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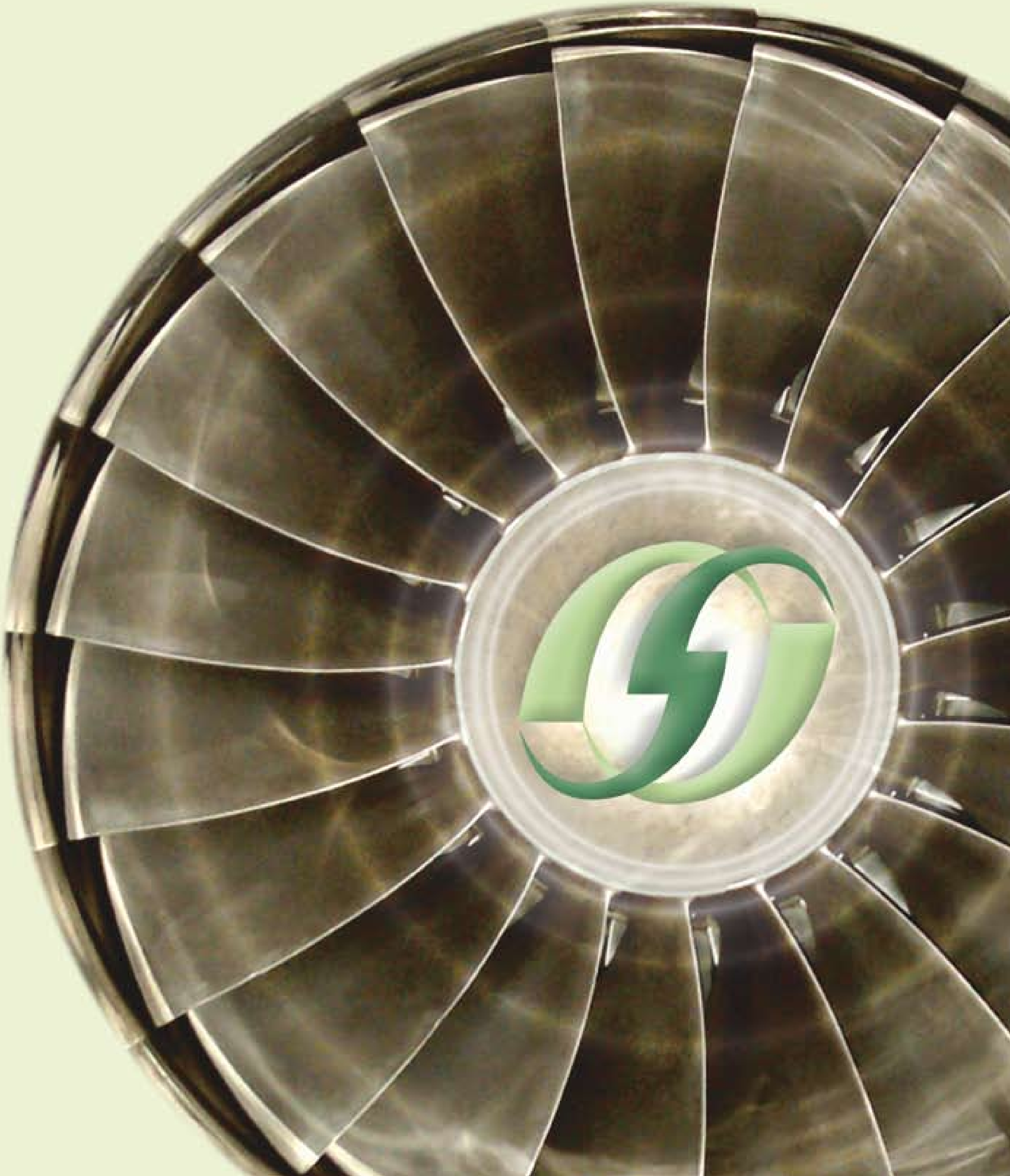
SHANGHAI TURBO ENTERPRISES LTD
上海动力发展有限公司

ANNUAL REPORT 2009

2009年年报



CONTENTS

CORPORATE PROFILE

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 sub-stations. They are also essential components mounted onto steam turbine generators to maximize 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 sub-stations.

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 prides itself as the only manufacturer in China capable of providing a complete set of vane products for steam turbine power generators each with a generating capacity of up to 600,000 kilowatts of electricity.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2009 ("FY2009"), Shanghai Turbo upheld the spirit of gaining trust as our first management philosophy. We explored our markets both in China and abroad. Our products were well received by our customers, and this has helped to boost turnover by 26% to RMB157million from RMB125 million in the previous year (FY2008).

