



*Incorporated in the Cayman Islands on 14 July 2005*

**Quarterly Financial Statement for the Third Quarter Ended 30 Sep 2015 (“3QFY2015”)**

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

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

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

	Group			Group		
	3 months ended		+ / (-)	9 months ended		+ / (-)
	1 July 2015- 30 Sep 2015 RMB'000	1 July 2014- 30 Sep 2014 RMB'000		1 Jan 2015-30 Sep 2015 RMB'000	1 Jan 2014- 30 Sep 2014 RMB'000	
Revenue	32,929	62,705	-47%	92,868	125,412	-26%
Cost of sales	(22,093)	(37,694)	-41%	(58,120)	(75,938)	-23%
Gross profit	10,836	25,011	-57%	34,748	49,474	-30%
Other income /(Expense)	123	(20)	-715%	396	550	-28%
Other operating Expense	(352)	(20)	1660%	(98)	(94)	4%
Selling and distribution expenses	(663)	(561)	18%	(1,740)	(1,902)	-9%
Administrative expenses	(5,785)	(5,838)	-1%	(17,202)	(12,419)	39%
Profit before income tax	4,159	18,572	-78%	16,104	35,609	-55%
Income tax	(463)	(4,732)	-90%	(2,774)	(7,059)	-61%
Net profit after tax	3,696	13,840	-73%	13,330	28,550	-53%
Other comprehensive income/(expenses):						
Currency translation losses	8	(78)	NM	(48)	(106)	NM
Total comprehensive income attributable to equity shareholders of the Company	3,704	13,762	-73%	13,282	28,444	-53%

*NM - Not meaningful*

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



	Group			Group		
	3 months ended		+ / (-)	9 months ended		+ / (-)
	1 July 2015- 30 Sep 2015 RMB'000	1 July 2014- 30 Sep 2014 RMB'000		1 Jan 2015-30 Sep 2015 RMB'000	1 Jan 2014- 30 Sep 2014 RMB'000	
Depreciation expense	4,315	4,386	-2%	12,328	13,744	-10%
Amortisation of land use right	63	63	0%	188	188	0%
Interest Income	(38)	(48)	21%	(136)	(160)	15%
Foreign exchange (gain)/loss	(142)	11	NM	(37)	94	NM
Loss on disposal of property, plant and equipment	-	-	NM	31	68	-54%

NM- Not meaningful



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

	Group		Company	
	30 Sep 2015 RMB'000	31 Dec 2014 RMB'000	30 Sep 2014 RMB'000	31 Dec 2014 RMB'000
<b>EQUITY</b>				
<b>Capital and reserves attributable to</b>				
<b>Equity holders of the Company</b>				
Share capital	55,409	55,409	55,409	55,409
Share premium	81,527	81,527	81,527	81,527
	136,936	136,936	136,936	136,936
<b>Other Reserves</b>				
Statutory reserve	27,957	27,957	-	-
Foreign exchange reserve	(3,331)	(3,331)	-	-
	24,626	24,626	-	-
Retained earnings	167,226	160,813	2,673	(1,634)
<b>TOTAL EQUITY</b>	<b>328,788</b>	<b>322,375</b>	<b>139,609</b>	<b>135,302</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	105,847	115,192	-	-
Subsidiaries	-	-	156,236	156,236
Land use right	10,101	10,289	-	-
	115,948	125,481	156,236	156,236
<b>Current assets</b>				
Inventories	49,481	40,508	-	-
Trade receivables	150,970	166,580	-	-
Other receivables, deposits and prepayments	2,113	4,071	336	74
Land use right	251	251	-	-
Cash and cash equivalents	63,261	53,775	6,576	2,395
	266,076	265,185	6,912	2,469
<b>TOTAL ASSETS</b>	<b>382,024</b>	<b>390,666</b>	<b>163,148</b>	<b>158,705</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	46,882	60,923	-	-
Other payables and accruals	5,527	5,291	772	636
Due to subsidiaries (non-trade)	-	-	22,767	22,767
Income tax payable	610	78	-	-
	53,019	66,292	23,539	23,403
<b>Non-current liability</b>				
Deferred tax liability	217	1,999	-	-
<b>TOTAL LIABILITIES</b>	<b>53,236</b>	<b>68,291</b>	<b>23,539</b>	<b>23,403</b>
<b>NET ASSETS</b>	<b>328,788</b>	<b>322,375</b>	<b>139,609</b>	<b>135,302</b>



