability to continue as going concerns include 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 customers to optimize its production capacity and cover fixed operational expenditures;
- (ii) improve working capital by collection from trade receivables and negotiate better payment terms with suppliers;
- (iii) obtain proceeds from placement shares in April 2021 and utilised as working capital of the Group;
- (iv) on March 26, 2021, the Company held a resolution of the board of directors, announcing that it successfully applied for a loan of RMB8,000,000 from Changzhou Wujin subbranch of Bank of Communications with a set of RMB4,400,000 real estate of Liu Ming as mortgage and the personal credit of Liu Ming and General Manager Gao Zhong as guarantee. The directors of the Company are confident that the Group will continue to receive financial support from the bank;
- (v) 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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 2. FUNDAMENTAL ACCOUNTING CONCEPT (Continued)

- (vi) 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 29).

If the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities to current assets and liabilities respectively and to provide for further liabilities which may arise. The financial statements do not include any adjustment which may arise from these uncertainties.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

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

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

### Adoption of new and revised standards

On 1 January 2020, the Group adopted the new or amended IFRS and Interpretations of IFRS (“IFRIC”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC. The adoption of these new or amended IFRS and IFRIC did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

| Descriptions  | Effective for annual periods beginning on or after |
|---|--|
| Amendments to IFRS 16: <i>Covid-19 Related Rent Concessions</i>                             | 1 June 2020  |
| Amendments to IFRS 16: <i>Covid-19 Related Rent Concessions beyond 30 June 2021</i>         | 31 March 2021                                      |
| Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-Current</i>         | 1 January 2022                                     |
| Annual Improvements to IFRS Standards 2018-2020   | 1 January 2022                                     |
| Amendments to IAS 1 and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i> | 1 January 2023                                     |
| Amendments to IAS 8: <i>Definition of Accounting Estimates</i>                              | 1 January 2023                                     |
| Amendments to IAS 12: <i>Income Taxes</i>   | 1 January 2023                                     |

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

### Group accounting

#### Subsidiaries

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Group accounting (Continued)

#### Subsidiaries (Continued)

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Group accounting (Continued)

#### Subsidiaries (Continued)

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Subsidiaries

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

### Currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

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

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

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

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

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

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

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

### Intangible assets

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (Continued)

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

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

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

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

#### *Acquired computer software licenses*

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

### Right-of-use assets

The right of use assets which comprise only land use right, is initially measured at cost. Following initial recognition, land use right is measured at cost less accumulated amortization and accumulated impairment losses. The land use right is amortized on a straight-line basis over the remaining lease term of 37 years as at 1 January 2020.

### Impairment of non-financial assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

### Financial assets and liabilities

#### (i) Initial recognition and measurement

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

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

#### (ii) Classification and subsequent measurement

##### Financial assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets and liabilities (Continued)

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

##### Financial assets (Continued)

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

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

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

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

##### *Debt investments at FVOCI*

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

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

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognized in profit or loss. Other net gains and losses (including changes in fair value) are recognized in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition. The Group does not hold such financial assets as at 31 December 2020 and 1 January 2020.

##### *Equity investments at FVOCI*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets and liabilities (Continued)

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

##### Financial assets (Continued)

##### *Financial assets at FVPL*

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

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

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

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

##### Financial liabilities

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets and liabilities (Continued)

#### (iii) Derecognition

##### Financial assets

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

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

##### Financial liabilities

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

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

#### (iv) Offsetting

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

### Impairment of financial assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

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

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

#### *Simplified approach*

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

#### *General approach*

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

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

#### Credit-impaired

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

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

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

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

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

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

#### Definition of default

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

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

#### Write-off policy

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories

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

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

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

### Leases

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

### Provisions

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

### Share capital

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

### Revenue from contracts with customers

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from contracts with customers (Continued)

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

- Revenue from sale of goods is recognized upon transfer of control to the customers, usually being when the goods have been delivered to customers and the acceptance criteria is met (either the customer has accepted the goods in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.) The Group normally invoices the customers upon customers’ acceptance of the goods with 90 days’ credit term.
- Revenue from subcontracting services is recognized 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 recognized on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable. Dividend income is recognized when the Group’s right to receive payment is established.

### Employees’ benefits

#### (i) Retirement benefits

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

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

#### (ii) Employee leave entitlements

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

### Borrowings

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs

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

### Income tax

#### (i) Income tax

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

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

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

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

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

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

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

#### (ii) Value-added-tax (“VAT”)

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government grants and deferred capital grant

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

### Related parties

A related party is defined as follows:

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash and cash equivalents

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

### Segment reporting

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

### Critical accounting estimates, assumptions and judgements

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

As disclosed in Note 11, the net carrying amount of inventories of the Group as at 31 December 2020 is RMB7,773,000 (2019: RMB2,850,000).

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

The cost of plant and machinery for the manufacture of precision vane products are depreciated on a straight-line basis over the plant and machinery’s estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 2 to 10 years and the residual values to be 10% of the cost of these assets. These are common life expectancies and residual values applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group’s plant and machinery at 31 December 2020 was approximately RMB61,400,000 (2019: RMB74,473,000) (Note 7).

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 4. SHARE CAPITAL

|                                     | Group and Company    |   |             |          |          |
|-------------------------------------|----------------------|---|-------------|----------|----------|
|                                     | As at<br>24 May 2021 | 2020  | 2019        | 2020     | 2019     |
|                                     |                      | Number of ordinary shares<br>at US\$0.25 each |             | US\$’000 | US\$’000 |
| <b>Authorized</b>                   | 200,000,000          | 200,000,000                                   | 200,000,000 | 50,000   | 50,000   |
| <b>Issued and fully paid</b>        |                      |   |             |          |          |
| At beginning and end of<br>the year | 30,520,000           | 27,468,473                                    | 27,468,473  | 6,867    | 6,867    |
| <b>Equivalent to (RMB’000)</b>      |                      |   |             | 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 |         |
|----------------------------------|-------------------|---------|
|                                  | 2020              | 2019    |
|                                  | 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<br>from profit after tax | Group   |         |
|------------------------|---|---------|---------|
|                        |   | 2020    | 2019    |
|                        |   | RMB’000 | RMB’000 |
| Statutory reserve fund | 10%   | 30,526  | 30,526  |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 6. STATUTORY RESERVE (Continued)