Dear Shareholders,

PERFORMANCE IN 2009

For the year ended 31 December 2009 ("FY2009"), Shanghai Turbo upheld the spirit of gaining trust as our first management philosophy. We explored our markets both in China and abroad. Our products were well received by our customers, and this has helped to boost turnover by 26% to RMB157million from RMB125 million in the previous year (FY2008). Correspondingly, gross profit for FY2009 increased by 42% to RMB34.24 million from RMB24.03 million in FY2008. To repay the shareholders' long term support and subject to shareholders' approval, the Board is proposing to pay dividends of RMB13.73 million.

Despite the global financial turmoil, three key factors contributed to our steady performance growth in FY2009. Firstly, we enhanced our customer needs by providing continuous upgraded high-precision quality products. Secondly, we optimized products cost through selective material usage and more efficient production. Finally, our core competence has been strengthened, giving us a strategic advantage against our competitors.

亲爱的股东们：

2009年业绩

截至2009年12月31日（“2009财政年”），上海动力秉承信誉第一的经营理念，在国内外业务的拓展上，公司产品都得到客户的一致好评，使营业总额在全球金融危机的情况也能从截至2008年12月31日（“2008财政年”）的1.25亿元（人民币，下同）增长至1.57亿元，增幅达到26%。同样，2009财政年的毛利润也从2008财政年的2,403万元增加到3,424万元，增幅为42%。为感谢股东们长期以来对公司的支持，如果股东们允许，董事会建议向股东分红1,373万元。

回顾2009财政年，公司能在国际金融危机中保持业务的稳定增长，主要取决于以下三个因素。首先，开源。我们专注产品质量，通过不断提升高精产品，来拓展我们的客户关系；其次，节流。公司不断优化产品的成本，从各方面着手，不断尝试新的用料方法，以达到最省料、最节省工时的效果；第三，强化综合竞争力。我们具备比竞争者更强的战略优势，结合专注性、灵活性和独特能力，以使我们在竞争中立于不败之地。

MARKET PERSPECTIVES

According to a report of the international Energy Agency*, China will invest a total of nearly USD 2 trillion for electricity generation, transmission, and distribution over the next 30 years to meet rapidly growing electricity demand. Half of that investment will be used for power generation, while the other half will be used for power transmission and distribution. Currently, thermoelectricity comprises mostly power generating capacity in China. With the limited supply of fossil fuels for power generation, the Chinese government is encouraging alternative forms of power supply, such as hydropower, wind power and others.

2010 will be the year when the field of energy generation is greatly impacted by the financial crisis Whilst the domestic market is becoming stable, overseas markets are still depressed. In year 2010, with the economic recovery of China, macroeconomic controls and growing concerns to use "low-carbon economy" energy, the government will aggressively promote the use of low-emission and high efficiency power generation. We expect 30 million+ KV of steam turbine, gas-steam hybrid units and nuclear power generating units will be more widely applied, and the company's effort in recent years in developing turbine blades for steam and nuclear-powered generators will bear fruit moving along with the new trend.

市场前景

根据国际能源机构*的报告，为满足快速增长的用电需求，中国将在未来30年内投资近2万亿美元用于兴建发电、输电及配电设施。该投资的一半将用于发电，另一半将用于输电和配电设施。目前，中国发电产量的大部分为热电，由于发电需要的化石燃料供应有限，中国政府鼓励其他形式的电力供应，如水力发电、风力发电和其他方式的发电。

2010年国内市场趋于稳定，国外市场继续低落，2010年将是能源发电领域遭受金融危机影响最大的一年。2010中国经济的复苏，宏观政策的调控，以及对新能源“低碳经济”的关注，对市场起到的促进作用是肯定的。社会对新能源的关注，会促使能源发电领域往低排放、高效率的方向发展，30万千瓦以上汽轮机、燃气蒸汽联合循环机组以及核电机组将被得到更广泛的运用，而公司近年来致力于燃机及核电叶片的开发将在新的形势下受益。

OUTLOOK AND STRATEGY

Owing to the rapid development of power generation facilities in the past five years, China has become the second largest country in terms of power generation and consumption in the world. The emerging power generation market in China has offered us more opportunities to grow our business and we have capitalized on this positive trend, amidst the global financial crisis, to deliver a satisfactory performance in FY2009.

