SHANGHAI TURBO ENTERPRISES LTD
上 海 动 力 发 展 有 限 公 司

ANNUAL REPORT 2014

STRENGTH IN FUNDAMENTALS

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Corporate Profile
企业简介

Shanghai Turbo is a precision engineering group that specialises in the production of precision vane products, namely 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. These steam turbine power generators are used for power generation in power plants, power stations and/or substations.

Based in Changzhou City, Jiangsu, China, the Group is equipped with the latest advanced precision engineering machinery from Korea, Japan, Switzerland and Germany in its plants. Shanghai Turbo is capable of providing a complete set of vane products for steam turbine power generators each with a generating capacity of up to 600 mega watts of electricity. For single products, Shanghai Turbo is capable of producing for steam turbine generators with generating capacity of up to 1,000 mega watts kilowatts of electricity.

Chairman's Message
主席致辞

Dear shareholders,

On behalf of the Board of Directors of Shanghai Turbo Enterprises Ltd., I am pleased to present the Group's annual report for the financial year 2014, in my inaugural address as Non-Executive Chairman of the Board. We have seen a number of changes to the company personnel over this past year; first of all, I would like to welcome the addition of Mr Aloysius Wee Meng Seng to our Board as a Non-Executive Director. Mr Aloysius Wee will serve as a member of our Audit Committee and Remuneration Committee, and I am confident that we will benefit from his legal expertise and wealth of experience in cross-border joint ventures in China. At the same time, on behalf of the Board and management, I wish to extend my appreciation to Mr Koh Siak Khee and Ms Sun Qixia for their years of service and contributions, as they stepped down from their respective positions in May 2014

尊敬的股东，

代表上海动力有限公司董事会，我很高兴首次介绍该集团2014年度财年报告。在这一年，我们见证了公司一些人员变动;首先我要欢迎黄明成先生加入董事会为非执行董事。黄明成先生是审计委和薪酬委员会成员，我相信我们会从他的法律专业知识和丰富的经验，加上富有在华跨国合资企业经验中受益。与此同时，我代表董事会和管理层，谨致感谢许先生和孙女士多年的服务和贡献，他们于2014年5月辞去了各自的董事职务。

2014 – mix of challenges and opportunities.

With China's 12th Five-Year Plan (2011-2015) embracing an expected increase of energy conservation industry, steam turbines of 300 mega watts and above and gas-steam hybrid units, sweet spot for our recent years developed products, have boosted our top-line growth up to 2013. Domestic economic slowdown, the continuing tight money situation and severe competitive pressures have caused delays to some of the expected infrastructural developments in China, adversely affecting our revenue in 2014. To diversify our customer reliance we have expanded our local customer base in the steam turbine vane space though this has increased our receivable exposure and risk in the highly congested market place.

2014年 – 挑战和机遇的交叉

随着中国第12个五年计划（2011-2015年）节能产业预期增加.3兆瓦特燃气 – 蒸汽混合汽轮机及以使用得叶片，正是我们近几年开发的产品，至2013年一直推动着公司销售增长。国内经济增速放缓，持续的紧缩货币形势和严峻的竞争压力，导致中国一些预期的基建发展受到延误，影响了2014年的收入。为了减少过于依赖单一顾客的风险，我们在汽轮机叶片市场扩张了顾客群，但这也导致在竞争激烈的市场增加了我们应收账款的风险。

Chairman's Message
主席致辞

Business Strategy

Shanghai Turbo must continue to adapt in order to face the numerous challenges in the operating environment. The Board is working very closely with management in examining options and opportunities that will consolidate our core strengths and sharpen our competitive edge to resume our top-line growth. We may lack the scale to compete with the largest players in the industry, but we can overcome this by leveraging on our strengths. To do this, we will need to diligently maintain our standards of quality, sharpen our technological skills, seek further cost reduction and strengthen our people as well as build on the strong relationships with our customers.

We have also increased the proportion of orders from overseas customers and will continue to expand our higher-margin international sales reach. We are in the midst of carrying out a strategic evaluation of our customer mix, ensuring that the mix is well balanced and can be relied upon for consistent cash flow. The Board is also maintaining oversight of the issue with the company's receivables, and we hope that this situation will have some improvement in the coming months. We will resume our sales effort for vane product growth used in gas, gas-steam hybrid or even nuclear turbine units

Enhancing Shareholders' Returns

Recognising the importance of sharing the profits with our loyal shareholders, we have once again declared a dividend of RMB 5.0 cents per ordinary share for this financial year, maintaining a dividend payout record over 6 years since 2010.

Acknowledgements

With the help of my fellow Board members, I aim to maintain the reputation of Shanghai Turbo and the integrity with which we conduct our business. Together with the management team, we aim to ensure that the company strives to deliver consistent and sustainable returns to shareholders. On that note, I wish to thank our loyal shareholders, as well as our management and staff, my colleagues on the Board, and our customers and business partners who have given us their unwavering support through the years.

Huang Wooi Teik
Non-Executive Chairman
Lead Independent Director

经营战略

上海动力必须继续适应在经营环境里诸多挑战。董事会正在密切地与管理层研究和探讨商机，巩固我们的核心优势，并加强我们的竞争优势，以恢复我们的销售增长。我们不能以规模来与市场顶级对手进行竞争，但是我们可以通过利用我们的优点进行竞争。要做到这一点，我们需要努力维持我们的质量优势，增强我们的技术能力，谋求进一步降低成本，并加强我们的人员，以及加强与客户的紧密关系。

我们增加了来自海外客户订单的的比例，也会继续提高我们较高毛利的海外销售。我们在进行客户结构的评估，确保一个合理的组合，以创造一个持续性可靠的现金流机制。董事会一直关注应收账款，我们希望在近期会有所改善。我们将继续开展营销工作，推动在燃气，蒸汽混合，甚至核电发电机组叶片的收入增长。

提升股东回报

鉴于与我们对忠实股东分享利润的理念，我们再次宣布在2014年分发每股人民币5分股息，维持了从2010年6年分红的记录。

致谢

在我董事会成员的帮助下，我的目标是保持上海动力的名声及商业道德。加上管理团队，我们的目标是确保公司继续提供可持续的回报给股东。关于这一点，我要感谢我们忠实的股东，以及我们的管理层和员工，我的董事会同僚，客户和业务合作伙伴继续给予我们坚定的支持。

黄伟德
非执行主席
首席独立董事

CEO's Statement
首席执行官致辞

Dear Shareholders,

Our Group strategy remains focused on quality differentiation and delivering on the expectations of our customers.

Business Overview

In 2014, we made further refinements to our engineering processes. Most notably, our products now go through an additional step of digital inspection by coordinate measuring machines, which will generate a quality report for our customers' inspection. Additionally, I am proud to say that during the year, our facilities obtained the ISO 14001 and OHSAS 18001 certifications, which are testaments to the quality of our environmental management systems and occupational health and safety management systems respectively. These processes and certifications are evidence of the standards that we hold ourselves to, and provide additional quality assurance to both current and prospective customers. Furthermore, in 2014 we were granted two patents for our processes, adding on to the 14 that we have been granted over 2011-2013. These are further evidence of our engineering prowess.

Technology is at the heart of our business, and strategically, we view the computer numerically controlled ("CNC") milling process as the most critical and delicate part of our work; hence, we will continue to maintain full oversight and control over the process. The upgrading and replacement cycle of our CNC machines will be an on-going process to ensure that our product output is of the highest standard. Moreover, we aim to increase efficiency by outsourcing the less demanding and less delicate engineering work which can be accomplish by less sophisticated machinery. Separately, with the upgrading of our machinery, we are now able to produce individual vane product pieces for gas and steam combined-cycle turbine power generators with generating capacity of up to 1,000 megawatts.

尊敬的各位股东：

本集团的战略仍然侧重于质量差异化和实现客户期望。

业务概况

2014年，我们进一步改善了工程设计流程。最为值得注意的是，我们的产品新添坐标测量机检查步骤，该步骤将生成报告，供客户检查。此外，我非常自豪地宣布，我们的设施在去年获得了ISO 14001和OHSAS 18001认证，这证明了我们的环境管理系统及职业卫生和安全管理系统的卓越质量。这些流程和认证都是对于我们所秉持之标准的证明，并为当前和未来的客户提供了额外的质量保证。此外，在2014年，我们的流程获授两项专利，而我们在2011年至2013年获得了17项专利。这些都进一步证明了我们所具备的的工程设计实力。

技术是本集团业务的核心，而在战略角度上，我们将计算机数控 （“CNC”） 磨削流程视为工作中最重要、最精细的一部分；因此，我们将继续全面管控流程。我们CNC机械的升级和替换工作定将继续进行，以确保我们的产品产出符合最高标准。然而，我们计划通过外包要求较低、不需要精密机械的工程设计工作来提升我们的效率。另外，由于我们的机械升级，我们现在已经能够针对发电能力高达1,000兆瓦的燃气蒸汽联合循环涡轮发电机生产叶片产品。

Financial Performance

We will continue to diversify our customer base; the efforts in recent years have paid off as overseas customers contributed 13% of Group revenue in FY2014. This helped to cushion a weakening of orders in the domestic market. Consequently, Group revenue was 3% lower at RMB 161.5 million in FY2014. Gross profit margins declined slightly, from 40.9% in FY2013 to 39.4% in FY2014, due to higher outsourcing costs and lower prices for finished products, offset by higher margins for overseas orders.

In FY2013 the Group benefitted from a RMB 6.4 million tax refund as well as lower deferred tax provisions. In the absence of this, tax expense was RMB 8.6 million in FY2014 compared to just RMB 1.9 million in FY2013.

In view of these factors, net profit for FY2014 was RMB 34.6 million, a decline of 20.8% compared to RMB 43.7 million in FY2013. Excluding the one-time tax refund of RMB 6.4 million in FY2013, the profit decline would have been 7.2%.

Management is keeping a very close eye on the trade receivables situation, of which a significant portion is attributable to a SOE (state-owned enterprise) customer. My sales director and I have made it our priority to press for timely settlement of the outstanding balances.

Outlook

Although economic growth in China continues to slow, the government has resolved to tackle the pollution problem. As older turbine generators are replaced by newer and more energy efficient generators, this should translate into new orders for our products. We are confident that our standards of quality and customer-focused approach will continue to be our competitive edge.