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

**Amount repayable in 1 year or less, or on demand**

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

**Amount repayable after 1 year**

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



**1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEP 2015**

	Group			
	3 months ended		9 months ended	
	30 Sep 2015 RMB'000	30 Sep 2014 RMB'000	30 Sep 2015 RMB'000	30 Sep 2014 RMB'000
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	4,159	18,572	16,104	35,609
Adjustments for:				
Depreciation expense	4,315	4,386	12,328	13,744
Amortisation expense	63	63	188	188
Interest Income	(38)	(48)	(136)	(160)
Loss on disposal of property, plant & equipment	-	-	31	68
Operating profit before working capital changes	8,499	22,973	28,515	49,449
Inventories	(2,174)	11,666	(8,973)	(11,342)
Trade & other Receivables	1,571	(18,353)	17,568	(30,843)
Trade & other Payables	(6,431)	(5,881)	(13,805)	6,165
<b>Cash generated from/(used) in operations</b>	1,465	10,405	23,305	13,429
Interest received	38	48	136	160
Income tax credit/(charge)	(9,814)	(2,332)	(4,086)	(5,611)
<b>Net Cash generated from/(used) in operating activities</b>	(8,311)	8,121	19,355	7,978
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(239)	(3,197)	(2,952)	(18,278)
Proceeds from disposal of property, plant and equipment	-	-	-	5
<b>Net cash used in investing activities</b>	(239)	(3,197)	(2,952)	(18,273)
<b>FINANCING ACTIVITIES</b>				
Placement of Pledged deposits	16,781	(661)	9,580	(4,701)
Dividend paid	-	-	(6,869)	-
<b>Net cash used in financing activities</b>	16,781	(661)	2,711	(4,701)
<b>Net increase/(decrease) in cash and cash equivalents</b>	8,231	4,263	19,114	(14,996)
<b>Cash and cash equivalents at beginning of period</b>	51,357	60,082	40,530	79,369
<b>Effects of exchange rate changes in cash and cash equivalent</b>	8	(78)	(48)	(106)
<b>Cash and cash equivalents at end of period</b>	59,596	64,267	59,596	64,267

Effects of exchange rate changes in cash

Cash and bank balances comprise the following:

	Group		Group	
	3 months ended		9 months ended	
	30 Sep 2015 RMB'000	30 Sep 2014 RMB'000	30 Sep 2015 RMB'000	30 Sep 2014 RMB'000
Cash and cash equivalent	59,596	60,082	59,596	60,082
Pledged cash placed with bank	3,665	10,488	3,665	10,488
	63,261	70,570	63,261	70,570



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

**Group**

Group	Share Capital RMB'000	Share Premium RMB'000	Statutory Reserve RMB'000	Translation Reserve RMB'000	Retained Earnings RMB'000	Total RMB'000
<b>Balance as at 1 Jan 2014</b>	55,409	81,527	24,052	(3,523)	144,018	301,483
Total comprehensive income/ (expenses) for the period	-	-	-	(106)	28,550	28,444
Statutory reserves	-	-	-	-	-	-
Dividend	-	-	-	-	(6,867)	(6,867)
<b>Balance as at 30 Sep 2014</b>	55,409	81,527	24,052	(3,629)	165,701	323,060
Group	Share Capital RMB'000	Share Premium RMB'000	Statutory Reserve RMB'000	Translation Reserve RMB'000	Retained Earnings RMB'000	Total RMB'000
<b>Balance as at 1 Jan 2015</b>	55,409	81,527	27,957	(3,331)	160,813	322,375
Total comprehensive income/ (expenses) for the period	-	-	-	(48)	13,330	13,282
Statutory reserves	-	-	-	-	-	-
Dividend	-	-	-	-	(6,869)	(6,869)
<b>Balance as at 30 Sep 2015</b>	55,409	81,527	27,957	(3,379)	167,274	328,788

**Company**

Company	Share Capital RMB'000	Share Premium RMB'000	Statutory Reserve RMB'000	Translation Reserve RMB'000	Retained Earnings RMB'000	Total RMB'000
<b>Balance as at 1 Jan 2014</b>	55,409	81,527	-	-	9,010	145,946
Total comprehensive income/ (expenses) for the period	-	-	-	-	(2,982)	(2,982)
Statutory reserves	-	-	-	-	-	-
Dividend	-	-	-	-	(6,867)	(6,867)
<b>Balance as at 30 Sep 2014</b>	55,409	81,527	-	-	(839)	136,097

Company	Share Capital RMB'000	Share Premium RMB'000	Statutory Reserve RMB'000	Translation Reserve RMB'000	Retained Earnings RMB'000	Total RMB'000
<b>Balance as at 1 Jan 2015</b>	55,409	81,527	-	-	(1,634)	135,302
Total comprehensive income/ (expenses) for the period	-	-	-	-	11,176	11,176
Dividend	-	-	-	-	(6,869)	(6,869)
<b>Balance as at 30 Sep 2015</b>	55,409	81,527	-	-	2,673	139,609



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

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

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

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

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

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

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

Not applicable.