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

## 7. PROPERTY, PLANT AND EQUIPMENT

| Group  | Leasehold<br>buildings<br>RMB’000 | Plant and<br>machinery<br>RMB’000 | Office<br>equipment<br>RMB’000 | Motor<br>vehicles<br>RMB’000 | Renovation<br>RMB’000 | Total<br>RMB’000 |
|--|-----------------------------------|-----------------------------------|--------------------------------|------------------------------|-----------------------|------------------|
| <b>Cost</b>                                  |                                   |                                   |                                |                              |                       |                  |
| 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          |
| As at 1.1.2020                               | 32,580                            | 237,886                           | 3,592                          | 3,031                        | 4,797                 | 281,886          |
| Additions                                    | –                                 | –                                 | 21                             | 36                           | –                     | 57               |
| Disposals                                    | –                                 | (2,648)                           | (9)                            | –                            | –                     | (2,657)          |
| As at 31.12.2020                             | 32,580                            | 235,238                           | 3,604                          | 3,067                        | 4,797                 | 279,286          |
| <b>Accumulated depreciation</b>              |                                   |                                   |                                |                              |                       |                  |
| 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          |
| As at 1.1.2020                               | 21,248                            | 171,889                           | 2,882                          | 2,324                        | 4,797                 | 203,140          |
| Charge for the year                          | 1,454                             | 11,080                            | 222                            | 108                          | –                     | 12,864           |
| Disposals                                    | –                                 | (2,383)                           | (8)                            | –                            | –                     | (2,391)          |
| As at 31.12.2020                             | 22,702                            | 180,586                           | 3,096                          | 2,432                        | 4,797                 | 213,613          |
| <b>Accumulated impairment losses</b>         |                                   |                                   |                                |                              |                       |                  |
| As at 1.1.2019, 31.12.2019<br>and 31.12.2020 | –                                 | 4,233                             | 40                             | –                            | –                     | 4,273            |
| <b>Net carrying amount</b>                   |                                   |                                   |                                |                              |                       |                  |
| As at 31.12.2020                             | 9,878                             | 50,419                            | 468                            | 635                          | –                     | 61,400           |
| As at 31.12.2019                             | 11,332                            | 61,764                            | 670                            | 707                          | –                     | 74,473           |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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

Bill payables (Note 15) and bank loans (Note 18) are secured on plant and machinery of the Group with carrying amounts of RMB22,485,000 (2019: RMB25,295,000).

### (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 2020 (2019: Nil), as the Group has estimated the recoverable amount of the CGU to be higher than the net carrying amount.

The recoverable amount of the cash generating unit was based on its value in use (“VIU”), which is discounted cash flows based on 8 years (2019: 8 years) financial budgets approved by management which coincide with the remaining useful lives of the assets within the CGU. The management uses budgets beyond 5-years period as they are of the view that it is the appropriate period to reflect the plan for Changzhou 3D to recover to its historical track record prior to the business disruptions brought about by shareholders dispute occurred in 2017 as disclosed in Annual Report 2017, and to continuously grow the business thereafter. The key management assumptions underlying the computation as at reporting date are: -

|  | 2020          | 2019          |
|--|---------------|---------------|
| Next financial year                                |               |               |
| - Forecasted revenue (RM’000)                      | 85,000        | 65,000        |
| - Gross profit margin                              | 27%           | 23%           |
| Subsequent years up to year 2028 (2019: year 2027) |               |               |
| - Revenue growth rate (declining)                  | 30.8% - 6.1%  | 30.8% - 6.1%  |
| - Gross profit margin (increasing)                 | 23.0% - 28.5% | 19.7% - 28.4% |
| Discount rate                                      | 12%           | 12%           |

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 represent the best estimates based on available data and there are no reasonably possible changes that could result in substantial impairment in the next financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 8. RIGHT-OF-USE ASSETS

| Group   | Land Use Right<br>RMB’000 |
|---|---------------------------|
| <b>Cost</b>                                     |                           |
| As at 1.1.2019                                  |                           |
| Effect on initial adoption of IFRS 16 (Note 10) | 12,547                    |
| As at 31.12.2019 and 1.1.2020                   | 12,547                    |
| Addition  | –                         |
| As at 31.12.2020                                | 12,547                    |
| <b>Accumulated depreciation</b>                 |                           |
| As at 1.1.2019                                  | –                         |
| Effect on initial adoption of IFRS 16 (Note 10) | 3,011                     |
| Charge for the year                             | 240                       |
| As at 31.12.2019 and 1.1.2020                   | 3,251                     |
| Charge for the year                             | 241                       |
| As at 31.12.2020                                | 3,492                     |
| <b>Net carrying amount</b>                      |                           |
| As at 31.12.2020                                | 9,055                     |
| 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 36 years (2019: 37 years).

### Impairment testing of land use right

No impairment loss is recognized in 2020 (2019: Nil), as the Group has estimated the recoverable amount of the land use rights to be higher than the net carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 9. SUBSIDIARIES

|                                 | Company |         |
|---------------------------------|---------|---------|
|                                 | 2020    | 2019    |
|                                 | RMB’000 | 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 |      |
|--|---|--|--------------------------------------|------|
|  |   |  | 2020                                 | 2019 |
|  |   |  | %                                    | %    |
| <b>Held by the Company</b>   |   |  |                                      |      |
| Best Success (Hong Kong) Limited <sup>(1)</sup> (“Best Success”)                               | Investment holding  | Hong Kong                                      | 100                                  | 100  |
| <b>Held by Best Success</b>  |   |  |                                      |      |
| Changzhou 3D Technological Complete Set Equipment Co., Limited <sup>(2)</sup> (“Changzhou 3D”) | Manufacturing of vane products and relating subcontracting services | PRC  | 100                                  | 100  |

### Impairment assessment of investment in subsidiaries

During the year, management performed an impairment assessment for the investments in Best Success and Changzhou 3D arising from indicator of impairment based on facts and circumstances as described in Note 2 to the financial statements. No impairment loss is recognized in 2020 and 2019, as the Group has estimated the recoverable amount of the investment in subsidiaries to be higher than the net carrying amount.

The recoverable amount was estimated based on its value in use calculation with the same management key assumptions as disclosed in Note 7, and applied a forecasted growth rate of 3% (2019: 3%) to extrapolate cash flow projections from 2029 onwards (2019: 2028 onwards).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 10. INTANGIBLE ASSETS

| Group   | Land Use<br>Right<br>RMB’000 | Software<br>RMB’000 | Total<br>RMB’000 |
|---|------------------------------|---------------------|------------------|
| <b>Cost</b>   |                              |                     |                  |
| As at 1.1.2019  | 12,547                       | 1,277               | 13,824           |
| Transfer to right-of-use assets on initial adoption of IFRS 16 (Note 8) | (12,547)                     | –                   | (12,547)         |
| As at 31.12.2019 and 1.1.2020   | –                            | 1,277               | 1,277            |
| Additions   | –                            | –                   | –                |
| As at 31.12.2020  | –                            | 1,277               | 1,277            |
| <b>Accumulated amortization</b>   |                              |                     |                  |
| As at 1.1.2019  | 3,011                        | 266                 | 3,277            |
| Transfer to right-of-use assets on initial adoption of IFRS 16 (Note 8) | (3,011)                      | –                   | (3,011)          |
| Charge for the year   | –                            | 639                 | 639              |
| As at 31.12.2019 and 1.1.2020   | –                            | 905                 | 905              |
| Charge for the year   | –                            | 372                 | 372              |
| As at 31.12.2020  | –                            | 1,277               | 1,277            |
| <b>Net carrying amount</b>  |                              |                     |                  |
| As at 31.12.2020  | –                            | –                   | –                |
| As at 31.12.2019  | –                            | 372                 | 372              |