With the globalization of the electrical energy market and the increasing environmental demands, technology of gas turbines and nuclear power will become more important in the future. The company is looking at development of new blades for gas generator, nuclear application, aircraft engine and propeller and hopes to reach a broader market and new high in the industry.

展望与策略

在过去的五年里，由于发电设施的迅速增加，中国已在发电和用电方面成为世界第二大国。新兴的发电市场给我们的业务带来更多的机遇。尽管遭遇全球金融危机，在2009财政年，我们还是抓住了市场的机会并取得相对理想的业绩。

随着能源电力市场的日益全球化及环保诉求的不断提高，燃气轮机及核能发电技术在今后显得更加重要。公司正致力于燃气轮机叶片、核电叶片、航空叶片及叶轮的开发和制造，有望在未来一段时间，登上行业科技的顶峰，并为公司带来广阔的市场前景。

CHAIRMAN'S STATEMENT

In recent years, the company has put in significant efforts in expanding overseas markets, as evident in our business performance. The company is in discussions with Japan's Mitsubishi Heavy Industries, India's BHEL, Germany's MAN TURBO in 2010. To meet the stringent technical standards required by our customers, the company intends to upgrade the company's manufacturing technology through purchase of advanced machinery. This will establish a solid foundation for further development of the company's technical capabilities.

Equally important, we enter the year 2010 with a stronger balance sheet. As the new man at the helm, I promise that we will maintain even stricter standards of discipline in operational and financial expenditure, and exercise greater diligence to achieve our goals. We will continue to preserve liquidity and reduce our overall cost structure to maintain our financial flexibility in the future.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my gratitude to our customers, business partners, my fellow directors and colleagues for your commitment and support. I would like to place on record my deep appreciation to our founder, the late Executive Chairman and CEO, Mr Liu San San who demised on 10 Jan 2010, for devoting his entire life to bring this company to where it is today. I would also like to thank our independent director, Mr Leong Siew Loon, who retired from the board after the Annual General Meeting in April 2009. Mr Leong has served the board since our listing and has provided valuable insights to the board. I would also like to welcome Ms Han Mei who has joined us as Non-executive and Non-independent Director on 11 May 2009 and Mr Zhou Xu who has joined us as Executive Director on 16 March 2010. The year ahead may be fraught with challenges but together, we will overcome them.

Liu Ming
Executive Chairman and CEO

**Source - US Commercial Service, USA Department of Commerce at (http://www.buyusa.gov/asianow/cpowergen.html)*

公司近几年一直在努力拓展海外市场，这在营业业绩中也是显而易见的。2010年公司有望进入的国外市场为日本三菱重工、印度BHEL、德国MAN TURBO。为了满足市场对产品要求的不断提高，公司2010年拟投入先进设备，让公司的制造技术紧随科技浪潮的前沿，为公司进一步的发展打下坚实的基础。

同样重要的事，我们是带着一份强劲的资产负债表跨入2010年。作为公司新的掌舵人，我承诺我们将在公司运营和财务支出方面实施更严格的管理，为实现我们的目标更加勤勉尽责。我们将继续保持资金的流动性，全面缩减成本开支，以在未来保持财务的灵活性。

致谢

我谨代表董事会，向我们的客户、业务伙伴、董事同仁和员工同事给与本集团的承诺和支持，表示衷心的感谢！我要向于2010年1月10日辞世的前任董事长刘三三先生致意，感谢他把毕生的心血献给了公司！我要向于2009年4月股东大会后卸任的前独立董事梁兆麟先生表示衷心的感谢，感谢他自公司上市以来对公司的贡献。同时我还要对韩梅小姐于2009年5月11日以非执行及非独立董事身份，以及周旭先生于2010年3月16日以执行董事身份加入董事会表示欢迎！虽然未来的一年同样充满挑战，但相信只要大家携手并肩，一定能安然度过难关！

刘明
执行主席兼首席行政官

*资料来源：美国商务部商业服务局(http://www.buyusa.gov/asianow/cpowergen.html)

OPERATIONAL AND FINANCIAL REVIEW

INCOME STATEMENT

Compared to FY2008, group total revenue increased from RMB125.0 million to RMB157.0 million in FY2009, reflecting greater fulfillment and deliveries of orders to customers. Gross profit increased from RMB24.0 million to RMB34.2 million in FY2009. The increase in gross margin rates for FY2009 was mainly due to lower direct materials consumed and direct labour cost.