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

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



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

Not applicable.

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

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

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

Not applicable.

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

Earnings per ordinary share for the period based on net profit attributable to shareholders	Group			
	3 months ended		9 months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Basic earnings per share (RMB cents)	13.46	5.04	48.53	10.39
On a fully diluted basis (RMB cents)	13.46	5.04	48.53	10.39
Weighted average number of ordinary shares in issue for basic earnings per share	27,468,476	274,684,760	27,468,476	274,684,760

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

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



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

	Group		Company	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Net asset value per ordinary share based on the issued capital at the end of the financial year (RMB)	12.00	1.18	5.08	0.50
Number of shares in calculating net asset value	27,468,476	274,684,760	27,468,476	274,684,760

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

**Statement of Comprehensive Income for the quarter ended 30 Sep 2015**

Revenue in 3Q FY 2015 slumped by 47.5% from RMB 62.7 million in 3Q FY2014 to RMB 32.9 million in 3Q FY2015 reflecting lower demand from both domestic and overseas markets.

In a report by China Electricity Council (中电联) on 30 October 2015, for the 3 quarters ended 30 Sep 2015, with declining industrial needs, aggravated by industrial transformation and restructuring, total power consumption in China was 4.13 Trillion Kilowatt-Hour, which represented flat growth during the period ( 2015: 0.8%, 2014:3.8%). This flat growth has impacted the turbine vane market. The increasing stringent requirements for retrofitting existing turbine blades generators to conform to new lower CO2 emissions have led SOE to complete their orders in house, instead of outsourcing to smaller players as they have been doing. Revenue was also adversely affected by increasing stringent technical specifications for new blades over the past few years requiring higher precision cutting by CNC machine in almost all stages of production. However a large portion of the Company's CNC machines are worn out by years of intensive usage resulting in lower output and revenue, a crying need for critical replacement of our CNC fleet. The Company is also adversely affected by market shift towards clean energy promoted by the China Government, with structural changes within the energy sector favoring nuclear, hydroelectric, wind and other forms of energy generation that does not involve fossil fuels.



Overseas market continued to be weak. Domestic orders contributed 94 % to 3Q FY2015 revenue, compared to 88% in 3Q FY2014. Gross profit margin for 3Q FY 2015 was 32.9% compared to 39.9% in 3Q FY 2014 primarily due to lower prices caused by competitive public bidding at a time when the industry is facing its slowest growth in years.

There was an increase in selling and distribution expenses from RMB 0.56 million in 3Q FY2014 to RMB 0.66 million in 3Q FY2015 due to more customer visits and expenses incurred in sourcing potential customers.

Administrative expenses remained unchanged at RMB 5.8 million in 3Q FY 2014 and 3Q FY 2015. For YTD FY 2015, accruals were made for 2015 CEO incentive package (RMB 1 million), year-end bonus (RMB 975,000) and audit fees (RMB 742,500).

There was an Income tax expense of RMB 463,000 in 3Q FY2015 compared to RMB 4.7 million in 3Q FY2014 on the back of lower profit before income tax in 3Q FY 2015.

Overall, with lower revenue, the total comprehensive income attributable to equity shareholders of the company decreased 73% from RMB 13.7 million in 3Q FY2014 to RMB 3.7 million in 3Q FY2015 primarily due to lower revenue and lower gross profit margin, while administrative expenses remain about the same.

### **Statement of Financial Position as at 30 Sep 2015**

Property, plant and equipment (PPE) stood at RMB 105.8 million as at 3Q FY2015, reduced from RMB 115.2 million as at 31 Dec 2014 mainly due to depreciation in the period. The cost of new machines and equipment added in the period was RMB 4.6 million consist mainly of 2 measuring instruments & 3 CNC machine acquired at RMB 4.1 million in FY 2014, but commissioned into service in 1Q FY2015.

Inventories increased from RMB 40.5 million as at 31 Dec 2014 to RMB 49.5 million in 3Q FY 2015, mainly due to buildup in finished goods, but expected to be invoiced by end of FY 2015, if not 1Q FY 2016.