Liu Ming
Executive Director and CEO

财务表现

我们将继续扩展客户群体的多样性；近年来的工作已经得到回报——2014财年，海外客户带来的营收占集团总营收的13%。这为国内市场订单量下降的情况带来了缓冲。因此，本集团2014财年的营收为1.615亿元，同比下降3%。毛利率略有下降，2013财年为40.9%，而2014财年为39.4%，这是由于外包成本增高，制成品价格降低，但海外订单利润略高，因此相互抵消。

2013财年，集团还因636万元的退税和递延税款降低略占优势。由于2014财年缺乏上述两个因素，所得税费用达862万元，而2013年仅189万元。

有鉴于这些因素，2014财年的净利润为3463万元，相比2013财年的4372万元下降了20.8%。如果不包括2013财年636万元的一次性退税，则利润下降率为7.2%。

管理层密切关注应收项款情况，其中大部分来自SOE（国有企业）客户。集团销售总监和我决定优先处理未付余额的及时结算事宜。

展望

随着中国的经济增长不断放缓，政府已下定决定应对污染问题。老旧的涡轮发电机被更新的、能效更高的发电机所取代，这将转化为市场对本集团产品的新订单。我们相信，我们的质量标准和以客户为中心的理念将一直是本集团的竞争优势。

刘明
常务董事兼首席执行官

Operational and Financial Review
运营和财年回顾

Statement of Comprehensive Income

Group revenue decreased from RMB 166.4 million in FY2013 to RMB 161.5 million in FY2014 due to weaker orders in the local market, although this was partially offset by increased overseas orders. Gross profit margins were slightly lower at 39.4% for FY2014, compared to 40.9% for FY2013, as higher outsourcing costs were incurred due to urgent re-prioritising of orders from local key customer, coupled with lower prices for finished products in the domestic market. Consequently, gross profit declined 6.4% from RMB 68.0 million in FY2013 to RMB 63.7 million in FY2014.

Other income decreased from RMB 2.6 million in FY2013 to RMB 1.3 million in FY2014 mainly due to the absence of inventory write-back in FY2014, where there was a RMB 1.2 million write-back in FY2013. Selling and distribution expenses remains nearly unchanged at RMB 2.4 million in FY2014. Administrative expenses decreased from RMB 22.5 million in FY2013 to RMB 18.4 million in FY2014, mainly due to lower CEO incentives and professional fees.

Income tax expense was RMB 8.6 million for FY2014 compared to only RMB 1.9 million for FY2013. This was mainly due to a RMB 6.4 million tax refund in FY2013 resulting from the retrospective application of concessionary tax status to the Group's main operating company, as well as higher deferred tax provisions due to large unbilled revenue.

Consequently, net profit after tax decreased 20.8% from RMB 43.7 million in FY2013 to RMB 34.6 million in FY2014. Excluding one-time tax refund of RMB 6.4 million, the profit decline would have just been 7.2%.

利润表

集团收入从2013年度的人民币1.664亿下降至2014年度的人民币1.615亿，主要为疲弱的国内市场所至，尽管一部份的下降幅度被增加的海外订单抵消。由于在2014年为了应付为重点客户紧急调配订单，而产生更高的外包成本，加上成品在国内市场价格上面临压力导致2014年的毛利率为39.4%，比2013年的40.9%微低。述以上原因，毛利润从2013年的人民币6,800万下降6.4%至2014年的人民币6,370万。

其他收入从2013年的人民币260万下降至2014年的人民币130万，主要是因2013年存在人民币120万的存货跌价准备。销售费用几乎保持不变，维持在人民币240万元。由于2014年较低的CEO激励配套及专业费用，行政管理费从2013年的人民币2,250万下降至2014年的人民币1,840万。

所得税费因2013年获得了税收优惠地位得到了一笔人民币640万的退款，加上2014年公司需计提更高的递延所得税，因此2014年的所得税费为人民币860万，而2013年所得税费才190万。

因此，税后净利润从2013年的人民币4,370万下降至2014年的3,460万，下降幅度为20.8%。如果陶去2013年一次性的人民币640万退税，净利润的下降幅度只是7.2%。

Statement of Financial Position

The Group's current assets increased from RMB 231.3 million as at 31 December 2013 to RMB 265.2 million as at 31 December 2014. This was mainly due to an increase in inventories and trade receivables. Inventories increased by RMB 18.1 million due to a build-up in finished goods resulting from the re-prioritising of production orders for a major customer. Trade receivables increased by RMB 45.0 million mainly due to slower collection from a state-owned enterprise (SOE) customer. Included within the RMB 166.6 million accounts receivables is bills receivables amounting to RMB 50.5 million; 44.6% of these bills receivables belongs to the SOE customer. In general, credit conditions continue to be very tight in the Chinese market. The Group will continue monitoring the situation very closely and will be sending its sales team to regularly visit the said SOE customer to press for faster settlement.

Total liabilities increased from RMB 61.3 million as at 31 December 2013 to RMB 68.3 million as at 31 December 2014. This was mainly due to a RMB 19.2 million increase in trade payables, which was offset by a RMB 11.1 million decrease in other payables and accruals. The increase in trade payables resulted from increased usage of bills payable issued to suppliers for the settlement of outstanding balances. The Group also pledged cash and land use rights to the bank as collateral for the bills payable facility. Other payables and accruals decreased due to settlement and reclassification to trade payables.

资产负债表

集团的流动资产从2013年的人民币2.313亿增加到2014年的人民币2.652亿。主要原因为库存和应收账款的增加。由于为重点客户优先处理紧急生产订单所至增加库存人民币1,810万。应收账款的增加主要由于国有企业（SOE）客户收款较慢，导致了应收款增加人民币4,500万。人民币1.666亿的应收账款中包含了人民币5,050万的应收票据；这些应收票据44.6%属于国有企业客户。信贷条件仍然在中国非常紧张。集团将继续监察有关情况，并派销售团队定期访问该SOE客户催处欠款。

因人民币1,920万应付账款的增加，总负债从2013年的人民币6,130万增加至2014年的人民币6,830万。应付帐款的增加是由于集团使用应付票据来和供应商进行结算所至。集团还承诺现金及土地使用权向银行作抵押来使用应付票据设施。其他应付和暂估因结算完毕和重分类有所下降。

Operational and Financial Review
运营和财年回顾

Statement of Cash Flows

The Group used RMB 5.0 million net cash for operating activities in FY2014, compared to RMB 23.5 million net cash generated in FY2013. This was mainly due to the impact of the increase in inventories, receivables, and income tax charges in FY2014.

Net cash used in investing activities was RMB 20.2 million in FY2014, reflecting higher purchases of new machines and equipment, compared to just RMB 6.5 million used in FY2013.

Net cash used in financing activities was RMB 13.7 million due to RMB 6.9 million dividends paid in FY2014 as well as additional RMB 6.8 million of deposits pledged in relation to bills payable. In FY2013, only RMB 5,000 was used in financing activities as the dividends paid were offset by the release of pledged deposits.

As a result of the above factors, cash and cash equivalents declined from RMB 79.4 million as at 31 December 2013 to RMB 40.5 million as at 31 December 2014.

现金流量表

该集团2014年在经营活动使用了人民币500万，而在2013年产生了人民币2,350万的净现金流。这主要是由于库存,应收账款和所得税费在2014年的增加所致。

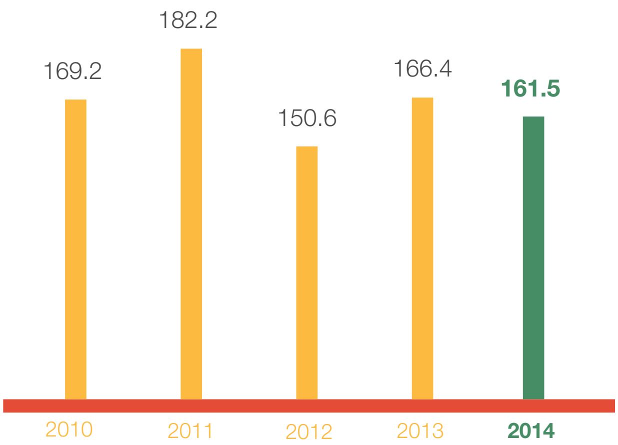
2014年在投资活动上用了现金人民币2,020万，反映了较高资产投入。相比之下,2013年才用了人民币650万。

由于在2014年支付人民币690万红利及应付票据人民币680万，融资活动所用的现金为人民币1,370万。在2013年， 只有5,000元用于融资活动。

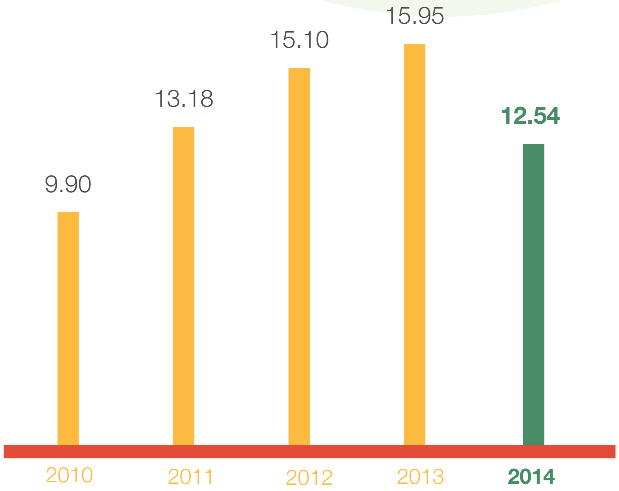
由于上述因素，现金及现金等值从2013年的人民币7,940万下降至2014年的人民币4,050万。

Financial Highlights
财年摘要

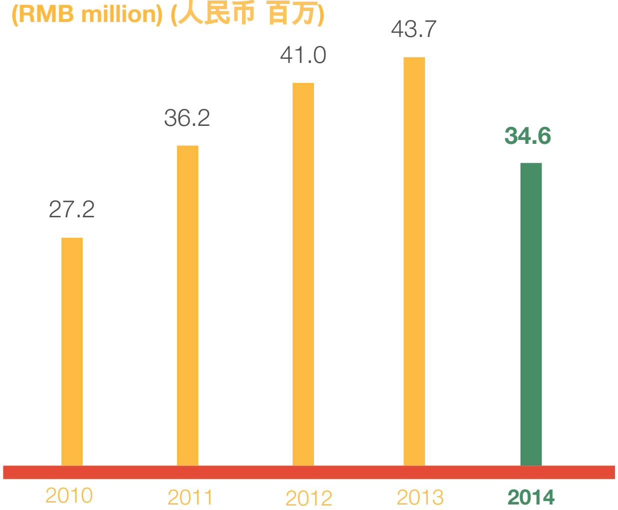
Revenue 收入
(RMB million) (人民币 百万)



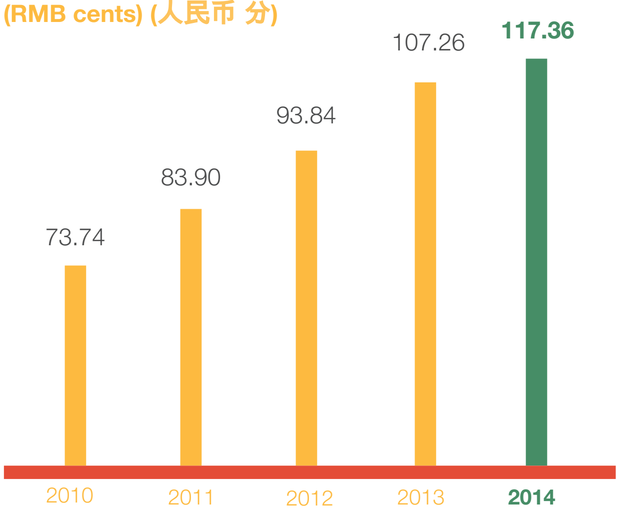
Earnings per share 每股收益
(RMB cents) (人民币 分)



