



Incorporated in the Cayman Islands on 14 July 2005

Quarterly Financial Statement for the Second Quarter Ended 30 June 2015 (“2QFY2015”)

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 and Q3), HALF-YEAR AND FULL YEAR RESULTS.

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015**

	Group			Group		
	3 months ended		+ / (-)	6 months ended		+ / (-)
	2Q FY2015 RMB'000	2Q FY2014 RMB'000		1H FY2015 RMB'000	1H FY2014 RMB'000	
Revenue	34,875	40,265	-13%	59,939	62,707	-4%
Cost of sales	(19,368)	(24,912)	-22%	(36,027)	(38,244)	-6%
Gross profit	15,507	15,353	1%	23,912	24,463	-2%
Other income	132	329	-60%	273	405	-33%
Other operating Income	248	75	233%	254	91	179%
Selling and distribution expenses	(486)	(692)	-30%	(1,077)	(1,341)	-20%
Administrative expenses	(6,740)	(2,999)	125%	(11,417)	(6,581)	73%
Profit before income tax	8,661	12,065	-28%	11,945	17,037	-30%
Income tax	(2,412)	(1,679)	44%	(2,311)	(2,327)	-1%
Net profit after tax	6,249	10,386	-40%	9,634	14,710	-35%
Other comprehensive income/(expenses):						
Currency translation gain/(losses)	(47)	(996)	NM	(56)	(28)	NM
Total comprehensive income attributable to equity shareholders of the Company	6,202	9,390	-34%	9,578	14,682	-35%

NM - Not meaningful

Note: Profit before income tax is determined after charging/(crediting) the following:



	Group			Group		
	3 months ended		+ / (-)	6 months ended		+ / (-)
	2Q FY2015 RMB'000	2Q FY2014 RMB'000		1H FY2015 RMB'000	1H FY2014 RMB'000	
Depreciation expense	3,794	4,634	-18%	8,013	9,359	-14%
Amortisation of land use right	62	62	0%	125	125	0%
Interest Income	(231)	(54)	328%	(268)	(112)	139%
Foreign exchange (gain)/loss	153	(16)	NM	105	83	NM
Loss on disposal of property, plant and equipment	-	2	-100%	31	68	-54%
<i>NM</i> - Not meaningful						



1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30 June 2015 RMB'000	31 Dec 2014 RMB'000	30 June 2015 RMB'000	31 Dec 2014 RMB'000
EQUITY				
Capital and reserves attributable to				
Equity holders of the Company				
Share capital	55,409	55,409	55,409	55,409
Share premium	81,527	81,527	81,527	81,527
	136,936	136,936	136,936	136,936
Other Reserves				
Statutory reserve	27,957	27,957	-	-
Foreign exchange reserve	(3,959)	(3,331)	-	-
	23,998	24,626	-	-
Retained earnings	164,150	160,813	3,344	(1,634)
TOTAL EQUITY	325,084	322,375	140,280	135,302
ASSETS				
Non-current assets				
Property, plant and equipment	109,861	115,192	-	-
Subsidiaries	-	-	156,236	156,236
Land use right	10,164	10,289	-	-
	120,025	125,481	156,236	156,236
Current assets				
Inventories	47,307	40,508	-	-
Trade receivables	151,855	166,580	-	-
Other receivables, deposits and prepayments	2,799	4,071	633	74
Land use right	251	251	-	-
Cash and cash equivalents	63,466	53,775	8,064	2,395
	265,678	265,185	8,697	2,469
TOTAL ASSETS	385,703	390,666	164,933	158,705
LIABILITIES				
Current liabilities				
Trade payables	54,671	60,923	-	-
Other payables and accruals	4,169	5,291	1,886	636
Due to subsidiaries (non-trade)	-	-	22,767	22,767
Income tax payable	1,562	78	-	-
	60,402	66,292	24,653	23,403
Non-current liability				
Deferred tax liability	217	1,999	-	-
TOTAL LIABILITIES	60,619	68,291	24,653	23,403
NET ASSETS	325,084	322,375	140,280	135,302