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 11. INVENTORIES

|  | Group           |                 |
|--|-----------------|-----------------|
|  | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Statement of Financial Position:   |                 |                 |
| Raw materials  | 1,551           | 490             |
| Work-in-progress   | 2,702           | 2,156           |
| Finished goods   | 3,521           | 204             |
|  | <u>7,773</u>    | <u>2,850</u>    |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income:                   |                 |                 |
| Inventories recognized as expense in cost of sales, reduced by net write back of allowance | 4,923           | 3,792           |
| Inclusive of following charges:  |                 |                 |
| - Allowance for inventory obsolescence included in other operating expenses                | -               | 931             |

The movement in allowance for inventory obsolescence is as follows:

|                               | Group           |                 |
|-------------------------------|-----------------|-----------------|
|                               | 2020<br>RMB’000 | 2019<br>RMB’000 |
| At beginning of the year      | 24,468          | 23,537          |
| Additional allowance provided | -               | 931             |
| At end of the year            | <u>24,468</u>   | <u>24,468</u>   |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 12. TRADE RECEIVABLES

|   | Note     | Group           |                 |
|---|----------|-----------------|-----------------|
|   |          | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Trade receivables                             | A        | 45,203          | 42,260          |
| Allowance for impairment of trade receivables | 31 (iii) | (25,084)        | (23,396)        |
|   |          | 20,119          | 18,864          |
| Bills receivables                             |          | 2,834           | 10,711          |
| Allowance for impairment of bill receivables  | 31 (iii) | –               | –               |
|   |          | 2,834           | 10,711          |
|   |          | 22,953          | 29,575          |

### Note A

Included in the Group’s trade receivables are unbilled trade receivables arising from revenue recognized on sales of goods and subcontracting services but not invoiced to customers amounting to approximately RMB2,377,000 and RMB Nil (2019: RMB1,636,000 and RMB471,000) respectively as at 31 December 2020. The management is of the view that the Group has unconditional rights to trade receivables including unbilled trade receivables as at the reporting date.

## 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|                          | Group           |                 |
|--------------------------|-----------------|-----------------|
|                          | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Advances to suppliers    | 367             | 875             |
| Advances to employees    | 71              | 105             |
| Prepayments              | 261             | 168             |
| Tender deposits          | 100             | 500             |
| Advances to labour union | –               | 159             |
| Other receivables        | 25              | 95              |
|                          | 824             | 1,902           |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 14. CASH AND CASH EQUIVALENTS

|   | Note | Group           |                 |
|---|------|-----------------|-----------------|
|   |      | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Cash in hand  |      | 5               | 18              |
| Bank balances   |      | 3,806           | 7,508           |
| Cash and bank balances as stated in the statement of financial position         |      | 3,811           | 7,526           |
| Less: Pledged deposits  | A    | (589)           | (1,222)         |
| Cash and cash equivalents as stated in the consolidated statement of cash flows |      | 3,222           | 6,304           |

As at 31 December 2020, the Group has bank balances placed with banks in the PRC denominated in Chinese Renminbi (“RMB”) amounting to RMB1,158,000 (2019: RMB4,153,000). The RMB is not freely convertible to foreign currencies. Under the People’s Republic of China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorized to conduct foreign exchange business.

### Note A

Bank balances of RMB589,000 (2019: RMB1,222,000) are pledged in connection with bills payable facilities (Note 15).

The movement in pledged deposits:

|                                  | Group           |                 |
|----------------------------------|-----------------|-----------------|
|                                  | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Balance at beginning of the year | 1,222           | 2,733           |
| Withdrawal of pledged deposits   | (633)           | (1,511)         |
| Balance at end of the year       | 589             | 1,222           |

## 15. TRADE PAYABLES

|                | Group           |                 |
|----------------|-----------------|-----------------|
|                | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Trade payables | 16,917          | 6,261           |
| Bills payable  | 768             | 1,472           |
|                | 17,685          | 7,733           |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 16. OTHER PAYABLES AND ACCRUALS

|                                    | Group           |                 | Company         |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 2020<br>RMB’000 | 2019<br>RMB’000 | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Accrued operating expenses         | 2,488           | 1,127           | 1,333           | 940             |
| Accrued outsourced charges         | –               | 148             | –               | –               |
| Accrued employee benefits          | 2,450           | 1,498           | –               | 92              |
| Advance from customers             | 811             | –               | –               | –               |
| Shipping fee payable               | 5               | –               | –               | –               |
| Security fee payable               | 109             | 38              | –               | –               |
| Legal and professional fee payable | 1,076           | 1,056           | 349             | 349             |
| Electricity bill payable           | 217             | 259             | –               | –               |
| Labor union expenditure payable    | 44              | 44              | –               | –               |
| Value-Added Tax payables           | 548             | 310             | –               | –               |
| Other taxes payable                | 308             | 268             | –               | –               |
| Others                             | 363             | 376             | –               | –               |
|                                    | <b>8,419</b>    | <b>5,124</b>    | <b>1,682</b>    | <b>1,381</b>    |

## 17. DEFERRED GOVERNMENT GRANTS

|  | Group           |                 |
|--|-----------------|-----------------|
|  | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Balance at the beginning of financial year | 1,558           | 1,781           |
| Transfer to profit or loss                 | (223)           | (223)           |
| Balance at the end of financial year       | <b>1,335</b>    | <b>1,558</b>    |

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

## 18. BANK LOANS

|                    | Group           |                 |
|--------------------|-----------------|-----------------|
|                    | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Secured borrowings | <b>9,497</b>    | <b>13,300</b>   |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 18. BANK LOANS (Continued)

These borrowings are secured by a pledge of the Group’s land use rights with carrying amount of RMB9,055,000 (Note 8) (2019: RMB9,296,000) as at 31 December 2020.

Interest on secured bank loans were charged at the rate of 6.75% (2019: 6.75%) per annum. Bank loans of RMB5,997,000 and RMB3,500,000 (2019: RMB7,300,000 and RMB6,000,000) are repayable in January; February; May and June 2021 (2019: May and June 2020) respectively.