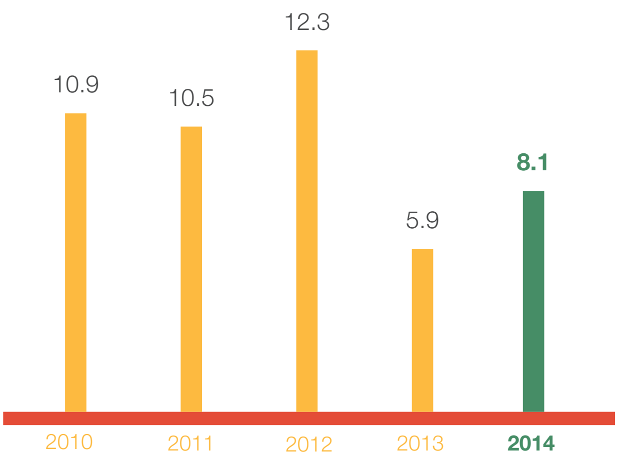
Net Profit Attributable to Shareholders 净利润
(RMB million) (人民币 百万)



Net Asset Value per share 每股净资产值
(RMB cents) (人民币 分)



Dividends Yield Chart(%)
股息收益率(%)



Board of Directors
董事会成员

Mr Huang Wooi Teik 尊敬德先生
Non-Executive Chairman and Lead Independent Director

Mr Huang Wooi Teik was appointed Non-Executive Chairman on 7 February 2015 in-addition to his existing appointment of Lead Independent Director.

Mr Huang Wooi Teik was appointed on the Board of Shanghai Turbo Enterprise Ltd. on 11 March 2009 and Lead Independent Director on 6 August 2014. Mr Huang currently runs a business and investment advisory firm, specialising in the China, fund management and capital markets. Prior to this, Mr Huang was a Managing Director at Middle East Development Singapore Limited listed on the SGX-ST and had held senior management and financial roles in regional MNC and listed companies, including General Manager of Shanghai Carrier Transicold Equipment Co., Limited, CFO of United Technologies Carrier Refrigeration Asia Pacific Operations, CFO of Hi-P International Limited listed on the SGX-ST and Group CFO (China) of Hong Leong China Limited. He holds a Master of Business Administration with Honours from Oklahoma City University, in addition to his Bachelor of Accountancy from the University of Singapore and a Diploma of Marketing from the Chartered Institute of Marketing in United Kingdom. He is a Fellow of Institute of Singapore Chartered Accountants and CPA Australia and member of the Marketing Institute of Singapore and the Chartered Institute of Marketing in United Kingdom.

Mr Liu Ming 刘明先生
Chief Executive Officer and Executive Director

Mr Liu was appointed as Executive Chairman and Chief Executive Officer on 16 March 2010 and 13 November 2009 respectively. As the Executive Chairman and Chief Executive Officer, Mr Liu Ming works on the formulation and execution of overall business strategies and policies. He is also responsible for overseeing our production and operation, marketing, quality control, public relations and technology departments. He relinquished his appointment as Executive Chairman on 7 February 2015.

Mr Liu Ming joined the Group in 1997 as a quality supervisor and was subsequently promoted in 1999 to General Manager. Mr Liu Ming previously started his career in 1991 at Changzhou City Di Er Liang Ku, before joining Golden Apples Foodstuff Co., Ltd. as a supervisor, where he was responsible for the supervision of confectionery production from 1992 to 1997.

Mr Liu Ming graduated from Jiangsu Province Foodstuff Technical School, majoring in food technology in 1991. He also attained a certification in Corporate Management at Tsinghua University in 2005.

Mr Jack Chia Seng Hee 杰克 谢先生
Independent Director

Mr Chia was appointed on the Board of Shanghai Turbo Enterprises Ltd. on 1 February 2008. He currently runs his own investment advisory firm, Jack Capital Solutions Pte Ltd, which he set up in June 2005, after spending twenty years in both the private and public sectors, substantially in Japan and China.

Mr Chia was Senior Director, International Enterprise Singapore (the former Trade Development Board) covering China operations in Shanghai. He was also with Singapore Technologies, Government of Singapore Investment Corporation as well as Arthur Andersen in marketing, asset management and consulting capacities respectively.

Mr Chia graduated from the National University of Singapore with a Bachelor's degree in Accountancy and from the International University of Japan with a Master of Arts Degree in International Relations. He is a Fellow of Institute of Singapore Chartered Accountants. He also completed the General Manager Program at Harvard Business School.

Mr Aloysius Wee Meng Seng 黄明成先生
Non-Executive and Non-Independent Director

Mr Aloysius Wee was appointed as Non-Executive and Non-Independent Director on 28 May 2014.

Mr Wee is the Managing Principal of Dacheng Wong Alliance, Singapore's only Singapore China joint venture law firm. Mr Wee is in his 19th year of practice. Mr Wee was named one of the "Asia's Hot 100 lawyers" by Asian Legal Business in 2010.

Mr Wee advises on cross-border joint ventures and transactions and in the area of mergers and acquisitions of companies. Advising clients on entry strategies into China and investments in China is his current expertise given his network in China. Mr Wee is actively involved in cross border corporate and investments transactions, across China, India and the ASEAN regions.

Mr Wee is a regular speaker at training sessions for companies on various legal topics and has spoken at various overseas events on legal aspects of doing business in China and other legal topics. Mr Wee is also a regular lecturer with the Singapore Chinese Chamber of Institute of Business lecturing on Singapore Laws and doing business in China. Mr Wee is also a regular contributor of legal and regional business articles for various publications.

Mr Wee sits on the Board of Governors for Tay Leck Teck Foundation a charitable foundation and is the legal advisor to the Realm of Tranquility and the Muscular Dystrophy Association of Singapore, both charities in Singapore. Mr Wee also sits as independent director of Changjiang Fertilizer Holdings Limited which is also listed in the Singapore Exchange.

Corporate Information
企业信息

BOARD OF DIRECTORS

Mr Huang Wooi Teik
(Non-Executive Chairman and Lead Independent Director)
(Appointed as Non-Executive Chairman on 7 February 2015)

Mr Liu Ming
(Chief Executive Officer and Executive Director)

Mr Jack Chia Seng Hee
(Independent Director)

Mr Aloysius Wee Meng Seng
(Non-Executive and Non Independent Director)
(Appointed on 28 May 2014)

AUDIT COMMITTEE

Mr Jack Chia Seng Hee
(Chairman)

Mr Huang Wooi Teik

Mr Aloysius Wee Meng Seng
(Appointed on 28 May 2014)

NOMINATING COMMITTEE

Mr Huang Wooi Teik
(Chairman)

Mr Jack Chia Seng Hee

Mr Liu Ming

REMUNERATION COMMITEE

Mr Huang Wooi Teik
(Chairman)

Mr Jack Chia Seng Hee

Mr Aloysius Wee Meng Seng
(Appointed on 28 May 2014)

SECRETARY

Ms Busarakham Kohsikaporn
(Appointed on 1 January 2015)

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
Tel: 86 519 8390 6629
Fax: 86 519 8388 8330

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

AUDITORS

Crowe Horwath First Trust LLP
8 Shenton Way
#05-01 AXA Tower
Singapore 068811

AUDIT PARTNER-IN-CHARGE

Mr Goh Sia
Appointed with effect from financial year 2013

CORPORATE GOVERNANCE REPORT AND FINANCIAL CONTENTS
企业管治报告以及财务信息

Corporate Governance Report

Shanghai Turbo Enterprises Ltd. (the "**Company**") and the management is committed to maintain high standards of measures, practices and transparency in the disclosure of material information in line with those set out in the Code of Corporate Governance 2012 (the "Code").

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 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").

The Board is pleased to confirm that for the financial year ended 31 December 2014, the Company has generally adhered to the principles and guidelines as set out in the Code. Any deviations from the guidelines of the Group or areas of non-compliance have been explained accordingly, where appropriate.

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Effective Board to lead and control the Company

The Board's primary role is to protect and enhance long-term shareholders' value. Apart from its fiduciary duties, the Board sets the overall strategy of the Group and supervises the management. The Board also establishes policies on matters such as financial reporting and compliance, financial performance and risk management and internal control procedures, including information technology, financial, operational and compliance controls to ensure that the areas of concern are addressed and recommendations of the internal and external Auditors and the Audit Committee are implemented and the progress of implementation monitored, thereby taking responsibility for the overall corporate governance of the Group. In addition, the Board approves the Group's annual budgets, key operational matters, investment and divestment proposals, major funding proposals, corporate financial restructuring, material acquisitions and disposal of assets, interested person transactions of a material nature and all Board appointments or re-appointments and appointments of key management personnel as well evaluating their performance and reviewing their remuneration/compensation packages, where applicable.

The Board will consider sustainability issues such as environmental and social factors as part of its strategic formulation in line with the recommendation of the Code. The Board acts in good faith and exercises independent judgement in dealing with the business affairs of the Group and works with the management to make objective decisions in the interest of the Group.

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.

The Board and its committees met regularly and as warranted by particular circumstances. To enable members of the Board and its committees to prepare for the meetings, agendas were circulated in advance. Adhoc meetings are convened when required to address any significant issues that may arise in-between the scheduled meetings. Where physical meetings are not possible, timely communication with members of the Board and Board Committees can be achieved through electronic needs and circulation of written resolutions for approval by the Board or relevant Board committees. The Company's Articles of Association provide for Board meetings to be conducted by way of telephone, electronic or other communication facilities.

Directors are welcome to request for further explanation, briefings or decisions on any aspect of the Group's operations or business from Management. When, required, Award members need 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 during the financial year ended 31 December 2014 are as follows:-

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	4	4	3	1
Name of directors				
Executive Director:				
Liu Ming	4	4	3	–
Non-Executive & Non-Independent Directors:				
#Koh Siak Khee	2	–	–	–
*Sun Qixia	–	–	–	–
^Aloysius Wee Meng Seng	2	2	–	–
Non-Executive & Independent Directors:				
^^Huang Wooi Teik	4	4	3	1
Jack Chia Seng Hee	4	4	3	1

Koh Siak Khee resigned as Non-Executive & Non-Independent Director on 19 May 2014
* Sun Qixia resigned as Non-Executive & Non-Independent Director on 19 May 2014
^ Aloysius Wee Meng Seng was appointed as Non-Executive & Non-Independent Director on 28 May 2014
^^ Huang Wooi Teik, Deputy Chairman, was appointed as Non-Executive Chairman on 7 February 2015, in addition to his other appointment of Lead Independent Director

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.

The Company and the Board work closely with the professional corporate secretarial firm to provide its directors with regular updates on the latest governance and listing policies. All directors were also updated regularly concerning any changes in company policies.

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.

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.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the Board

Presently, the Board comprises one Executive Director, one Non-Executive & Non-Independent Director and twoNon-Executive & Independent Directors.