Other operating income increased from RMB877, 000 to RMB1.4 million in FY2009, mainly due to reversal of allowance for doubtful debts.

Administrative expenses increased from RMB14.0 million to RMB17.0 million in FY2009, mainly due to increase in staff cost and repair expenditure.

Selling and distribution expenses increased from RMB4.9 million to RMB6.9 million in FY2009 reflecting increased sales commissions incurred for higher sales in the year..

Finance costs increased from RMB54,000 to RMB184,000 in FY2009 due to interest expenses paid on unsecured bank borrowing which was fully repaid during the year.

Income tax expense increased to RMB2.0 million FY2009 due to a downward adjustment in FY2008 for over-provision in FY2007.

As a result, net profit after tax for the Group increased from RMB6.4 million to RMB9.7 million in FY2009, a 51.6% increase over the previous year.

Currency translation differences reduced from RMB2.3 million to RMB54,000 in FY2009 due to foreign exchange reserve derived from consolidation.

Overall, the total comprehensive income attributable to equity shareholders of the company increased from RMB4.0 million to RMB9.6 million in FY2009.

BALANCE SHEET

Trade receivables increased to RMB38.4 million as at 31 December 2009 from RMB15.7 million reflecting the increase in sales during the period.

Other receivables, deposits and prepayments were reduced to RMB1.5 million as at 31 December 2009 from RMB8.0 million, mainly due to reduction in prepayments and other receivables.

Inventories had reduced to RMB15.0 million as at 31 December 2009 from RMB59.8 million reflecting better inventory management during the year.

Property, plant and equipment decreased to RMB107.2 million as at 31 December 2009 from RMB107.5 million. Additional new machineries costing RMB13.1 million were acquired in 2QFY2009 to fulfill new customer order deliveries that required the requisite technology and quality.

Trade payables were increased to RMB27.4 million as at 31 December 2009 from RMB25.8 million. This also included bill payables of RMB12.2 million (2008: RMB8.0 million) issued to suppliers for the settlement of outstanding balances. As at 31 Dec 2009, these bills have yet to mature. RMB6.1 million of cash was pledged with the bank for this facility.

Other payables and accruals were increased to RMB13.6 million as at 31 December 2009 from RMB10.5 million mainly due to an increase in sales commissions accrued.

The unsecured bank borrowings were fully settled in 1QFY2009 and 3QFY2009.

CASH FLOW STATEMENT

Net cash generated from operating activities in FY2009 was RMB55.5 million, reflecting increase in operating profit before income tax, trade receivables, other receivables, deposits and prepayments, trade payables, decrease in inventories, bill receivables

Net cash used in investing activities in FY2009 was RMB12.2 million, due to a decrease in purchase of property, plant and equipment, and proceeds from disposal of plant and
machinery.

Net cash used in financing activities in FY2009 of RMB10.5 million reflected a decrease in bank borrowings.

As a result of the above, there was a net increase in cash and cash equivalent in FY2009.

BOARD OF DIRECTORS

MR LIU MING *Executive Chairman and CEO*

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.

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 KOH SIAK KHEE *Deputy Chairman, Non-executive and Non-Independent Director*

Mr Koh is currently the managing partner of East Gate Capital Pte Ltd which manages China pre-IPO funds backed by Japanese government. Mr Koh had previously worked with Barclays Capital and JP Morgan, both based in Tokyo.

Between 1998 and 2001, Mr Koh was the managing director of Bear Stearns in Tokyo. Mr Koh was the head of Asia Pacific for structured products of Warburg Dillion Read, specialising in equity, forex trading and quantitative derivative, as well as regulatory arbitrage. From 1989 to 1992, he worked for Allen & Gledhill as a corporate lawyer in Singapore.

For his outstanding performance in various fields he was garnered accolades that include the Singapore Young Scientist of the Year, Prince of Wales' Pegasus Scholar, Cambridge University Overseas Scholar and two Turf Club Scholars.

He graduated from the University of Singapore with a Bachelor's Degree in Law. He also holds a Masters Degree in Law from Cambridge University, England.

MR ZHOU XU *Executive Director*

Mr Zhou was appointed Executive Director on 16 March 2010. He is presently in charge of the marketing, logistics and operations of the factory. Mr Zhou worked for Changzhou 3D Co., Ltd since 2005 starting from a frontline salesman, and was gradually promoted to vice director, director of sales department, and Deputy General Manager in 2008. Mr Zhou graduated from Changhzou Jiaotong Technical College and has over 18 years' sales experience in the machinery-related industry.