1(b)(ii) Aggregate amount of Group's borrowings and debt securities

Amount repayable in 1 year or less, or on demand

Group		Group	
As at 30 June 2015		As at 31 Dec 2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
NIL	NIL	NIL	NIL

Amount repayable after 1 year

Group		Group	
As at 30 June 2015		As at 31 Dec 2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
NIL	NIL	NIL	NIL



1 (d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Group</u>						
Group	Share	Share	Statutory	Translation	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 Jan 2014	55,409	81,527	24,052	(3,523)	144,018	301,483
Total comprehensive income/	-	-	-	(28)	14,710	14,682
Statutory reserves	-	-	-	-	-	-
Dividend	-	-	-	-	(6,867)	(6,867)
Balance as at 30 June 2014	55,409	81,527	24,052	(3,551)	151,861	309,298
<u>Group</u>						
Group	Share	Share	Statutory	Translation	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 Jan 2015	55,409	81,527	27,957	(3,331)	160,813	322,375
Total comprehensive income/	-	-	-	(50)	9,629	9,579
Statutory reserves	-	-	-	-	-	-
Dividend	-	-	-	-	(6,869)	(6,869)
Balance as at 30 June 2015	55,409	81,527	27,957	(3,381)	163,573	325,085
<u>Company</u>						
Company	Share	Share	Statutory	Translation	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 Jan 2014	55,409	81,527	-	-	9,010	145,946
Total comprehensive income/	-	-	-	-	(1,582)	(1,582)
Statutory reserves	-	-	-	-	-	0
Dividend	-	-	-	-	(6,867)	(6,867)
Balance as at 30 June 2014	55,409	81,527	-	-	561	137,497
<u>Company</u>						
Company	Share	Share	Statutory	Translation	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 Jan 2015	55,409	81,527	-	-	(1,634)	135,302
Total comprehensive income/	-	-	-	-	11,847	11,847
Dividend	-	-	-	-	(6,869)	(6,869)
Balance as at 30 June 2015	55,409	81,527	-	-	3,344	140,280



1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Issued share capital USD	Issued share capital RMB
Issued and paid Share Capital as at 31 December 2014 and 30 June 2015	27,468,476	6,867,119	55,409,257

On 27th March 2015, the Board of Directors announced that the Company is proposing to undertake a share consolidation exercise to consolidate every 10 existing ordinary shares in capital of the Company into 1 ordinary share ('Consolidated Share'), fractional entitlements to be disregarded ('Share Consolidation'). The Share Consolidation exercise (in the ratio of 10 to 1) has been approved by shareholders during the Extraordinary General Meeting on 30 April 2015. The number of shares after the share consolidation has been reduced to 27,468,476 Consolidated Shares on 15th May 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Number of shares	
	30 June 2015	31 December 2014
Issued and paid Share Capital	27,468,476	274,684,760

The share consolidation in the ratio of 10 to 1 has been completed on 15th May 2015.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.



3. **Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied.**

There are certain new International Financial Reporting Standards (“IFRSs”) that are published and mandatory for accounting periods beginning on or after 1 January 2015. Where applicable, the adoption of these IFRSs does not have any material impact on the financial statements for the 12 months ending 31 December 2015. Apart from this, the same accounting policies and methods of computation have been consistently applied.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share for the period based on net profit attributable to shareholders	Group			
	3 months ended		6 months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Basic earnings per share (RMB cents)	31.53	3.78	43.49	5.36
On a fully diluted basis (RMB cents)	31.53	3.78	43.49	5.36
Weighted average number of ordinary shares in issue for basic earnings per share	27,468,476	274,684,760	27,468,476	274,684,760

The Share Consolidation exercise (in the ratio of 10 to 1) has been approved by shareholders during the Extraordinary General Meeting on 30 April 2015. The number of shares after the share consolidation has been reduced to 27,468,476 Consolidated Shares on 15th May 2015.

There were no potentially dilutive ordinary shares in existence during the current period reported on and the corresponding period of the immediately preceding financial year. Accordingly, there is no difference in basic and diluted earnings per share.