Non-Executive Chairman & Lead Independent Director

Mr Huang Wooi Teik (Appointed on 7 February 2015 as Non-Executive Chairman)

Executive Director & CEO

Mr Liu Ming (Relinquished his position as Executive Chairman on 7 February 2015)

Non-Executive & Non-Independent Director

Mr Aloysius Wee Meng Seng (Appointed on 28 May 2014)

Non-Executive & Independent Director

Mr Jack Chia Seng Hee

There is presently a good balance between the executive and non-executive directors and a strong independent element on the Board. The Board considers that the present board size and number of committees facilitate effective decision-making and are appropriate for the nature and scope of the Company's operations.

Individual directors' profiles are shown in the "Board of Directors" section of this Annual Report.

The NC conducts its annual review on the composition and size of the Board. The NC considers the current Board composition and size to be appropriate to facilitate effective decision making for the existing needs and demands of the Group's businesses.

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 Executive Director possesses good industry knowledge while 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 judgement during Board deliberations.

During the year, the Non-Executive Directors helped develop both the Group's short-term and long-term business strategies, and played an important role in risk and compliance monitoring.

During the year, the Non-Executive Directors communicated among themselves without the presence of management as and when the need arose. 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Principle 3: Clear division of responsibilities at the top of the Company

Mr Liu Ming, who was formerly the Executive Chairman and the CEO of the Company, was re-designated as Executive Director and CEO on 7 February 2015. At the same time, Mr Huang Wooi Teik, formerly Non-Executive Deputy Chairman, was appointed to be Non-Executive Chairman. This decision was made in line with the recommendations of the Code of Corporate Governance to separate these roles, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. Mr Huang also remains the Non-Executive Lead Independent Director of the Company.

The role of the Chairman includes ensuring that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the professional corporate secretarial firm and ensuring that Board members are provided with complete, adequate and timely information. The Chairman 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 Chairman will also act as facilitator to the Non-Executive Directors for them to effectively contribute to the Group.

Mr Liu Ming, is responsible for the day-to-day running of the Group and the execution of the strategic plans set out by the Board, and ensures that the Board is kept updated and informed of the Group's business.

During the year, the Company's independent directors have communicated between themselves, without the presence of the other directors as and when the need arose.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for appointment and re-appointment of directors to the Board

Presently, the NC comprises 3 directors, majority of whom including the Chairman, are independent directors. As at the date of this Report, the NC members are:-

Mr Huang Wooi Teik	(Chairman)
Mr Jack Chia Seng Hee	(Member)
Mr Liu Ming	(Member)

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 conducts an annual review of directors' independence and, based on the Code's criteria for independence, the NC is of the view that Mr Jack Chia Seng Hee and Mr Huang Wooi Teik are deemed independent. They are not related to, and do not have any relationship with, the Company, its related corporations, its 10% shareholders, or its officers or are in any circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. Mr Aloysius Wee Meng Seng is not considered independent by virtue of him representing the interests of a substantial shareholder. The Board had concurred with the NC's news.

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.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Company. 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 wary. 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. The NC, having considered the confirmations received from the Non-Executive Directors, is of the view that the other board representations and principal commitments of the Non-Executive Directors do not hinder them from carrying out their duties to the Company. The NC is satisfied that sufficient time and attention have been accorded by these Non-Executive Directors to the affairs of the Company. The Board concurred with the NC's views.

Article 86(1) & (2) of the Company's Articles of Association provides that every director on the Board shall retire at least once in every three years. A retiring director shall be eligible to offer himself for re-election at that meeting.

The NC has recommended the nomination of Mr Aloysius Wee Meng Seng, in pursuant to Article 85(6), to be put forward for re-elections at the forthcoming Annual General Meeting ("**AGM**"). Mr Wee will, upon re-election as a director of the Company, remain as a Director of the Company and a member of the Audit and Remuneration Committee and will be considered non-independent pursuant to Rule 704(8) of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST Listing Rules')

In reviewing the nomination of the retiring directors, the NC considered the performance and contribution of each of the retiring directors, having regard not only to their attendance 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.

BOARD PERFORMANCE

Principle 5: Formal annual assessment of the effectiveness of the Board and contributions by each director.

The NC is responsible for assessing the Board as a whole and also each individual director's contribution. The NC has conducted a board performance evaluation exercise to assess the effectiveness of the Board in the financial year ended 31 December 2014 ("FY2014") and is satisfied that sufficient time and attention has been given by the directors to the affairs of the Group.

To ensure confidentiality, the evaluation returns completed by directors were submitted to the professional corporate secretarial firm 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, in conducting the appraisal process to assess the performance and effectiveness of the Board as a whole, focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities, and the directors' standards of conduct. The Board has approved and adopted a revised set of performance criteria in view of the revised Code of Corporate Governance 2012.

The NC has also conducted performance evaluation of each director's contribution through the completion of an individual director assessment exercise. The Board has approved and adopted a set of new performance criteria for the assessment of each individual director.

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

ACCESS TO INFORMATION

Principle 6: Board members to have complete, adequate and timely information

The Board has separate and independent access to senior management of the Company, the professional corporate secretarial firm, the Internal Auditors (as defined below) 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 annual budget and business plans 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, corresponding period of the previous year, and the budget, 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.

A representative from the professional corporate secretarial firm attends all Board and Board Committee meetings. The professional corporate secretarial firm 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 professional corporate secretarial firm'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.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors and key management executives

Presently, the RC comprises entirely all non-executive directors, and the majority of whom, including the Chairman, are independent. As at the date of this Report, the RC members are:-

Mr Huang Wooi Teik	(Chairman)
Mr Jack Chia Seng Hee	(Member)
Mr Aloysius Wee Meng Seng	(Member, appointed on 28 May 2014)

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.

The RC has not sought advice from any external expert in the field of executive compensation.

The RC reviews the Company's obligations arising in the event of termination of the Executive Director and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration for directors should be aligned with the long-term interest and risk policies

Executive Directors do not receive directors' fees. The Executive Director and key senior management 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 and key management personnel are commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group.

The performance of the CEO (together with other key management personnel) is 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 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.

Non-Executive Directors and Independent 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 Executive Directors, but not its key management personnel in China, in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The RC is seeking legal advice on the enforceability of such provisions in the People's Republic of China.

DISCLOSURE ON REMUNERATION

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and the procedure for setting the remuneration

An appropriate and attractive level of remuneration has been set to attract, retain and motivate directors and staff. The remuneration package is made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. Annual increments and adjustments to remuneration are reviewed and approved taking into account the results of the annual review made by the executive directors and the various heads of department. All non-executive directors are paid directors' fees that are subject to shareholders' approval at the AGMs.

The RC has recommended to the Board the payment of directors' fees of RMB1,350,000 for the financial year ending 31 December 2015 for Non-Executive Directors and Independent Directors, which will be tabled at the forthcoming AGM for shareholders' approval.

Remuneration for the directors for the financial year ended FY2014 is as follows:

Remuneration Bands & Name	Salary %	Bonus %	Other Remuneration %	Directors Fees %	Total %
Executive Director					
S$500,000 and above					
Liu Ming	21.7	78.3	–	–	100
Below S$250,000					
Zhou Xu*	100	–	–	–	100
Non-Executive Director					
Below S$250,000					
Koh Siak Khee#	40.4	–	–	59.6	100
Sun Qixia^	–	–	–	100	100
Huang Wooi Teik	–	–	–	100	100
Jack Chia Seng Hee	–	–	–	100	100
Aloysius Wee Meng Seng^^	–	–	–	100	100

* Zhou Xu resigned on 27 January 2014
# Koh Siak Khee resigned as Non-Executive & Non-Independent Director on 19 May 2014.
^ Sun Qixia resigned as Non-Executive & Non-Independent Director on 19 May 2014.
^^ Aloysius Wee Meng Seng was appointed as Non-Executive & Non-Independent Director on 28 May 2014

Remuneration for the top five key executives (who are not a director or CEO) for FY2014 is as follows:

	Salary %	Bonus %	Other Remuneration %	Total %
Below S$250,000				
Isaac Peh Lin Siah	90.3	9.7	–	100
Jiang Rong Lin	84.4	15.6	–	100
Shi Lin Bin	78.3	21.7	–	100
Huang Yi Jiang	79.1	20.9	–	100
Zhu Deng Ju	73.5	26.5	–	100

The aggregate of the total remuneration paid to the top five key management personnel (who are not directors or the CEO) is RMB 1,314,000.

There are no immediate family members of directors or CEO in employment with the Group whose remuneration exceeds S$50,000 during FY2014.

The Company does not have any employee share scheme nor any other long-term incentive schemes.

The RC sets and reviews remuneration linked to the key performance indexes for the CEO for every financial year and assesses his performance. Key performance indexes are not only tied to corporate performance but also linked with certain risk control measurements. For FY2014, the CEO has met the key performance indexes set by the RC. The RC is considering setting long term performance conditions while it considers the viability of a share option scheme or performance share plan. The RC intends to extend the same to other key management personnel.

ACCOUNTABILITY

Principle 10: 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 the approved budget and 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 11: The Board is responsible for risk governance and internal controls

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 Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. The Group's internal auditors, BDO China Shu Lun Pan Certified Public Accountants LLP ("Internal Auditors"), carry out a review of the effectiveness of the Group's material internal controls annually as set out in their scope laid out in their audit plan. All material non-compliance and internal control weaknesses noted during their audit are reported to the AC.

Major control weaknesses on financial reporting, if any, are highlighted by the external auditors in the course of their audit.

In addition, the AC engaged HLS Risk Advisory Services to conduct an Enterprise Risk Management ("ERM") report on the Company in 2013. The Company has adopted many of the recommendations highlighted in the report and a structure is now in place based on the report.

Based on the Group's framework of the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external auditors and Internal Auditors, the Board, with the concurrence of the AC, is of the view that the internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate as at 31 December 2014. Notwithstanding the foregoing, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

AUDIT COMMITTEE

Principle 12: Establishment of Audit Committee with written terms of reference

Presently, the Audit Committee ("AC") comprises entirely all non-executive directors, and the majority of whom, including the Chairman, are independent. As at the date of this Report, the AC members are:-

Mr Jack Chia Seng Hee	(Chairman)
Mr Huang Wooi Teik	(Member)
Mr Aloysius Wee Meng Seng	(Member, appointed on 28 May 2014)

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

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

The functions of the AC are as follows:

1. assists our Board in discharging its statutory responsibilities on financial and accounting matters;
2. reviews the financial and operating results and accounting policies of the Group;
3. reviews significant financial reporting issues and judgments relating to financial statements for each interim and annual results announcement before submission to the Board for approval;
4. reviews and reports to the Board annually on the adequacy of the Company's internal controls (financial, operational, compliance and information technology) and risk management policies and systems established by the management;
5. reviews the audit plans and reports of the external auditors and consider the effectiveness of the actions taken by the management on the auditors' recommendations;
6. appraises and reports to our Board on the audits undertaken by the external auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;
7. reviews the independence of external auditors annually, and considers the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the external auditors, and approves the remuneration and terms of engagement of the external auditors;
8. reviews interested person transactions, as defined in the Listing Manual of the SGX-ST;
9. reviews the remuneration of employees who are related to the Company's directors or substantial shareholders; and
10. reviews the effectiveness of the Company's internal audit function.

