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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Shanghai Turbo Enterprises Ltd.

Security: Shanghai Turbo Enterprises Ltd.

Meeting details:

Date: 30 April 2019

Time: 9.30 a.m.

Venue: 137 Cecil Street, Hengda Building, #04-01 Shibuya Room, Singapore 069537

Company Description

Shanghai Turbo Enterprises Ltd. is an investment holding company. The Company operates in the manufacture and sale of vane products and related subcontracting services segment. The Company is a precision engineering company that specializes in the production of precision vane products, namely stationary vanes, moving vanes and nozzles. These vanes are components of steam turbine generators used for power generation in power plants, power stations and/or substations. They are also mounted onto steam turbine generators to improve steam flow in the generation of electricity. The Company's products include moving and partition blades, nuclear generator blades, turbine blades and last stage moving blades. It offers vane products for steam turbine power generators each with a generating capacity of over 600 megawatts of electricity. For single products, the Company offers steam turbine generators with generating capacity of over 1,000 megawatts of electricity.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AWM)

Q1. Revenue fell to RMB29.8 million in 2018 as the company was faced with operational issues and tension from the ongoing litigation between the company and Mr. Liu Ming.

Revenue was as high as RMB137.0 million in 2016.

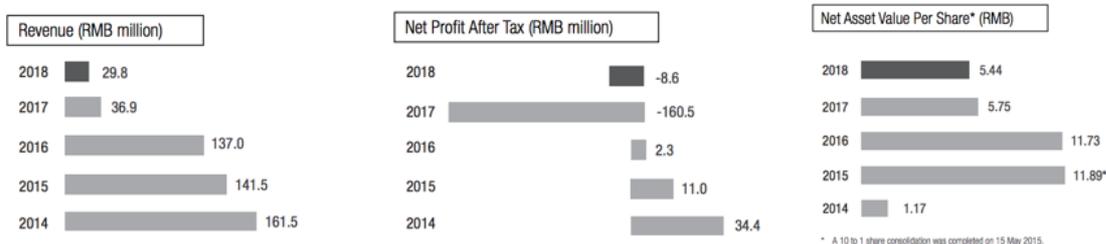
As disclosed in the Operational and financial review, the group was disqualified as an approved vendor on 26 July 2018 by a major customer and thus has been unable to tender for new orders. The disqualification was mainly due the customer’s twin concerns of the on-going legal suits and quality control issues arising in 2Q FY 2018.

Since the requalification in January 2019, the group has tendered for and won a small tender for RMB0.55 million.

- (i) Can management help shareholders understand the frequency of the tenders by its major customers? How often are such tenders opened up?**
- (ii) Does the group have the sufficient working capital to support larger tenders?**
- (iii) What is the remaining staff strength and morale of the team?**
- (iv) How much success has the group achieved in the new OEM markets? How does the group manage its counter-party risks with the newly acquired customers?**

Q2. The group reported losses of RMB(160.5) million in 2017 and RMB(8.6) million in 2018, as a result of the internal tussle that also saw a violent stand-off between the two parties.

The financial highlight is shown on page 6 of the annual report and reproduced below:



(Source: Company annual report)

- (i) In view of the major losses and the disruption to the business in the last two years, can the board restate and clearly articulate the group’s business model?**
- (ii) What is the impact of the trade tension between USA and China, if any?**

The group specialises in the production of precision vane products (mainly stationary vanes, moving vanes and nozzles) which are key components of steam turbine generators used for power generation in power plants, power stations and/or substations.

- (iii) Can management help shareholders understand if the power generation segment is experiencing any slowdown (as China's growth is set to moderate)?**
- (iv) Please state the key priorities of management in the next 12-18 months.**

Q3. As noted in the Corporate Governance report, an internal audit review was commissioned to assess the operating and internal control protocols of the company's subsidiary, Changzhou 3D. The review was conducted by BDO China Shu Lun Pan Certified Public Accounts LLP and was completed in accordance with the objectives as outlined in the engagement letter.

- (i) Can the audit committee (AC) disclose the scope of the internal audit review?**
- (ii) What were the main findings of the internal control report? What were the recommendations given by the internal auditor?**
- (iii) What guidance has the AC provided to management to implement the recommendations suggested by BDO China Shu Lun Pan Certified Public Accounts LLP? When will the changes to the processes and protocols be completed?**
- (iv) Can the company disclose who has possession of the company seals such as the corporate seal (公章), legal representative seal (法人章), financial seal (财务章) and contract seal (合同章)?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Shanghai%20Turbo%20Enterprises%20Ltd&cid=6692,4506,4226>

The company's response could be found here: -----