7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Net asset value per ordinary share based on the issued capital at the end of the financial year (RMB)	11.83	1.17	5.11	0.49
Number of shares in calculating net asset value	27,488,476	274,684,780	27,488,476	274,684,780

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of the Group's Performance

Statement of Comprehensive Income for the period ended 30 June 2015

Compared to 2Q FY2014, revenue in 2Q FY 2015 decreased 13.0% from RMB 40.3 million in 2Q FY2014 to RMB 34.9 million in 2Q FY2015, reflecting weaker orders from the domestic market. This was partially offset by slightly stronger orders from the overseas market. Domestic orders contributed 78 % to 2Q FY2015 revenue, compared to 83% in 2Q FY2014. Despite lower revenue in 2Q FY 2015, gross profit increased by 1%. Gross profit margin for 2Q FY 2015 was 44% compared to 38% in 2Q FY 2014.

There was a decrease in selling and distribution expenses from RMB 692,000 in 2Q FY2014 to RMB 486,000 in 2Q FY2015 due to lesser selling expenses incurred during the quarter.

Administrative expenses increased from RMB 2.99 million in 2Q FY2014 to RMB 6.74 million in 2Q FY2015 due to accruals made as well as higher expenses incurred for current quarter.

Administrative expenses were higher due to:

- 1) mainly the absence of a RMB 1.60 million 2013 CEO incentive which was reversed in 2Q FY2014. For 2Q FY2015, accruals were made for the 2015 CEO incentive package (RMB 341,000), year-end bonus (RMB 325,000), accruals for audit fees RMB 248,000 while none was made in 2Q FY2014;
- 2) increase in professional fees expenses (RMB 680,000 in 2Q FY2015 compared to RMB 23,000 in 2Q FY2014), staff payroll in China (RMB 1,644,000 in 2Q FY 2015 compared to RMB 1,565,000 in 2Q FY 2014);
- 3) exchange loss (RMB 153,000 in 2Q FY 2015 compared to a gain of RMB 16,000 in 2Q FY 2014, causing a movement of RMB 169,000); and
- 4) travelling expenses (RMB 138,000 in 2Q FY2015 compared to RMB 69,000 in 2Q FY2014).



There was an Income tax expense of RMB 2.41 million in 2Q FY2015 compared to RMB 1.68 million in 2Q FY2014. The higher income tax expense associated with lower revenue resulted from timing difference adjustment for higher accrued revenue recorded in 2Q FY2014 compared to 2Q FY 2015.

Overall, with lower revenues, the total comprehensive income attributable to equity shareholders of the company decreased 34% from RMB 9.39 million in 2Q FY2014 to RMB 6.2 million in 2Q FY2015 primarily due to increased Administrative expenses due to the reasons explained earlier.

Statement of Financial Position as at 30 June 2015

Property, plant and equipment (“PPE”) stood at RMB 109.9 million (reduced from RMB 115.2 million as at 31 Dec 2014) mainly due to depreciation in the period. The cost of new machines and equipment added in the period was RMB 4.3 million, the bulk of which were 2 measuring instruments and 3 CNC machines acquired at RMB 4.1 million in FY 2013, but commissioned into service in 1Q FY2015.

Inventories stood at RMB 47.3 million (up from RMB 40.5 million as at 31 Dec 2014), mainly due to the buildup in finished goods, caused by urgent reprioritizing of production orders by a major local customer.

Trade receivables amounted to RMB 151.9 million, down from RMB 166.6 million in 2Q FY2014, due to the conversion of bills receivables into cash upon maturity. These trade receivables included bills receivables amounting to RMB 32.3 million (FY2014: RMB 50.5 million) received from customers for the settlement of outstanding balances. Of the RMB 32.3 million bills receivable, 65 % are bank-guaranteed bills (31 Dec 2014 55.4%) with the remaining notes from a state-owned enterprise (“SOE”) customer. Of the RMB 32.3 million bills receivables, about RMB 23.9 million is due for settlement by the end of September 2015 and the rest is due by December 2015. The Company sales team will continue to intensify visits to the SOE customer on a regular basis to press for faster settlement.