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

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

The AC has reviewed the non-audit services performed by the External Auditors and noted that there was no non-audit service performed in FY2014. The audit service fees paid or payable for the financial year ended 31 December 2014 amounted to RMB 1,200,000, none of these fees are for non-audit services.

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

The 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. The details of the whistle-blowing policies and arrangements have been made available to all employees.

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.

INTERNAL AUDIT

Principle 13: Setting up an independent internal audit function

As mentioned earlier, the Company had appointed BDO China Shu Lun Pan Certified Public Accountants LLP to undertake the function of internal audit. The Internal Auditors have unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC.

Reports of the Internal Auditors' work covering various cycles or aspects of the accounting functions and internal control systems and procedures had been received and corrective actions taken in the course of the year. They are continuing to look at other cycles or aspects and their reports are expected to be received in due course.

The AC reviews the adequacy of the internal audit function to ensure that internal audits are conducted effectively and that management provides the necessary co-operation to enable the Internal Auditors to perform their function. The AC also reviews the Internal Auditors' reports and remedial actions implemented by management to address any internal control inadequacies identified.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Fair and equitable treatment of shareholders

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.

Principle 15: Effective and fair communication with shareholders

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 is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company does not have a dividend policy at present. 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 factors as the Board may deem appropriate.

Principle 16: Shareholders' participation at general meetings

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 practiced save for the shareholders receiving a circular or letter explaining the purpose of the EGM and notice of EGM.

The Chairmen of the Audit, Remuneration and Nominating Committees 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 minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

DEALING IN SECURITIES

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

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

MATERIAL CONTRACTS

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

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. All interested person transactions are subject to review by the AC to ensure compliance with the established procedures.

Pursuant to Rule 907 of the Listing Manual of SGX-ST, the aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) are as follows:-

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

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

All Interested Person Transactions are subject to review by the Board and the AC.

Directors' Report

The directors present their report 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 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

The directors of the Company in office are as follows:

Huang Wooi Teik
Liu Ming
Jack Chia Seng Hee
Aloysius Wee Meng Seng (Appointed on 28 May 2014)
Koh Siak Khee (Resigned on 19 May 2014)
Sun Qixia (Resigned on 19 May 2014)

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.

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, except as follows:

	Direct interests	
	At 1 January 2014	At 31 December 2014
Company		
(Ordinary shares at US$0.025 each)		
Liu Ming	82,400,000	82,400,000

The directors' interests in the ordinary shares of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

Share options

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

Audit committee

The members of the Audit Committee are as follows:

Jack Chia Seng Hee (Chairman)
Huang Wooi Teik
Aloysius Wee Meng Seng (Appointed on 28 May 2014)

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 of Directors for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 prior to their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has 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, the Board of Directors has 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 Corporate Governance Report.

Independent auditors

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

On behalf of the Board of Directors

LIU MING	**HUANG WOOI TEIK**
Director	Director

6 April 2015

Statement by Directors

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 29 to 67 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results, 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.

On behalf of the Board of Directors

LIU MING
Director

HUANG WOOI TEIK
Director

6 April 2015

Independent
Auditors’ Report

To the Members of Shanghai Turbo Enterprises Ltd.

Crowe Horwath First Trust LLP
Chartered Accountants of Singapore
Member Crowe Horwath International

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INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Shanghai Turbo Enterprises Ltd. (the “Company”) and subsidiaries (the “Group”) set out on pages 29 to 68, which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, 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 that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

6 April 2015

Balance Sheet

As at 31 December 2014
Amounts in Chinese Renminbi ("RMB"))

	Note	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	3	55,409	55,409	55,409	55,409
Share premium	4	81,527	81,527	81,527	81,527
		136,936	136,936	136,936	136,936
Other reserves					
Statutory reserve	5	27,957	24,052	–	–
Translation deficit	6	(3,331)	(3,523)	–	–
		24,626	20,529	–	–
Retained earnings / (Accumulated loss)	7	160,813	137,151	(1,634)	2,143
TOTAL EQUITY		322,375	294,616	135,302	139,079
ASSETS					
Non-current assets					
Property, plant and equipment	8	115,192	114,079	–	–
Subsidiaries	9	–	–	156,236	156,236
Land use right	10	10,289	10,540	–	–
Current assets					
Inventories	11	40,508	22,384	–	–
Trade receivables	12	166,580	121,569	–	–
Other receivables, deposits and prepayments	13	4,071	1,319	74	5
Land use right	10	251	251	–	–
Cash and bank balances	26	53,775	85,817	2,395	50
		265,185	231,340	2,469	55
TOTAL ASSETS		390,666	355,959	158,705	156,291
LIABILITIES					
Current liabilities					
Trade payables	14	60,923	41,748	–	–
Other payables and accruals	15	5,291	16,436	636	1,242
Due to subsidiaries (non-trade)	16	–	–	22,767	15,970
Income tax payable		78	2,631	–	–
		66,292	60,815	23,403	17,212
Non-current liability					
Deferred tax liability	17	1,999	528	–	–
TOTAL LIABILITIES		68,291	61,343	23,403	17,212
NET ASSETS		322,375	294,616	135,302	139,079

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014
Amounts in Chinese Renminbi ("RMB"))

	Note	2014 RMB'000	2013 RMB'000
Revenue	18	161,495	166,400
Cost of sales		(97,787)	(98,361)
Gross profit		63,708	68,039
Other operating income	19	1,306	2,614
Selling and distribution expenses		(2,414)	(2,375)
Administrative expenses		(18,386)	(22,506)
Other operating expenses	20	(1,158)	(63)
Profit before income tax	22	43,056	45,709
Income tax	23	(8,622)	(1,888)
Profit for the year		34,434	43,821
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		192	(99)
Total comprehensive income for the year, representing profit attributable to equity holders of the Company		34,626	43,722
Earnings per share (cents)			
Basic and diluted	24	12.54	15.95

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2014
Amounts in Chinese Renminbi ("RMB")

	Attributable to equity holders of the Company					
	Share capital	Share premium	Statutory reserve	Translation deficit	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	
Balance as at 1 January 2013	55,409	81,527	19,764	(3,424)	104,485	257,761
Profit for the year	–	–	–	–	43,821	43,821
Other comprehensive income, net of tax						
Currency translation differences arising from consolidation	–	–	–	(99)	–	(99)
Total comprehensive income for the year	–	–	–	(99)	43,821	43,722
Transfer to statutory reserve	–	–	4,288	–	(4,288)	–
Dividends (Note 25)	–	–	–	–	(6,867)	(6,867)
Total contributions by and distributions to owners	–	–	4,288	–	(11,155)	(6,867)
Balance as at 31 December 2013	55,409	81,527	24,052	(3,523)	137,151	294,616
Balance as at 1 January 2014	55,409	81,527	24,052	(3,523)	137,151	294,616
Profit for the year	–	–	–	–	34,434	34,434
Other comprehensive income, net of tax						
Currency translation differences arising from consolidation	–	–	–	192	–	192
Total comprehensive income for the year	–	–	–	192	34,434	34,626
Transfer to statutory reserve	–	–	3,905	–	(3,905)	–
Dividends (Note 25)	–	–	–	–	(6,867)	(6,867)
Total contributions by and distributions to owners	–	–	3,905	–	(10,772)	(6,867)
Balance as at 31 December 2014	55,409	81,527	27,957	(3,331)	160,813	322,375

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014
Amounts in Chinese Renminbi ("RMB")

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before income tax		43,056	45,709
Adjustments:			
Allowance for doubtful debts		404	–
Allowance for doubtful debts written back		–	(60)
Allowance for inventory obsolescence write back		–	(1,150)
Amortisation of land use right		251	251
Exchange differences		173	(45)
Depreciation of property, plant and equipment		17,868	19,016
Interest income		(525)	(212)
Loss / (Gain) on disposal of property, plant and equipment		356	(34)
Other payables written off		(44)	–
Operating profit before working capital changes		61,539	63,475
Inventories		(18,124)	(4,531)
Trade and other receivables		(47,289)	(37,778)
Trade and other payables		8,074	4,603
Cash generated from operations		4,200	25,769
Interest income received		525	212
Income taxes paid		(9,704)	(2,500)
Net cash (used in) / from operating activities		(4,979)	23,481
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		5	66
Purchase of property, plant and equipment	A	(20,220)	(6,536)
Net cash used in investing activities		(20,215)	(6,470)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014
Amounts in Chinese Renminbi ("RMB")

	Note	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Dividends paid	25	(6,867)	(6,867)
(Placement) / Withdrawal of pledged deposits	26	(6,797)	6,862
Net cash used in financing activities		(13,664)	(5)
Net (decrease) / increase in cash and cash equivalents		(38,858)	17,006
Cash and cash equivalents at beginning of year		79,369	62,417
Effects of exchange rate changes in cash and cash equivalents		19	(54)
Cash and cash equivalents at end of year	26	40,530	79,369

Note A

	2014 RMB'000	2013 RMB'000
Total additions to property, plant and equipment (Note 8)	19,766	7,566
Add / (Less) : Increase / (Decrease) in deposits paid included in other receivables, deposits and prepayments (Note 13)	454	(1,030)
Purchase of property, plant and equipment per consolidated statement of cash flows	20,220	6,536

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

Notes to the Financial Statements

For the financial year ended 31 December 2014
Amounts in Chinese Renminbi ("RMB")

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 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 No.9, Yinghua Road, Zhonglou Economic Development Zone, Changzhou City, Jiangsu Province, 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 9.

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 6 April 2015.

2. 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.

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 2014, 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 INT IFRS. 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.

Amounts in Chinese Renminbi ("RMB")

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to IAS 19 – *Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendment to IFRS 2 – *Share-based Payment*	1 July 2014*
Amendment to IFRS 3 – *Business Combinations*	1 July 2014^
Amendment to IFRS 8 – *Operating Segments*	1 July 2014
Amendment to IAS 16 – *Property, Plant and Equipment*	1 July 2014
Amendment to IAS 24 – *Related Party Disclosures*	1 July 2014
Amendment to IAS 38 – *Intangible Assets*	1 July 2014
Amendment to IFRS 13 – *Fair Value Measurement*	1 July 2014
Amendment to IAS 40 – *Investment Property*	1 July 2014
IFRS 14 *Regulatory Deferral Account*	1 January 2016
Amendments to IAS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to IAS 16 and IAS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to IFRS 11: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendment to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
Amendment to IFRS 7 – *Financial Instruments : Disclosures*	1 January 2016
Amendment to IAS 19 – *Employee Benefits*	1 January 2016
Amendment to IAS 34 – *Interim Financial Reporting*	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to IAS 1 – *Disclosure Initiative*	1 January 2016
IFRS 15 – *Revenue from Contracts with Customers*	1 January 2017
IFRS 9 (2014) – *Financial Instruments*	1 January 2018

* The amendment applies prospectively to share-based payment transactions with a grant date on or after 1 July 2014
^ The amendment applies prospectively to business combination for which the acquisition date is on or after 1 July 2014

Except for Amendments to IFRS 8, Amendments to IAS 24, Amendments to IAS 1, Amendments to IAS 27, IFRS 9 and IFRS 15, the directors expect that the adoption of the other amendments to standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of these amendments or these new standards is described below.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Amendment to IFRS 8 – Operating Segments

The amendment require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendment also clarifies that a reconciliation of the total segment assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in next financial year.