### Reconciliation of liabilities arising from financing activities

|            | As at<br>1 January<br>2020<br>RMB’000 | Financing<br>cash flows<br>RMB’000 | As at<br>31 December<br>2020<br>RMB’000 |
|------------|---------------------------------------|------------------------------------|---|
| Bank loans |                                       |                                    |   |
| - current  | 13,300                                | (3,803)                            | 9,497                                   |
|            |                                       |                                    |   |
|            | As at<br>1 January<br>2019<br>RMB’000 | Financing<br>cash flows<br>RMB’000 | As at<br>31 December<br>2019<br>RMB’000 |
| Bank loans |                                       |                                    |   |
| - current  | 16,000                                | (2,700)                            | 13,300                                  |

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

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

## 20. DEFERRED TAX LIABILITY

|  | Note | Group           |                 |
|--|------|-----------------|-----------------|
|  |      | 2020<br>RMB’000 | 2019<br>RMB’000 |
| At beginning of the year                           |      | –               | –               |
| Written back in the profit or loss                 | 26   | –               | –               |
| At end of the year                                 |      | –               | –               |
| Presented after appropriate offsetting as follows: |      |                 |                 |
| Deferred tax assets                                |      | –               | (633)           |
| Deferred tax liabilities                           |      | –               | 633             |
| Deferred tax liabilities, net                      |      | –               | –               |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 20. DEFERRED TAX LIABILITY (Continued)

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

| <b>Deferred tax liabilities of the Group</b> | <b>Unbilled revenue<br/>RMB’000</b>      |
|--|--|
| As at 1.1.2019                               | 2,092                                    |
| Recognized in the profit or loss             | (1,459)                                  |
| As at 31.12.2019                             | 633                                      |
| As at 1.1.2020                               | 633                                      |
| Recognized in the profit or loss             | (633)                                    |
| As at 31.12.2020                             | –  |
| <b>Deferred tax assets of the Group</b>      | <b>Unutilized tax losses<br/>RMB’000</b> |
| As at 1.1.2019                               | (2,092)                                  |
| Recognized in the profit or loss             | 1,459                                    |
| As at 31.12.2019                             | (633)                                    |
| As at 1.1.2020                               | (633)                                    |
| Recognized in the profit or loss             | 633                                      |
| As at 31.12.2020                             | –  |

## 21. REVENUE FROM CONTRACTS WITH CUSTOMERS

### (i) Disaggregation of revenue

|                         | Timing of recognition | Group           |                 |
|-------------------------|-----------------------|-----------------|-----------------|
|                         |                       | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Sale of goods           | Point in time         | 34,273          | 6,085           |
| Subcontracting services | Over time             | –               | 8,317           |
|                         |                       | <u>34,273</u>   | <u>14,402</u>   |

All revenue in 2019 and 2020 are derived from the PRC.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 21. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

### (ii) Contract balances

|                                      | Group           |                 |
|--------------------------------------|-----------------|-----------------|
|                                      | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Trade receivables (Note 12)          | –               | 18,864          |
| Contract assets <sup>(i)</sup>       | –               | 426             |
| Contract liabilities <sup>(ii)</sup> | –               | 496             |

- 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.

- Contract liabilities

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

## 22. OTHER OPERATING INCOME

|  | Note | Group           |                 |
|--|------|-----------------|-----------------|
|  |      | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Gain on disposal of property, plant and equipment          |      | 27              | 5               |
| Gain on sale of scrap materials                            |      | 1,341           | 979             |
| Government grants for High Technology Enterprise (one-off) |      | –               | 100             |
| Amortization of deferred government grants                 | 17   | 223             | 223             |
| Settlement discount from suppliers                         |      | –               | 99              |
| Interest income  |      | 53              | 87              |
| Settlement payment from shareholder                        |      | 784             | –               |
| Reversal of impairment loss                                |      |                 |                 |
| - property, plant and equipment                            | 7    | –               | 530             |
| Others   |      | 332             | 140             |
|  |      | <b>2,760</b>    | <b>2,163</b>    |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 23. OTHER OPERATING EXPENSES

|                                      | Note | Group           |                 |
|--------------------------------------|------|-----------------|-----------------|
|                                      |      | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Allowance for inventory obsolescence | 11   | –               | 931             |
| Other expenses                       |      | 46              | 283             |
|                                      |      | <b>46</b>       | <b>1,214</b>    |

## 24. PERSONNEL EXPENSES

|   | Group           |                 |
|---|-----------------|-----------------|
|   | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Wages, salaries and bonuses *               | 18,767          | 20,290          |
| Other personnel expenses                    | 1,545           | 1,044           |
| Short-term employees’ benefits              | 20,312          | 21,334          |
| Contributions to defined contribution plans | 211             | 3,075           |
| Termination benefits                        | –               | 990             |
|   | <b>20,523</b>   | <b>25,399</b>   |

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 25. LOSS BEFORE INCOME TAX

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

|   | Note | Group           |                 |
|---|------|-----------------|-----------------|
|   |      | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Depreciation of property, plant and equipment | 7    | 12,864          | 14,384          |
| Reversal of impairment loss written back      |      |                 |                 |
| - property, plant and equipment               | 7    | –               | (530)           |
| Depreciation of right-of-use assets           | 8    | 241             | 240             |
| Amortization of intangible assets             | 10   | 372             | 639             |
| Allowance for inventory obsolescence          | 11   | –               | 931             |
| Audit fees                                    |      |                 |                 |
| - auditors of the Company                     |      | 735             | 971             |
| - other auditors                              |      | 42              | 39              |
| Personnel expenses <sup>(i)</sup>             | 24   | 20,523          | 25,399          |
| Directors’ fees                               |      |                 |                 |
| - directors of the Company                    | 28   | –               | 1,625           |
| Debt collection agent fee                     |      | –               | 3,151           |
| Expected credit loss on trade receivables     | 31   | 1,688           | 1,340           |
| Legal and professional fee                    |      | 921             | 5,043           |

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 25. LOSS BEFORE INCOME TAX (Continued)

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

## 26. INCOME TAX EXPENSES

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

|  | Note | Group           |                 |
|--|------|-----------------|-----------------|
|  |      | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Current income tax                     |      |                 |                 |
| - Current year                         |      | -               | -               |
| - Withholding tax on dividend income   |      | -               | 508             |
|  |      | -               | 508             |
| Deferred income tax                    |      |                 |                 |
| - Origination of temporary differences | 20   | -               | -               |
|  |      | -               | 508             |

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

|  | Group           |                 |
|--|-----------------|-----------------|
|  | 2020<br>RMB’000 | 2019<br>RMB’000 |
| Loss before income tax                               | (29,228)        | (55,060)        |
| Tax at the PRC statutory tax rate of 25% (2019: 25%) | (7,307)         | (13,765)        |
| Tax effects of:                                      |                 |                 |
| - different tax rates in other countries             | 6               | 4               |
| - income not subject to tax                          | (398)           | (133)           |
| - expenses not deductible for tax purpose            | 2,265           | 1,450           |
| - expenses incurred in tax-free jurisdictions        | 228             | 1,561           |
| - deferred tax asset not recognized                  | 5,206           | 10,883          |
|  | -               | -               |
| Withholding tax on dividend income                   | -               | 508             |
| Income tax   | -               | 508             |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 26. INCOME TAX EXPENSES (Continued)

### Unrecognised tax losses

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of RMB140,158,000 (2019: RMB119,334,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses can be carried forward for ten years starting from the year subsequent to the year in which the loss was incurred.