Trade receivables decreased from RMB 166.6 million as at 31 Dec 2014 to RMB 151.0 million at 3Q FY2015 due to conversion of bills receivables into cash upon maturity. These trade receivables included bills receivables amounting to RMB 20.6 million (FY2014: RMB 50.5 million) received from customers for the settlement of outstanding balances. Included in the RMB 20.6 million bills receivable, 36 % are bank-guaranteed bills (31 Dec 2014: 55.4%) with remaining notes from an SOE customer. From the RMB 20.6 million bills receivable, about RMB 14.6 million is due for settlement by end of December 2015, the remaining is due by March 2016.

Other receivables, deposits and prepayments decreased slightly from RMB 4.1 million as at 31 Dec 2014 to RMB 2.1 million in 3Q FY2015, mainly due to the commissioning of the above mentioned CNC machines in 1Q FY2015, which has been classified as other receivables prior to the commissioning.

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



RMB'000	Balance	Not Due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 Days	>1 year
Account Receivable	135,688	38,420	10,266	7,956	17,526	34,282	23,315	3,923
Provision for Doubtful Debts	(5,283)	-	-	-	-	-	(1,360)	(3,923)
Net Account Receivable	130,405	38,420	10,266	7,956	17,526	34,282	21,955	-
Bills Receivable	20,565	20,565	-	-	-	-	-	-
Total Trade Receivables @ Sep'15	150,970	58,985	10,266	7,956	17,526	34,282	21,955	-
	100%	39%	7%	5%	12%	23%	14%	0%

In comparison with FY2014, the ageing of the trade receivables as at 30 Sep 2015 has worsened as 37.0% of the receivables are aged 91 days and above, compared to 2.60% in FY 2014.

Management is considering contingencies dealing with the ageing situation by purchasing insurance on accounts receivables from certain customers to increase the recoverability of these receivables. At the same time, the Company is constantly engaging these customers in pressing for faster collections.

Trade payables have decreased to RMB 46.9 million at 30 Sep 2015, from RMB 60.9 million as at 31 Dec 2014.

Other payables and accruals increased slightly to RMB 5.5 million at 30 Sep 2015, from RMB 5.3 million as at 31 Dec 2014.

#### **Statement of Cash Flows for the period ended 30 Sep 2015**

Net cash used in operating activities was RMB 8.3 million in 3Q FY2015, compared to net cash generated of RMB 8.1 million in 3Q FY2014 caused by buildup in inventories (RMB 2.2 million) and a lower operating profit for the Quarter (RMB 8.5 million vs RMB 23.0 million) for the 2 periods 3Q FY2015 and 3Q FY2014 under comparison.

Net cash used in investing activities in 3Q FY2015 was RMB 0.24 million, compared to RMB 3.2 million used in 3Q FY2014.

Net cash generated in financing activities was RMB 16.8 million in 3Q FY2015 compared to RMB 0.7 million used in 3Q FY2014 due to release of pledged deposits for accounts payable facility.

As a result of the above, there was a net increase in cash and cash equivalents of about RMB 8.2 million in 3Q FY2015, compared to a net increase of RMB 4.3 million in 3Q FY2014.

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

Not applicable.



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

The business outlook continues to be very challenging both in China and in the global markets, amid deflationary pressure and lingering weakness in the developed economies.

The turbine blades industry is in difficult transition with flat if not negative growth in new turbine blades generators caused by sharp decline in industrial power consumption, changing market behavior of key players and compliance with new technical requirements associated with PRC government's determination to reduce CO2 emissions. Against a backdrop of yet another year of declining growth, the Company has to address the need for an increasingly sophisticated engineering process by evaluating phased replacements of its ageing CNC machine giving due consideration for tight cash flow caused by continuing collection difficulty and challenging market conditions. The Management may have to resort to borrowing to finance the equipment replacement, balancing it with its shareholder payout and working capital needs.

- 11. Dividend**

***(a) Current Financial Period Reported On***

None.

***(b) Corresponding Period of the Immediately Preceding Financial Year***

None.

***(c) Date payable***

Not applicable.

***(d) Books closure date***

Not applicable.

- 12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared.

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

No IPT mandate has been obtained.

- 14. Confirmation of interim Financial Statements (Third Quarter) for the period ended 30 Sep**



**2015 (“3QFY2015”)**

Pursuant to SGX-ST Listing Rule 705(5), the directors of Shanghai Turbo Enterprises Limited do hereby confirm that to the best of their knowledge, nothing has come to the attention of the board of directors which may render the 3QFY2015 interim financial results to be materially false or misleading. This confirmation has been made without an audit of these financial statements.

**BY ORDER OF THE BOARD**

Liu Ming  
CEO cum Executive Director  
13 November 2015