Amendment to IAS 24 – *Related Party Disclosures*

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as a related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, the breakdown of the components of such compensation is not required to be disclosed.

The management expects that the adoption of the amendment will not result in additional parties being identified as related to the Group. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in next financial year.

Disclosure Initiative – Amendments to IAS 1

IAS 1 Presentation of Financial Statements is amended as part of the initiatives by the standard-setters to improve presentation and disclosure in financial reports. The amendments clarify materiality guidance in IAS 1 and clarify on aggregating and disaggregating line items on the balance sheet and statement of comprehensive income, including added guidance on presenting sub-totals. The amendments also give examples on systematic ordering or grouping of the structure of the notes to financial statements. In addition, following the amendments, the share of Other Comprehensive Income (OCI) of the equity-accounted investments shall be presented separately from the other OCI on the statement of changes in equity. The Group will apply these amendments in 2016.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries in its separate financial statements using the equity method as described in IAS 28 Investments in Associates and Joint Ventures, in addition to measurement at cost and in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

The Company currently presents its investment in separate financial statements at cost and will review this policy consequent to this amendment which is effective in 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

IFRS 9 *Financial Instruments*

In July 2014, the International Accounting Standard Board issued the final version of IFRS 9 Financial Instruments which reflect all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous version of IFRS 9. IFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. IFRS 9 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. IFRS 9 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of IFRS 9 or continue to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group is in the process of assessing the impact of the new standard for the future periods.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective in 2017.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligations is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The application of IFRS 15 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods.

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

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

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (continued)

(a) Basis of consolidation (continued)

- 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 existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Acquisition of businesses

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(c) Disposals of subsidiaries or businesses

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

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

Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet 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 balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(iii) Translation of the Group's financial statements

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

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

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Leasehold buildings	20	10
Plant and machinery	5 to 10	10
Office equipment	2 to 5	10
Motor vehicles	5 to 10	10
Renovation	3	–

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

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

Land use right

Land use right is initially measured at cost. Following initial recognition, land use right is measured at cost less accumulated amortisation and accumulated impairment losses. The land use right is amortised on a straight-line basis over the lease term of 50 years.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets classified as held-to-maturity, directly attributable transaction costs.

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. As at the balance sheet date, the Group did not have any financial assets in the categories of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents as well as trade and other receivables, including amounts due from related companies.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(iii) Derecognition (Continued)

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

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

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

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the balance sheet date, the Group did not have any financial liabilities in the category of financial liabilities at fair value through profit or loss.

(ii) Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date; whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet 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 reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from subcontracting services is recognised over the period in which the services are rendered.

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

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations. The subsidiary, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

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

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees.

Income tax

(i) Income tax

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

(i) Income tax (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet 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 and service income in the PRC are subject to VAT at the applicable tax rate of 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 balance sheet. The Group's export sales are not subject to VAT.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Dividends

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

`(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements 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 loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amount of loans and receivables as at 31 December 2014 and the relevant credit risk information are disclosed in Note 30(iii).

If the net present values of estimated cash flows decrease by 10% from management's estimates for all past due but not impaired trade receivables, the Group's allowance for impairment for the year will increase by RMB 7,272,000 (2013: RMB 4,145,000). The net carrying value of trade receivables of Group as at 31 December 2014 is RMB 166,580,000 (2013: RMB121,569,000).

(b) *Net realisable values of inventory*

An assessment of net realisable values is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. As at 31 December 2014, the total allowances for inventory is approximately RMB 9,881,000 (2013: RMB 9,881,000). The net carrying value of inventories of Group as at 31 December 2014 is RMB 40,508,000 (2013: RMB 22,384,000).

(c) *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 5 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 2014 was approximately RMB 90,566,000 (2013: RMB 91,297,000). A 10% increase / decrease in the expected useful lives of these assets from the management's estimates would decrease / increase the Group's profit for the respective year by 3% / 4% (2013: 3%).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Critical accounting estimates and assumptions

(d) Income tax

The Group is subject to income taxes in PRC. Significant judgement is required in determining the group-wide provision for income taxes. In determining the income tax liability, the management has estimated the amount of capital allowances and the deductibility of certain expenses. In determining the tax rate applied to the deferred tax assets and liabilities, the management has estimated that the concessionary tax rate under "High Technology Enterprise" status is successfully renewed. Where the final tax outcome of these matters is different from the estimates, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amount of the income tax payable and deferred tax liability of Group as at 31 December 2014 are RMB 78,000 and RMB 1,999,000 respectively (2013: RMB 2,631,000 and RMB 528,000).

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

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(a) Deferred tax liability on undistributed profits

No deferred tax liabilities has been recognised on the undistributed earnings of the subsidiary amounting to RMB 112,527,000 (2013: RMB 94,177,000) as the management has assessed that it is probable that such differences will not reverse in the foreseeable future. The tax effect relating to this temporary difference amounted to RMB 5,626,000 (2013: RMB 4,709,000).

3. SHARE CAPITAL

	Group and Company			
	2014	2013	2014	2013
	No. of ordinary shares at US$0.025 each		US$'000	US$'000
Issued and fully paid:				
At beginning and end of the year	274,684,760	274,684,760	6,867	6,867
Equivalent to (RMB'000)			55,409	55,409

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

On 27 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 is subject to approval by shareholders during the Extraordinary General Meeting on 30 April 2015. The number of share after the share consolidation will be accordingly reduced to 27,468,476 Consolidated Shares.

4. SHARE PREMIUM

	Group and Company	
	2014	2013
	RMB'000	RMB'000
At beginning and end of the year	81,527	81,527

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.

5. STATUTORY RESERVE

	Percentage of contribution from profit after tax	Group	
		2014	2013
		RMB'000	RMB'000
Statutory reserve fund	10%	27,957	24,052

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

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

6. TRANSLATION DEFICIT

	Group	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	(3,523)	(3,424)
Currency translation differences arising from consolidation	192	(99)
At end of the year	(3,331)	(3,523)

7. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	Company	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	2,143	2,350
Profit for the year	3,090	6,660
Dividend paid (Note 25)	(6,867)	(6,867)
At end of the year	(1,634)	2,143

8. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings	Plant and machinery	Office equipment	Motor vehicles	Renovation	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at 1.1.2013	32,292	186,928	2,883	3,659	565	–	226,327
Additions	–	6,354	886	326	–	–	7,566
Disposals	–	–	(41)	(278)	–	–	(319)
As at 31.12.2013	32,292	193,282	3,728	3,707	565	–	233,574
As at 1.1.2014	32,292	193,282	3,728	3,707	565	–	233,574
Additions	288	14,993	163	1,222	1,166	1,934	19,766
Disposals	–	(4,266)	(73)	(368)	–	–	(4,707)
As at 31.12.2014	32,580	204,009	3,818	4,561	1,731	1,934	248,633
Accumulated depreciation							
As at 1.1.2013	11,079	85,415	2,249	1,945	78	–	100,766
Charge for the year	1,442	16,570	288	528	188	–	19,016
Disposals	–	–	(37)	(250)	–	–	(287)
As at 31.12.2013	12,521	101,985	2,500	2,223	266	–	119,495
As at 1.1.2014	12,521	101,985	2,500	2,223	266	–	119,495
Charge for the year	1,456	15,017	417	582	396	–	17,868
Disposals	–	(3,559)	(65)	(298)	–	–	(3,922)
As at 31.12.2014	13,977	113,443	2,852	2,507	662	–	133,441
Net carrying amount							
As at 31.12.2014	18,603	90,566	966	2,054	1,069	1,934	115,192
As at 31.12.2013	19,771	91,297	1,228	1,484	299	–	114,079

Included in construction in progress is 2 machinery under commissioning and not ready for use with a cost of RMB 1,920,000 (2013: nil).

9. SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity shares, at cost	156,236	156,236

9. SUBSIDIARIES (Continued)

The details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2014	2013
			%	%
Held by the Company				
Best Success (Hong Kong) Limited [1] ("Best Success")	Investment holding	Hong Kong	100	100
Held by Best Success				
Changzhou 3D Technological Complete Set Equipment Co., Limited [2] ("Changzhou 3D")	Manufacturing of vane products and relating subcontracting services	PRC	100	100

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

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

10. LAND USE RIGHT

	Group	
	2014	2013
	RMB'000	RMB'000
Cost		
At beginning and end of the year	12,547	12,547
Accumulated amortisation		
At beginning of the year	1,756	1,505
Charge for the year	251	251
At end of the year	2,007	1,756
Net carrying amount		
At beginning of the year	10,791	11,042
At end of the year	10,540	10,791

10. LAND USE RIGHT (Continued)

	Group	
	2014	2013
	RMB'000	RMB'000
Presentation on balance sheet, based on amount to be amortised:		
- Not later than one year, current portion	251	251
- Later than one year but not later than five years	1,004	1,004
- Later than five years	9,285	9,536
Non-current portion	10,289	10,540

The Group has 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 is not transferable and has a remaining tenure of 42 years (2013: 43 years).

The land use right with net carrying amount of RMB 10,540,000 (2013: RMB 10,791,000) are pledged in connection with bill payable facilities (Note 14).

11. INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	7,069	5,804
Work-in-progress	12,290	16,572
Finished goods	31,030	9,889
	50,389	32,265
Allowance for inventory obsolescence	(9,881)	(9,881)
	40,508	22,384

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately RMB 37,508,000 (2013: RMB 42,807,000).

The movement in allowance for inventory obsolescence is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	9,881	11,031
Allowance written back	–	(1,150)
At end of the year	9,881	9,881

12. TRADE RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Trade receivables (Note A)	121,406	104,148
Allowance for impairment of trade receivables (Note 30 (iii))	(5,283)	(4,893)
	116,123	99,255
Bills receivable	50,457	22,314
	166,580	121,569

Note A

Included in the Group's trade receivables are unbilled trade receivables amounting to approximately RMB 16,778,000 (2013: RMB 7,063,000) arising from revenue recognised on sales of goods amounting to RMB 14,041,000 (2013: Nil) and subcontracting services amounting to RMB 2,737,000 (2013: RMB 7,063,000) but not invoiced to customers as at 31 December 2014. Unbilled receivable will normally be billed within 3 months from the time of revenue recognition. The directors are of the view that all unbilled receivable as at the balance sheet date are billable and collectible eventually.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	194	195	–	–
Deposits for plant and equipment	864	410	–	–
Prepayments	337	413	74	5
Other receivables	1,006	301	–	–
VAT receivables	1,670	–	–	–
	4,071	1,319	74	5

Included in other receivables is the amount owing from a third party amounting to RMB 424,000 (2013: nil) pertaining to the proceed from disposal of plant and machinery.