### The Company:

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

### Subsidiaries:

- a. Best Success, which is subject to Hong Kong tax rate of 16.5% (2019: 16.5%), does not have taxable profit since its incorporation on 23 April 2005.
- b. In accordance with the Income Tax Law of the PRC for High Technology Enterprises and various approval documents issued by the PRC Tax Bureau, Changzhou 3D being awarded the “High Technology Enterprise” status, enjoys a concessionary tax rate of 15%, as compared to the statutory tax rate for PRC companies of 25%. The concessionary income tax status is valid for 3 years and is subjected to renewal when it expires in December 2021. This benefit will be disclosed under the tax incentive in the tax reconciliation. However, Changzhou 3D is in tax loss position since financial year 2017.

## 27. LOSS PER SHARE

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

|   | <b>Group</b> |             |
|---|--------------|-------------|
|   | <b>2020</b>  | <b>2019</b> |
| Net loss attributable to equity holders of the Company (RMB’000)                            | (29,228)     | (55,568)    |
| 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)                                      | (106.41)     | (202.30)    |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 28. RELATED PARTY INFORMATION

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

|   | Note | Group           |                 |
|---|------|-----------------|-----------------|
|   |      | 2020<br>RMB’000 | 2019<br>RMB’000 |
| <u>Key management personnel compensation</u>  |      |                 |                 |
| Directors of the Company:                     |      |                 |                 |
| - Directors’ fee                              | 25   | –               | 1,625           |
| Other key management personnel                |      |                 |                 |
| - Salaries and bonus                          |      | 1,545           | 1,801           |
| - Contributions to defined contribution plans |      | 211             | 595             |
|   |      | <u>1,756</u>    | <u>4,021</u>    |
| Total compensation comprises:                 |      |                 |                 |
| Short-term employee benefits                  |      | 1,545           | 3,426           |
| Contributions to defined contributions plans  |      | 211             | 595             |
|   |      | <u>1,756</u>    | <u>4,021</u>    |

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

## 29. PROVISION FOR GOVERNMENT FINE AND CONTINGENT LIABILITY

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

### Provision for government fine

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

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

Provision for government fine (Continued)

The balance of provision is as follows:

|                                     | Group           |                 |
|-------------------------------------|-----------------|-----------------|
|                                     | 2020<br>RMB’000 | 2019<br>RMB’000 |
| At beginning and at end of the year | 4,373           | 4,373           |

Contingent liability on rectification cost

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

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

## 30. SEGMENT INFORMATION

The Group operates in only one operating segment, i.e. the manufacture and sale of vane products and related subcontracting services. Subcontracting services are not separately reported to the general manager of the subsidiary 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 31 (iii). The Group’s entire non-current assets are located in PRC.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

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

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

#### (i) Market risk

##### (a) Foreign exchange risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

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

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

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

| Group<br>2019   | Singapore<br>dollars<br>RMB’000 | Chinese<br>Renminbi<br>RMB’000 | United<br>States<br>dollars<br>RMB’000 | Hong Kong<br>dollars<br>RMB’000 | Total<br>RMB’000 |
|---|---------------------------------|--------------------------------|--|---------------------------------|------------------|
| <b>Financial assets</b>   |                                 |                                |  |                                 |                  |
| Cash and cash equivalents   | 857                             | 6,305                          | 230                                    | 134                             | 7,526            |
| Trade receivables   | –                               | 29,575                         | –                                      | –                               | 29,575           |
| Contract assets   | –                               | 426                            | –                                      | –                               | 426              |
| Other receivables   | –                               | 595                            | –                                      | –                               | 595              |
|   | <b>857</b>                      | <b>36,901</b>                  | <b>230</b>                             | <b>134</b>                      | <b>38,122</b>    |
| <b>Financial liabilities</b>  |                                 |                                |  |                                 |                  |
| Trade payables  | –                               | 7,733                          | –                                      | –                               | 7,733            |
| Other payables and<br>accruals  | 1,288                           | 3,243                          | –                                      | 15                              | 4,546            |
| Bank loans  | –                               | 13,300                         | –                                      | –                               | 13,300           |
|   | <b>1,288</b>                    | <b>24,276</b>                  | <b>–</b>                               | <b>15</b>                       | <b>25,579</b>    |
| Net financial (liabilities) /<br>assets   | (431)                           | 12,625                         | 230                                    | 119                             | 12,543           |
| Less: Net financial assets<br>denominated in the<br>respective entities’<br>functional currencies | –                               | (12,625)                       | –                                      | (119)                           | (12,744)         |
| Foreign currency exposure   | (431)                           | –                              | 230                                    | –                               | (201)            |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

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

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

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

| Company<br>2020  | Singapore<br>dollars<br>RMB’000 | Chinese<br>Renminbi<br>RMB’000 | Total<br>RMB’000 |
|--|---------------------------------|--------------------------------|------------------|
| <b>Financial assets</b>  |                                 |                                |                  |
| Cash and cash equivalents  | 1,392                           | –                              | 1,392            |
| <b>Financial liabilities</b>   |                                 |                                |                  |
| Other payables and accruals  | 1,386                           | 296                            | 1,682            |
| Due to subsidiaries (non-trade)  | –                               | 28,180                         | 28,180           |
|  | 1,386                           | 28,476                         | 29,862           |
| Net financial liabilities  | 6                               | (28,476)                       | (28,470)         |
| Add: Net financial liabilities denominated<br>in the Company’s functional currency | –                               | 28,476                         | 28,476           |
| Foreign currency exposure  | 6                               | –                              | 6                |
| <b>Company<br/>2019</b>  |                                 |                                |                  |
| <b>Financial assets</b>  |                                 |                                |                  |
| Cash and cash equivalents  | 857                             | –                              | 857              |
| <b>Financial liabilities</b>   |                                 |                                |                  |
| 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<br>in the Company’s functional currency | –                               | 26,718                         | 26,718           |
| Foreign currency exposure  | (431)                           | –                              | (431)            |



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

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

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

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

##### Foreign exchange risk sensitivity

The following table details the sensitivity to a 5% (2019: 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% (2019: 5%) against the relevant foreign currencies with all the other variables held constant, loss for the year will increase / (decrease) by:

|                   | Chinese<br>renminbi<br>RMB’000 | Singapore<br>dollars<br>RMB’000 | United States<br>dollars<br>RMB’000 |
|-------------------|--------------------------------|---------------------------------|-------------------------------------|
| <b>Group</b>      |                                |                                 |                                     |
| <b>2020</b>       |                                |                                 |                                     |
| Loss for the year | –                              | –                               | –                                   |
| <b>2019</b>       |                                |                                 |                                     |
| Loss for the year | –                              | (16)                            | 9                                   |
| <b>Company</b>    |                                |                                 |                                     |
| <b>2020</b>       |                                |                                 |                                     |
| Loss for the year | –                              | –                               | –                                   |
| <b>2019</b>       |                                |                                 |                                     |
| Loss for the year | –                              | (16)                            | –                                   |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

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

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

##### (b) Interest rate risk

The Group obtains additional financing through bank borrowings.