Other receivables, deposits and prepayments amounted to RMB 2.8 million, down from RMB 4.1 million at 2Q FY2014, mainly due to the machines commissioned into service, resulting in their reclassification as PPE.

Details of trade receivables aging as at 30 June 2015 are tabled as follows:

RMB'000	Balance	Not Due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	>1 year
Account Receivable	124,863	42,038	5,340	12,706	18,962	32,865	8,886	4,065
Provision for Doubtful Debts	(5,283)	-	-	-	-	-	(1,217)	(4,065)
Net Account Receivable	119,580	42,038	5,340	12,706	18,962	32,865	7,668	-
Bills Receivable	32,275	32,275	-	-	-	-	-	-
Total Trade Receivables @ June'15	151,855	74,313	5,340	12,706	18,962	32,865	7,668	-
	100%	49%	4%	8%	12%	22%	5%	0%

In comparison with FY2014, the ageing of the trade receivables as at 30 June 2015 has worsened as 26.7% of the receivables are aged 91 days and above, compared to 2.60% in FY 2014.



Management had considered engaging debt collection agencies or banks to perform factoring (both recourse and non-recourse) to reduce the amount of trade receivables with possible recovery of incremental cost from customers. However, these were considered extremely detrimental to the long-standing customer relationships and goodwill. Management will engage these customers with intense frequency in an effort to reduce the trade receivables.

Trade payables RMB 54.7 million, down from RMB 60.9 million, at 30 June 2014.

Other payables and accruals decreased to RMB 4.2 million, from RMB 5.3 million in FY2014, mainly due to settlement of such payables and reclassification to trade payables.

Statement of Cash Flows for the period ended 30 June 2015

Net cash generated from operating activities was RMB 4.1 million at 2Q FY2015, compared to net cash used of RMB 216,000 in 2Q FY2014 caused by large buildup in inventories in 2Q FY2014.

Net cash used in investing activities in 2Q FY2015 was RMB 55,000, compared to RMB 2.3 million used in 2Q FY2014.

Net cash used in financing activities was RMB 15.6 million in 2Q FY2015 compared to RMB 1.6 million in 2Q FY2014 due to dividend of RMB 6.9 million paid in 2Q FY 2015 (2Q FY2014:0) , as well as RMB 8.4 million (2Q FY2014:RMB 1.6 million) placed in pledged deposits for accounts payable facility.

As a result of the above, there was a net decrease in cash and cash equivalents of about RMB 11.2 million in 2Q FY2015, compared to a net decrease of RMB 4.2 million in 2Q FY2014.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

China's economy continues to face downward pressure at the end of the second quarter of 2015. Exports fell 8.3% year-on-year in July, while imports fell 8.1%. Adding to the economic gloom, China's bank bad loans grew in the first half of 2015 to reach a total of RMB1.8 trillion, pushing the country's ratio of bad loans to total loans to 1.82%, in new data released by the China Banking Regulatory Commission ("CBRC"). The Company will continue to monitor its business environment in its effort to seek expansion opportunities and working capital improvement; and balancing its need for machinery renewal.

Management is working on the Company's high trade receivables and reviewing its mix of customers. It is also looking into other options of reducing the trade receivables.



11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	First & Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	RMB 0.025 per ordinary share (to be paid in Singapore currency)
Par value of shares	USD 0.025 per share
Tax Rate	Tax not applicable

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

14. Confirmation of interim Financial Statements (First Quarter) for the period ended 30 June 2015 ("2QFY2015")

Pursuant to SGX-ST Listing Rule 705(5), the directors of Shanghai Turbo Enterprises Limited do hereby confirm that to the best of their knowledge, nothing has come to the attention of the board of directors, which may render the 2QFY2015 interim financial results to be materially false or misleading. This confirmation has been made without an audit of these financial statements.



BY ORDER OF THE BOARD

Liu Ming
CEO cum Executive Director
11 August 2015