14. TRADE PAYABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Trade payables	40,744	29,012
Bills payable (Note A)	20,179	12,736
	60,923	41,748

Note A

The land use right with net carrying amount of RMB 10,540,000 (2013: RMB 10,791,000) (Note 10) and cash deposits of RMB 13,244,000 (2013: RMB 6,448,000) (Note 26) are pledged in connection with bills payable facilities granted by a bank.

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued operating expenses (Note A)	4,862	12,954	636	912
Other payables	191	709	–	330
Value added tax payable	–	2,361	–	–
Other taxes payable	238	412	–	–
	5,291	16,436	636	1,242

Note A

Included in the accrued operating expenses is director's incentive payable for the current year of RMB 1,363,000 (2013: RMB 8,548,000 for financial years 2011 to 2013), in accordance with an incentive award scheme approved by the Remuneration Committee. The director's incentive is computed based on the Group's net profit for the year.

16. DUE TO SUBSIDIARIES (NON-TRADE)

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

17. DEFERRED TAX LIABILITY

	Group	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	528	1,983
Effect of changes in tax rate (from 25% to 15%) (Note 23)	–	(793)
Recognised in the profit or loss	1,471	(662)
At end of the year	1,999	528
Presented after appropriate offsetting as follows:		
Deferred tax assets	(513)	(532)
Deferred tax liabilities	2,512	1,060
	1,999	528

17. DEFERRED TAX LIABILITY (Continued)

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

	Deferred tax liability	Deferred tax assets			
	Unbilled revenue	Accrued bonus	Allowance for impairment of trade receivables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2014					
Balance at beginning of year	1,060	(207)	(227)	(98)	528
Recognised in the profit or loss	1,452	2	(58)	75	1,471
Balance at end of year	2,512	(205)	(285)	(23)	1,999
2013					
Balance at beginning of year	2,833	(314)	(393)	(143)	1,983
Effect of changes in tax rate	(1,133)	125	157	58	(793)
Recognised in the profit or loss	(640)	(18)	9	(13)	(662)
Balance at end of year	1,060	(207)	(227)	(98)	528

18. REVENUE

	Group	
	2014	2013
	RMB'000	RMB'000
Sale of goods	117,391	99,052
Subcontracting services	44,104	67,348
	161,495	166,400

19. OTHER OPERATING INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
Gain on disposal of property, plant and equipment	–	34
Allowance for doubtful debts written back (Note 30(iii))	–	60
Allowance for inventories obsolescence written back	–	1,150
Gain on sale of scrap materials	526	930
Government grants	5	216
Interest income	525	212
Other payables written off	44	1
Exchange gain	206	11
	1,306	2,614

20. OTHER OPERATING EXPENSES

	Group	
	2014	2013
	RMB'000	RMB'000
Allowance for impairment of trade receivables (Note 30 (iii))	404	–
Loss on disposal of property, plant and equipment	356	–
Penalty charges	390	55
Others	8	8
	1,158	63

21. PERSONNEL EXPENSES

	Group	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses *	23,427	25,337
Other personnel expenses	1,587	1,243
Short-term employees' benefits	25,014	26,580
Contributions to defined contribution plans	3,229	2,838
	28,243	29,418

* This includes directors' remuneration as disclosed in Note 22 and 27.

22. PROFIT BEFORE INCOME TAX

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

	Group	
	2014	2013
	RMB'000	RMB'000
Allowance for doubtful debts written back (Note 30 (iii))	–	(60)
Allowance for inventory obsolescence written back	–	(1,150)
Amortisation of land use right	251	251
Audit fees		
- auditors of the Company	1,041	1,003
- other auditors	159	160
Depreciation of property, plant and equipment	17,868	19,016
Directors' fees		
- directors of holding company	1,377	1,320
Directors' remuneration		
- directors of the Company	91	1,681
- directors of subsidiaries	165	3,214
Foreign exchange (gain) / loss, net	(43)	336
Allowance for impairment of trade receivables	404	–
Personnel expenses (Note 21) *	28,243	29,418

* Includes directors' remuneration as disclosed in this note.

23. INCOME TAX

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

	Group	
	2014	2013
	RMB'000	RMB'000
Current tax		
- current year	6,292	8,412
- over provision in prior year	(127)	(6,020)
withholding tax on dividend income	986	951
	7,151	3,343
Deferred tax (Note 17)		
- origination and reversal of temporary differences	1,471	(662)
- effect of adjustment of tax rate	–	(793)
	1,471	(1,455)
	8,622	1,888

23. INCOME TAX (Continued)

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

	Group	
	2014 RMB'000	2013 RMB'000
Profit before income tax	43,056	45,709
Tax at the PRC statutory tax rate of 25% (2013: 25%)	10,764	11,427
Tax effects of:		
Income not subject to tax	(430)	(302)
Expenses not deductible for tax purpose	679	1,148
Effect of different tax rates in tax-free jurisdictions	944	1,085
Tax incentive	(4,194)	(5,608)
Effect of change in applicable tax rate on deferred tax	–	(793)
	7,763	6,957
Over provision of tax in prior years	(127)	(6,020)
Withholding tax on dividend income	986	951
Tax expense	8,622	1,888

The Company:

The Company does not have taxable profits since its incorporation on 14 July 2005.

Subsidiaries:

Best Success, subject to Hong Kong tax rate of 16.5% (2013: 16.5%), does not have assessable profit since its incorporation on 23 April 2005.

In accordance with the Income Tax Law of the People's Republic of China 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 August 2015. This benefit was disclosed under the tax incentive in the tax reconciliation during the year.

The aggregate amount of temporary differences associated with undistributed earnings of Changzhou 3D for which deferred tax liabilities have not been recognised is approximately RMB 112,527,000 (2013: RMB 94,177,000). No liability has been recognised in respect of temporary differences associated with undistributed earnings of the PRC subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. EARNINGS PER SHARE

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

	Group	
	2014	2013
Net profit attributable to equity holders of the Company (RMB'000)	34,434	43,821
Weighted average number of ordinary shares outstanding for basic earnings per share	274,684,760	274,684,760
Basic earnings per share (RMB cents per share)	12.54	15.95

Diluted earnings per share is the same as the basic earnings 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.

25. DIVIDENDS

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Interim exempt (one-tier) paid in respect of current financial year of RMB 0.025 per ordinary share (2013: RMB 0.025 per ordinary share)	6,867	6,867

26. CASH AND CASH EQUIVALENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Cash in hand	147	71
Bank balances	43,298	75,746
Fixed deposits	10,330	10,000
Cash and bank balances as stated in the consolidated balance sheet	53,775	85,817
Less: Pledged deposits and bank balances	(13,245)	(6,448)
Cash and cash equivalents as stated in the consolidated statement of cash flows	40,530	79,369

The fixed deposit of the Group has maturity period of 1 year, and yields interest income at effective rate of 3.35% per annum.

Bank balances and fixed deposits of RMB 13,245,000 (2013: RMB 6,448,000) are pledged in connection with bills payable facilities (Note 14).

Included in cash and cash equivalent are bank deposits amounting to RMB 47,005,000 (2013: RMB 76,558,000), which are not freely remissible for use by the Group because of currency exchange restrictions in PRC.

27. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 2) 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:

	Group	
	2014	2013
	RMB'000	RMB'000
Key management personnel compensation:-		
Directors of the Group:		
- Short-term employees' benefits [(i)]	1,833	4,561
- Over provision of director's incentives in prior years	(1,577)	–
- Directors' fee	1,377	1,320
	1,633	5,881
Other key management personnel		
- Short-term employee benefits	879	470
	2,512	6,351

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

(i) The remuneration of directors includes the director's incentive for the year amounting to RMB 1,363,000 (Note 15) which is determined by the Remuneration Committee having regard to the performance of Group's profit.

28. FUTURE CAPITAL COMMITMENTS

Capital expenditure contracted for as at 31 December but not recognised in the financial statements are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
In respect of acquisition of plant and equipment	2,016	410

29. SEGMENT INFORMATION

The Group operates in only one main operating segment which focuses on the manufacture and sale of vane products and related subcontracting services. This 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.

Revenue of approximately RMB 20,178,000 (2013: RMB 13,013,000) and RMB 1,041,000 (2013: RMB 4,258,000) are derived from overseas customers in Japan and Korea respectively. The major customer in the PRC is disclosed in Note 30 (iii).

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Group does not have a formal risk management policies and guidelines. However, the Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below. It is the Group's policy not to trade in derivative contracts.

(i) Market risk

(a) Foreign exchange risk

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

Group 2014	Singapore Dollars	Chinese Renminbi	United States Dollars	Others*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and bank balances	2,395	47,007	4,336	37	53,775
Trade receivables	–	163,327	3,253	–	166,580
Other receivables	–	1,006	–	–	1,006
Intragroup receivables	–	65,979	–	–	65,979
	2,395	277,319	7,589	37	287,340
Financial liabilities					
Trade payables	–	60,716	–	207	60,923
Other payables and accruals	636	4,417	–	–	5,053
Intragroup payables	–	65,979	–	–	65,979
	636	131,112	–	207	131,955
Net financial assets / (liabilities)	1,759	146,207	7,589	(170)	155,385
Less: Net financial assets denominated in the respective entities' functional currencies	–	(83,399)	–	(32)	(83,431)
Foreign currency exposure	1,759	62,808	7,589	(202)	71,954

* Others comprise Hong Kong Dollars and Japanese Yen.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2013	Singapore Dollars	Chinese Renminbi	United States Dollars	Others*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and bank balances	50	76,561	7,003	2,203	85,817
Trade receivables	–	119,595	1,974	–	121,569
Other receivables	–	301	–	–	301
Intragroup receivables	–	51,313	–	–	51,313
	50	247,770	8,977	2,203	259,000
Financial liabilities					
Trade payables	–	41,718	–	30	41,748
Other payables and accruals	897	12,766	–	–	13,663
Intragroup payables	–	51,313	–	–	51,313
	897	105,797	–	30	106,724
Net financial (liabilities) / assets	(847)	141,973	8,977	2,173	152,276
Less: Net financial assets denominated in the respective entities' functional currencies	–	(93,831)	–	(2,195)	(96,026)
Foreign currency exposure	(847)	48,142	8,977	(22)	56,250

* Others comprise Hong Kong Dollars and Japanese Yen.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 2014	Singapore Dollars RMB'000	Chinese Renminbi RMB'000	Total RMB'000
Financial assets			
Cash and bank balances	2,395	–	2,395
Financial liabilities			
Other payables and accruals	636	–	636
Due to subsidiaries (non-trade)	–	22,767	22,767
	636	22,767	23,403
Net financial assets / (liabilities)	1,759	(22,767)	(21,008)
Less: Net financial liabilities denominated in the Company's functional currency	–	(22,767)	(22,767)
Foreign currency exposure	1,759	–	1,759

Company 2013	Singapore Dollars RMB'000	Chinese Renminbi RMB'000	Total RMB'000
Financial assets			
Cash and bank balances	50	–	50
Financial liabilities			
Other payables and accruals	897	345	1,242
Due to subsidiaries (non-trade)	–	15,970	15,970
	897	16,315	17,212
Net financial liabilities	(847)	(16,315)	(17,162)
Less: Net financial liabilities denominated in the Company's functional currency	–	16,315	16,315
Foreign currency exposure	(847)	–	(847)

30. 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 10% 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. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the Chinese Renminbi strengthens by 10% against the relevant foreign currency, or against Hong Kong dollars (functional currency of a subsidiary) with all the other variables held constant, profit for the year will increase / (decrease) by:

Group	Singapore Dollars	Chinese Renminbi	United States Dollars	Others*	Total
	RMB'000	RMB'000		RMB'000	RMB'000
2014					
Profit for the year	(150)	5,339	(645)	17	(6,117)
2013					
Profit for the year	72	4,092	(763)	2	(4,781)
Company					
2014					
Profit for the year	(176)	–	–	–	(176)
2013					
Profit for the year	85	–	–	–	85

* Others comprise Hong Kong dollars and Japanese Yen.