The Group’s policy is to obtain the most favorable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilize interest rate swap or other arrangements for trading or speculative purposes. As at 31 December 2020, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

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

#### (ii) Liquidity risk

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

All the financial liabilities of the Group as at 31 December 2020 are repayable on demand or due within 1 year from the reporting date. The carrying amount recorded represents the contractual cash flows of these financial liabilities.

#### (iii) Credit risk

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

For trade receivables, the Group mainly deals with long-time customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. The counterparty’s payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Board of Directors. The average credit period on sales of goods and subcontracting services is 90 days (2019: 90 days). No interest is imposed on overdue trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

| <i>Carrying amount</i>        | <b>Group</b>   |                |
|-------------------------------|----------------|----------------|
|                               | <b>2020</b>    | <b>2019</b>    |
|                               | <b>RMB’000</b> | <b>RMB’000</b> |
| <u>By geographical areas</u>  |                |                |
| - PRC                         | 13,974         | 18,864         |
| - Japan                       | 3,032          | –              |
| - Korea                       | 3,113          | –              |
|                               | <u>20,119</u>  | <u>18,864</u>  |
| <u>By types of customers</u>  |                |                |
| Non-related parties           |                |                |
| - Government linked companies | 12,077         | 10,142         |
| - Private companies           | 8,042          | 8,722          |
|                               | <u>20,119</u>  | <u>18,864</u>  |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

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

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

| Group                      | Revenue<br>RMB’000 | Trade receivables |                |                | Write back /<br>(Additional)<br>ECL<br>RMB’000 |
|----------------------------|--------------------|-------------------|----------------|----------------|--|
|                            |                    | Gross<br>RMB’000  | ECL<br>RMB’000 | Net<br>RMB’000 |  |
| <b>2020</b>                |                    |                   |                |                |  |
| <u>Not credit-impaired</u> |                    |                   |                |                |  |
| Customer A                 | 24,461             | 20,851            | (4,511)        | 16,340         | (1,711)  |
| <u>Credit-impaired</u>     |                    |                   |                |                |  |
| Customer B                 | –                  | 15,578            | (15,578)       | –              | (2,782)  |
| Customer C                 | 338                | 3,888             | (3,888)        | –              | 2,140  |
| Others                     | 9,474              | 4,886             | (1,107)        | 3,779          | 665  |
| At end of year             | 34,273             | 45,203            | (25,084)       | 20,119         | (1,688)  |

| Group                      | Revenue<br>RMB’000 | Trade receivables |                |                | Write back /<br>(Additional)<br>ECL<br>RMB’000 |
|----------------------------|--------------------|-------------------|----------------|----------------|--|
|                            |                    | Gross<br>RMB’000  | ECL<br>RMB’000 | Net<br>RMB’000 |  |
| <b>2019</b>                |                    |                   |                |                |  |
| <u>Not credit-impaired</u> |                    |                   |                |                |  |
| Customer A                 | 5,296              | 12,942            | (2,800)        | 10,142         | 700  |
| <u>Credit-impaired</u>     |                    |                   |                |                |  |
| 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)  |

#### Customer A

Out of the carrying amount of RMB16,340,000 (2019: RMB10,142,000) as at 31 December 2020, 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 RMB4,511,000 (2019: RMB2,800,000) as at 31 December 2020 and additional allowance of ECL for RMB1,711,000 has been recognized during the year accordingly.

#### Customer B

An ECL amounting to RMB2,782,000 (2019: write back of RMB969,000) has been recognized during the year. As at 31 December 2020, the outstanding balance amounting RMB15,578,000 (2019: RMB12,796,000) remains impaired as there were minimal sales made to this customer during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

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

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

##### Customer C

A write back of ECL amounting to RMB2,140,000 (2019: RMB5,311,000) has been recognized during the year due to collection from this customer during the year. As at 31 December 2020, the outstanding balance amounting to RMB3,888,000 (2019: partial balance amounting to RMB6,028,000) 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.

##### **Expected Credit Losses**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

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

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

#### Expected Credit Losses (Continued)

| Group<br>2019   | Trade<br>receivables<br>RMB’000<br>(Note 12) | Bill<br>receivables<br>RMB’000<br>(Note 12) | Total<br>RMB’000 |
|---|--|---|------------------|
| Gross amount of financial assets subject to ECL   | 42,260                                       | 10,711                                      | 52,971           |
| <u>Movement of lifetime ECL:</u>  |  |   |                  |
| Balance at 1 January 2019   | 20,456                                       | 1,600                                       | 22,056           |
| ECL recognized 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,<br>representing net exposure as at reporting date | 18,864                                       | 10,711                                      | 29,575           |

#### Note (i)

In 2018, ECL of RMB1,600,000 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.

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

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

The management assesses that there are no material ECL on other receivables (Note 13), bank balances and pledged deposits (Note 14).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 31. FINANCIAL INSTRUMENTS (Continued)

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

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

##### Expected Credit Losses (Continued)

##### Credit risk concentration

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

#### (iv) Financial instruments by category

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

|   | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2020<br>RMB’000 | 2019<br>RMB’000 | 2020<br>RMB’000 | 2019<br>RMB’000 |
| <b>Financial assets</b>                 |                 |                 |                 |                 |
| Financial assets at amortized cost      | 26,889          | 38,122          | 1,392           | 857             |
| <b>Financial liabilities</b>            |                 |                 |                 |                 |
| Financial liabilities at amortized cost | 33,934          | 25,579          | 29,862          | 28,006          |

### Capital risk management policies and objectives

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

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

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on guidance of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt. The Group’s overall strategy remains unchanged from 2019.

As disclosed in Note 6, the PRC incorporated subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute to and to maintain a non-distributable statutory reserve fund, the utilization of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial year ended 31 December 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## 32. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair values in 2020.

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

## 33. SUBSEQUENT EVENTS

On 27 April 2021, the Company entered into Subscription Agreement of Placement Shares with a director of the Company. Subsequently, the Company issued 3,051,527 Placement Shares at the price of \$0.423 for each Placement Share. The consideration of Placement Shares amounting to \$1,290,795.92 (equivalent to RMB6,235,706) is utilized as operating working capital of the Group with the purpose of repayment of trade payables and procurement of machinery.

On 21 May 2021, the Group entered into a loan agreement with a major shareholder of the Company. The loan amount is RMB4million and shall bear interest on the loan outstanding at a rate of 4.35% per annum. The outstanding loan and interest are repayable by 31 December 2021.



# SHAREHOLDINGS STATISTICS

As at 30 July 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

| Class of equity securities | Number of equity securities | Voting rights      |
|----------------------------|-----------------------------|--------------------|
| Ordinary @30 July 2021     | 30,520,000                  | One vote per share |

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

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | %             | NO. OF SHARES     | %             |
|-----------------------|---------------------|---------------|-------------------|---------------|
| 1 - 99                | 18                  | 2.74          | 897               | 0.00          |
| 100 - 1,000           | 265                 | 40.40         | 171,516           | 0.56          |
| 1,001 - 10,000        | 335                 | 51.07         | 1,201,945         | 3.94          |
| 10,001 - 1,000,000    | 30                  | 4.57          | 2,678,362         | 8.78          |
| 1,000,001 AND ABOVE   | 8                   | 1.22          | 26,467,280        | 86.72         |
| <b>TOTAL</b>          | <b>656</b>          | <b>100.00</b> | <b>30,520,000</b> | <b>100.00</b> |

## SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

|  | NUMBER OF ORDINARY SHARES |       |                 |       |
|--|---------------------------|-------|-----------------|-------|
|  | DIRECT INTEREST           | %     | DEEMED INTEREST | %     |
| LIU MING   | 8,240,000                 | 27.00 | 0               | 0     |
| ALLPORT LIMITED  | 7,464,340                 | 24.46 | 0               | 0     |
| ASUKA DBJ INVESTMENTS CO., LTD <sup>1</sup>              | 0                         | 0.00  | 7,464,340       | 24.46 |
| MERCURIA INVESTMENTS CO., LTD <sup>2</sup>               | 0                         | 0.00  | 7,464,340       | 24.46 |
| MAMORU TANIYA <sup>3</sup>                               | 0                         | 0.00  | 7,464,340       | 24.46 |
| YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN <sup>4</sup> | 3,300,000                 | 10.81 | 0               | 0     |
| YONEHARA SHINICHI  | 0                         | 0.00  | 3,300,000       | 10.81 |
| GAO ZHONG  | 3,051,527                 | 10.00 | 0               | 0     |
| LIN CHUANJUN   | 2,300,450                 | 7.54  | 0               | 0     |

Notes:

- Asuka DBJ Investments LPS is the registered holder of all the issued shares of Allport Limited.
- Mercuria Investments Co., Ltd., formerly known as AD Capital Co., Ltd is the general partner of Asuka DBJ Investment LPS.
- 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.
- Yugen Kaisha Simon Murray And Company Japan is wholly-owned by Yonehara Shinichi.

# SHAREHOLDINGS STATISTICS

As at 30 July 2021 Amounts in thousands of Chinese Renminbi (“RMB’000”)

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME  | NO. OF SHARES     | %            |
|-----|---|-------------------|--------------|
| 1   | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD  | 7,465,340         | 24.46        |
| 2   | CITIBANK NOMINEES SINGAPORE PTE LTD         | 5,194,683         | 17.02        |
| 3   | YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN | 3,300,000         | 10.81        |
| 4   | LIU MING                                    | 3,296,217         | 10.80        |
| 5   | UOB KAY HIAN PRIVATE LIMITED                | 3,112,327         | 10.20        |
| 6   | LIN CHUANJUN                                | 1,611,650         | 5.28         |
| 7   | ZHANG PING                                  | 1,309,250         | 4.29         |
| 8   | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.   | 1,177,813         | 3.86         |
| 9   | PHILLIP SECURITIES PTE LTD                  | 768,750           | 2.52         |
| 10  | TAN ENG CHUA EDWIN                          | 741,400           | 2.43         |
| 11  | RAFFLES NOMINEES (PTE.) LIMITED             | 305,200           | 1.00         |
| 12  | YONG WOON CHONG                             | 162,200           | 0.53         |
| 13  | DBS NOMINEES (PRIVATE) LIMITED              | 157,022           | 0.51         |
| 14  | BOON KIA IN VINCENT (WEN JIAYIN)            | 65,000            | 0.21         |
| 15  | MAYBANK KIM ENG SECURITIES PTE. LTD         | 59,000            | 0.19         |
| 16  | KOH TECK YEOW                               | 35,500            | 0.12         |
| 17  | CHEW CHIN SING                              | 30,800            | 0.10         |
| 18  | LIM SIAN KOK                                | 30,000            | 0.10         |
| 19  | LYE SOO MENG                                | 30,000            | 0.10         |
| 20  | LIM LEE KWAN                                | 29,000            | 0.10         |
|     | <b>TOTAL</b>                                | <b>28,881,152</b> | <b>94.63</b> |

## PERCENTAGE OF SHAREHOLDING IN HANDS OF PUBLIC

Based on the information available to the Company as at 30 July 2021, approximately 20.20% of the issued ordinary shares of the Company were held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of **SHANGHAI TURBO ENTERPRISES LTD.** (the “Company”) will be held by electronic means on Monday, 30 August 2021 at 3.30 p.m. (of which there will be a live webcast), to transact the following businesses:

## AS ORDINARY BUSINESS

- To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Independent Auditors’ Report thereon. **(Resolution 1)**
- To re-elect the following Directors retiring pursuant to Article 85(6) of the Company’s Articles of Association:  
  
Mr. Poh Siew Beng **(Resolution 2)**  
Mr. Hong Yong **(Resolution 3)**  
Mr. Foo Chee Meng **(Resolution 4)**  
  
*Mr. Poh Siew Beng will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee and will be considered independent.*  
  
*Mr. Hong Yong will, upon re-election as Director of the Company, remain as Non-Executive Chairman and Lead Independent Director, Chairman of the Nominating Committee and Remuneration Committee and member of the Audit Committee and will be considered independent.*  
  
*Mr. Foo Chee Meng will, upon re-election as Director of the Company, remain as member of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered independent.*
- To approve the payment of additional Directors’ Fees of RMB150,000 for the financial year ended 31 December 2019. **(Resolution 5)**  
*(See Explanatory Note)*
- To approve the payment of Directors’ Fees of RMB1,950,000 for the financial year ended 31 December 2020. (FY2019: RMB1,625,000) **(Resolution 6)**
- To re-appoint Messrs. RT LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
- To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Wong Yoen Har  
Company Secretary

Singapore, 13 August 2021

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Note:

The Ordinary Resolution 5 in item 3 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 increased 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.