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

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

(b) Interest rate risk

The Group's exposure to interest rate risk arises primarily from its cash and cash equivalents. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The impact of changes in interest rate on the Group's financial assets and liabilities is minimal. As such, effect of a sensitivity analysis on the Group's profit for the year would be negligible.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(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.

All the financial liabilities of the Group as at 31 December 2014 and 2013 are repayable on demand or due within 1 year from the balance sheet 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.

Cash and bank balances are placed with regulated national or provincial financial institutions. Therefore, credit risk arises mainly from the inability of its customer to make payment when due.

For trade receivables, the Group adopts the policy of dealing only with long time customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. Credit exposure to an individual counterparty is restricted by credit limits that are approved by management based on ongoing credit evaluation. 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 (2013: 90 days). No interest is imposed on overdue trade receivables.

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

The age analysis of trade receivables is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Not past due and not impaired	43,404	57,806
Past due but not impaired		
- Past due less than 3 months	67,267	21,130
- Past due over 3 months	5,452	20,318
	72,719	41,448
Impaired trade receivables	5,283	4,893
Less: Allowance for impairment loss	(5,283)	(4,893)
Net trade receivables (Note 12)	116,123	99,254

The Group has recognised full impairment loss on its trade receivables with significant delay or default in payments who has minimal transactions and/or no collection during the year and up to the date of this report. The Group does not hold any collateral over the amounts outstanding as at balance sheet date, and the management is of the view that from the past historical experience, such balances are not recoverable.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The analysis of trade receivables individually determined to be impaired and the movement in the related allowance for impairment loss are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Not past due	246	–
Past due less than 1 year	230	261
Past due over 1 year	4,807	4,632
	5,283	4,893
Less: Allowance for impairment loss	(5,283)	(4,893)
	–	–

The movement in allowance for impairment loss is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	4,893	4,953
Allowance utilized during the year	(14)	–
Allowance made during the year	404	–
Allowance written back during the year	–	(60)
Balance at end of the year	5,283	4,893

Trade receivables that are neither past due nor impaired are substantially companies who are customers with long trading history of the Group with steady collection record. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the amount are still considered fully recoverable.

Credit risk concentration

Included in the Group's trade receivables are 2 customers (2013: 2 customers) located in the PRC and principally engaged in development and manufacture of power equipment representing 97% (2013: 97%) of the total trade receivables balance excluding bills receivables as at 31 December 2014. Approximately RMB 86,733,000 and RMB 51,353,000 (2013: RMB 94,236,000 and RMB 50,529,000), representing 54% and 32% (2013: 57% and 30%) respectively of the Group's revenue are generated from these 2 customers (2013: 2 customers) during the financial year.

Bills receivables

Bills receivables of the Group received as a settlement for trade debts are issued by state-owned or listed commercial banks in the PRC. The remaining maturity period is ranging from 3 days to 6 months from the balance sheet date. As of the date of this report, those bills receivables with maturity period within 3 months from the balance sheet date amounting to RMB 41,847,000 (2013: RMB 14,330,000) had been fully redeemed.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category

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

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets</u>				
Loans and receivables (including cash and bank balances)	221,361	207,687	2,395	50
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	65,976	55,411	23,403	17,212

Capital risk management policies and objectives

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

The capital structure of the Group consists of debt, net of cash and cash equivalents, and the equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 3 to 7.

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 2013.

As disclosed in Note 5, the PRC incorporated subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute to and to maintain a non-distributable statutory reserve fund, the utilisation of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2014 and 2013.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value

The Group and the Company had no financial assets or liabilities carried at fair value on a recurring or non-recurring basis in 2014 and 2013.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables, 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.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

As at balance sheet date, there are no financial instruments in this category.

Shareholdings' Information

As at 23 March 2015

Class of equity securities	Number of equity securities	Voting rights
Ordinary	274,684,760	One vote per share

There are no treasury share held in the issued capital of the Company.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	4	0.39	76	0.00
100 - 1,000	35	3.38	29,300	0.01
1,001 - 10,000	324	31.27	2,274,729	0.83
10,001 - 1,000,000	655	63.22	42,220,940	15.37
1,000,001 AND ABOVE	18	1.74	230,159,715	83.79
TOTAL	**1,036**	**100.00**	**274,684,760**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 23 March 2015)

	NUMBER OF ORDINARY SHARES			
	DIRECT INTEREST	%	DEEMED INTEREST	%
LIU MING	82,400,000	30.00	0	0
ALLPORT LIMITED	62,643,400	22.81	0	0
ASUKA DBJ INVESTMENT LPS[1]	12,000,000	4.37	62,643,400	22.81
AD CAPITAL CO., LTD.[2]	0	0	74,643,400	27.18
DEVELOPMENT BANK OF JAPAN INC.[3]	0	0	74,643,400	27.18
ASUKA ASSET MANAGEMENT CO., LTD.[4]	0	0	74,643,400	27.18
MAMORU TANIYA[5]	0	0	74,643,400	27.18
YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN	33,000,000	12.01	0	0
YONEHARA SHINICHI[6]	0	0	33,000,000	12.01

Notes:

1 Asuka DBJ Investment LPS is the registered holder of all the issued shares of Allport Limited.

2 AD Capital Co., Ltd. is the sole general partner of Asuka DBJ Investment LPS.

3 Development Bank of Japan Inc. is a large shareholder of AD Capital Co., Ltd. and is therefore deemed to have an interest in the shares held by AD Capital Co., Ltd. Development Bank of Japan Inc. is wholly-owned by the Government of Japan through its Finance Minister.

4 Asuka Asset Management Co., Ltd. is a large shareholder in AD Capital Co., Ltd. and is therefore deemed to have an interest in the shares held by AD Capital Co., Ltd.

5 Mamoru Taniya is a significant shareholder in Asuka Asset Management Co., Ltd. and is therefore deemed to have an interest in the deemed interest of Asuka Asset Management Co., Ltd.

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

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	84,187,300	30.65
2	ALLPORT LIMITED	62,643,400	22.81
3	YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN	33,000,000	12.01
4	CITIBANK NOMINEES SINGAPORE PTE LTD	12,522,000	4.56
5	CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,518,300	2.01
6	HONG LEONG FINANCE NOMINEES PTE LTD	4,810,000	1.75
7	OCBC SECURITIES PRIVATE LIMITED	4,522,890	1.65
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,933,600	1.43
9	TAN YEW MENG	3,572,000	1.30
10	DB NOMINEES (SINGAPORE) PTE LTD	3,000,000	1.09
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,468,000	0.90
12	WANG YU LONG DENIS	2,004,000	0.73
13	TAN WOON TIANG	1,760,000	0.64
14	LIM SIAN KOK	1,517,000	0.55
15	TAN TIEN SENG	1,243,000	0.45
16	XIA ZHIFU	1,200,000	0.44
17	DBS NOMINEES (PRIVATE) LIMITED	1,189,225	0.43
18	TAN HENG CHING	1,069,000	0.39
19	PEH HOCK CHOON	901,000	0.33
20	LIM POH LEE	700,000	0.25
	TOTAL	**231,760,715**	**84.37**

PERCENTAGE OF SHAREHOLDING IN HANDS OF PUBLIC

Based on the information available to the Company as at 23 March 2015, approximately 30.81% 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. will be held at Regus One Fullerton, 1 Fullerton Road, #02-01, One Fullerton, Singapore 049213 on Thursday, 30 April 2015 at 9.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **Resolution 1**

2. To declare a final dividend at RMB 0.025 per ordinary Share (tax not applicable) for the year ended 31 December 2014 (2013: Nil). **Resolution 2**

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

   Mr Aloysius Wee Meng Seng **Resolution 3**

   Mr Aloysius Wee Meng Seng will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Remuneration Committee and will be considered non-independent pursuant to Rule 704(8) of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST Listing Rules").

4. To approve Directors' Fees of RMB 1,350,000 for the financial year ending 31 December 2015 for payment (2014: RMB 1,600,000). **Resolution 4**

5. To re-appoint Messrs Crowe Horwath First Trust LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

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

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

7. AUTHORITY TO ALLOT AND ISSUE SHARES

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

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

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

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

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

PROVIDED THAT:

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

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

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

(b) new shares arising from exercising share options or vesting awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **Resolution 6**
[See Explanatory Note (i)]

8. <u>AUTHORITY TO ISSUE SHARES UNDER THE SHANGHAI TURBO ENTERPRISES LTD. SCRIP DIVIDEND SCHEME</u>

THAT pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to issue such number of shares as may be required to be issued pursuant to the Shanghai Turbo Enterprises Ltd. Scrip Dividend Scheme from time to time in accordance to the “Terms and Conditions of the Scrip Dividend Scheme” set out in pages 11 to 16 of the Circular to Shareholders dated 29 March 2006 and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **Resolution 7**
[See Explanatory Note (ii)]

BY ORDER OF THE BOARD

BUSARAKHAM KOHSIKAPORN
COMPANY SECRETARY

Date : 14 April 2015

SINGAPORE

Notice of Annual General Meeting

Explanatory Notes:

(i) Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding in total 50% of the total number of issued shares in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(ii) Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company from time to time pursuant to the Shanghai Turbo Enterprises Ltd. Scrip Dividend Scheme.

Notes :-

(1) A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

(2) A proxy need not be a member of the Company.

(3) If a Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishes to attend and vote at the Meeting, he must be shown to have shares entered against his name in the Depository Register, as certified by the CDP, at least forty-eight (48) hours before the time of the Meeting. If he wishes to appoint a proxy to attend the Meeting, he must complete and deposit the CDP Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 at least forty-eight (48) hours before the time of the Meeting.

Personal Data Privacy

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

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