## 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 2021**".
- (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, not less than 48 hours before the time fixed for the AGM; 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](mailto:AGM.TeamE@boardroomlimited.com);

**in either case, by 3.30 p.m. on 28 August 2021.**

**In view of the current COVID-19 situation and the related safe distancing measures, 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 3.30 p.m. on 28 August 2021 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 wishes 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 2020 may be accessed at [www.shanghaiturbo.com](http://www.shanghaiturbo.com) or on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

## Personal data privacy:

By submitting an instrument appointing the Chairman of the AGM as proxy to attend and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

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 Directors to be put forward for re-election at the forthcoming Annual General Meeting is disclosed below;

| Name of retiring Director  | Poh Siew Beng  | Hong Yong   | Foo Chee Meng   |
|--|--|---|---|
| Date of appointment  | 8 July 2020  | 30 September 2020   | 2 May 2021  |
| Date of last re-appointment  | N.A.   | N.A.  | N.A.  |
| Age  | 58   | 49  | 53  |
| Country of principal residence   | Singapore  | China   | Singapore   |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)  | The Board has reviewed the credential of Mr. Poh Siew Beng and has approved the Nominating Committee's recommendation of the appointment of Mr. Poh Chee Beng as Non-Executive Independent Director. | The Board has reviewed the credential of Mr. Hong Yong and has approved the Nominating Committee's recommendation of the appointment of Mr. Hong Yong as Non-Executive Independent Director | The Board has reviewed the credential of Mr. Foo Chee Meng and has approved the Nominating Committee's recommendation of the appointment of Mr. Foo Chee Meng as Non-Executive Independent Director |
| Whether appointment is executive, and if so, the area of responsibility  | Non-Executive Independent Director   | Non-Executive Independent Director  | Non-Executive Independent Director  |
| Job title (e.g. Lead ID, AC Chairman, AC Member etc.)  | Independent Director, Chairman of Audit Committee, Member of Remuneration Committee and Nominating Committee   | Non-Executive Chairman and Lead Independent Director, Chairman of Remuneration Committee and Nominating Committee and Member of Audit Committee   | Member of Audit Committee, Nominating Committee and Remuneration Committee  |
| Professional qualifications  | National University of Singapore (NUS) – Master of Business Administration (MBA), FCA (ISCA), ATA (Income Tax & GST), MSID   | Ph.D. in Economics, Nankai University Master Degree in History, Nankai University Degree. In English Language, Chaohu University  | University of Toronto (Ontario, Canada) – Bachelor of Applied Science (with Honor, Mechanical Engineering) Singapore Polytechnic – Diploma in Manufacturing Engineering                             |
| 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 | None   | None  | None  |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of retiring Director  | Poh Siew Beng   | Hong Yong   | Foo Chee Meng  |
|--|---|---|--|
| Conflict of interest (including any competing business)                                      | Nil   | Nil   | Nil  |
| Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) | Yes   | Yes   | Yes  |
| Working experience and occupation(s) during the past 10 years                                | <p>July 2014 – Now:<br/>National University of Singapore (NUS)<br/>Associate Professor (Practice)</p> <p>Jan 2007 – June 2014:<br/>National University of Singapore (NUS)<br/>Associate Professor (Adjunct)</p> <p>July 2004 – June 2020:<br/>Nexia TS Public Accounting Corporation<br/>Affiliate Senior Tax Advisor</p> <p>July 2011 – June 2014:<br/>Nexia TS Public Accounting Corporation<br/>Tax Director &amp; Co-Head of Tax Practice</p> | <p>February 2016 – Current:<br/>Shanghai Yunzi Capital Co, Ltd – Chief Executive Officer (CEO) China</p> <p>July 2010 – February 2016:<br/>Shanghai Fuxin Venture Capital Co., Ltd. – Personal Assistant of General Manager, China</p> <p>May 2009 – June 2010:<br/>Tianjin Berlith electric Co., Ltd. (SH:600468) – Personal Assistant of CEO, China</p> | <p>November 2017 – December 2020:<br/>Sunny Printing (Hong Kong) Company Limited, SCS office in Shanghai<br/>General Manager</p> <p>May 2017 – December 2017:<br/>Shanghai Broadway Packaging &amp; Insulation Materials<br/>Business Development Director, Supply Chain Solution</p> <p>July 2013 – April 2017:<br/>Fagerdala Global Packaging Group<br/>Director, Global Supply Chain</p> <p>October 2012 – June 2013:<br/>Werner Co.<br/>Director, Asia Sourcing &amp; Logistics</p> <p>June 2010 – September 2012:<br/>KeyTronicEMS Corporation<br/>Senior Asia Business Manager</p> |
| Shareholding interest in the listed issuer and its subsidiaries                              | None  | None  | None   |
| Shareholding details   | N.A.  | N.A.  | N.A.   |
| Other Principal Commitments Including Directorships  |   |   |  |
| Past (for the last 5 years)  | Nil   | Nil   | Nil  |
| Present  | Nil   | Nil   | Nil  |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of retiring Director   | Poh Siew Beng | Hong Yong | Foo Chee Meng |
|---|---------------|-----------|---------------|
| 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            |
| (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            |
| (c) Whether there is any unsatisfied judgment against him?  | No            | No        | No            |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of retiring Director  | Poh Siew Beng | Hong Yong | Foo Chee Meng |
|--|---------------|-----------|---------------|
| (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            |
| (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            |
| (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            |



# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of retiring Director  | Poh Siew Beng | Hong Yong | Foo Chee Meng |
|--|---------------|-----------|---------------|
| (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            |
| (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            |
| (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            |
| (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            |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of retiring Director   | Poh Siew Beng | Hong Yong | Foo Chee Meng |
|---|---------------|-----------|---------------|
| (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            |
| (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            |
| (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            |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of retiring Director   | Poh Siew Beng  | Hong Yong  | Foo Chee Meng   |
|---|--|--|---|
| (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  |
| Disclosure Applicable to the Appointment of Director Only   |  |  |   |
| <p>Any prior experience as a director of an issuer listed on the Exchange?</p> <p>If Yes, please provide details of prior experience.</p> <p>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</p> <p>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)</p> | <p>No</p> <p>Mr. Poh Siew Beng has attended training in the past.</p> <p>Mr. Poh Siew Beng was awarded a Certificate Of Attendance on 31 December 2018 for successfully completing the Listed Entity Director ("LED") Programme including attending the 4 Core Modules and all 4 Elective Modules (LEDs 1 to 8).</p> | <p>No</p> <p>Mr. Hong Yong has attended LEDs 1 to 8.</p> | <p>No</p> <p>Mr. Foo Chee Meng will attend LEDs 1 to 8.</p> |

Note:

N.A. - Not Applicable

# SHANGHAI TURBO ENTERPRISES LTD.

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

## INSTRUCTIONS TO MEMBERS FOR ANNUAL GENERAL MEETING 2021

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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 2020 (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 IV 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](mailto:AGM.TeamE@boardroomlimited.com),

**in either case, by 3.30 p.m. on 28 August 2021.**

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://globalmeeting.bigbangdesign.co/shanghaiturbo/>

**by 5.00 p.m. on 25 August 2021** (the “**Registration Deadline**”),

to enable the Company to verify their status as Members. Following the verification, authenticated Members will receive an email by 28 August 2021, 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 **12.00 p.m. on 29 August 2021** should contact the Company for assistance via email to [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com).

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

# SHANGHAI TURBO ENTERPRISES LTD.

(Company Registration No.: CT-151624)

(Incorporated in the Cayman Islands)

## INSTRUCTIONS TO MEMBERS FOR ANNUAL GENERAL MEETING 2021

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### 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](mailto: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.





SHANGHAI TURBO ENTERPRISES LTD.

上海动力发展有限公司

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