MR JACK CHIA SENG HEE *Independent Director*

Mr Chia was appointed on the Board of Shanghai Turbo Enterprises Limited on 1 February 2008. Currently, he runs his own investment advisory firm Jack Capital Services Pte Ltd, which he set up in June 2005. Prior to that he was Senior Director, International Enterprise Singapore (the former Trade Development Board) and was based in Shanghai from June 2002. Mr Chia was also with Singapore Technologies, Government of Singapore Investment Corporation as well as Arthur Andersen in marketing and consulting capacities. He graduated from the National University of Singapore with a degree in Accountancy and from the International University of Japan with a Masters of Arts degree in International Relations. He is qualified as a Certified Public Accountant. He also completed the General Manager Program at Harvard Business School.

MR HUANG WOOI TEIK *Independent Director*

Mr. Huang Wooi Teik was appointed on the Board of Shanghai Turbo Enterprise Limited on 11 March 2009. Mr Huang currently runs a business and investment advisory firm, specialising in the China market. Prior to this, Mr Huang was a Managing Director in Singapore listed Middle East Development Singapore Limited 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 Carrier Refrigeration-Asia Pacific Operations, CFO of listed Hi-P International Limited 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 CPA Singapore and Australia and members of the Marketing Institute of Singapore and the Chartered Institute of Marketing in United Kingdom.

MS HAN MEI *Non-Executive and Non-Independent Director*

Ms Han is currently working as investment manager in SBI Ven Capital Pte. Ltd, which invests in private companies and prepares them for public listing. Ms Han was previously Chief Representative in Shanghai for East Gate Capital Pte Ltd. from September 2005 to August 2009, during which she worked with the lawyers, auditors and stockbrokers in mainland China, Hongkong, Japan and Singapore. In 2003, Ms Han worked for DTZ City Integrated Residential Services. Ms Han obtained her Bachelor and Masters of Arts degrees from Fudan University in China. Ms Han completed the first part of a PhD course at Keio University in Tokyo, under the Mombushou scholarship program by the Japanese government.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Liu Ming
(Executive Chairman, Chief Executive Officer & Executive Director)
(Appointed as CEO on 13 November 2009 and Executive Chairman on 16 March 2010)

Mr Koh Siak Khee
(Deputy Chairman, Non-Executive & Non-Independent Director)
(Appointed as Deputy Chairman on 16 March 2010)

Mr Zhou Xu
(Executive Director)
(Appointed on 16 March 2010)

Mr Jack Chia Seng Hee
(Independent Director)

Mr Huang Wooi Teik
(Independent Director)

Ms Han Mei
(Non-Executive and Non-Independent Director)
(Appointed on 11 May 2009)

AUDIT COMMITTEE

Mr Jack Chia Seng Hee
(Chairman)

Mr Huang Wooi Teik

Ms Han Mei
(Appointed on 11 May 2009)

NOMINATING COMMITTEE

Mr Huang Wooi Teik
(Chairman)
(Appointed as Chairman on 23 April 2009)

Mr Jack Chia Seng Hee

Mr Liu Ming

REMUNERATION COMMITEE

Mr Huang Wooi Teik
(Chairman)
(Appointed as Chairman on 23 April 2009)

Mr Jack Chia Seng Hee

Ms Han Mei
(Appointed on 11 May 2009)

SECRETARY

Ms Wong Yoen Har

REGISTERED OFFICE

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Cayman Islands

BUSINESS OFFICE

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CAYMAN ISLANDS SHARE REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
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Cayman Islands

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AUDITORS

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Singapore 038987

AUDIT PARTNER-IN-CHARGE

Mr Alfred Cheong Keng Chuan
Date of Appointment: 24 October 2008

CORPORATE GOVERNANCE REPORT AND FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

Shanghai Turbo Enterprises Ltd. (the "Company") and the Management is committed to maintaining 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 2005 (the "Code").

The Company has established various self-regulating and monitoring mechanisms to ensure that effective corporate governance is practised 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 Singapore Exchange Securities Trading Limited's Listing Manual.

The Board is pleased to confirm that for the financial year ended 31 December 2009, the Company has generally adhered to the principles and guidelines as set out in the Code, except for Guideline 3.1 (Chairman and CEO should be separate persons), the reason for which deviation is explained in this Report.

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 management. The Board also establishes policies on matters such as financial control, financial performance and risk management procedures, thereby taking responsibility for the overall corporate governance of the Group.

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 meets at least four times a year. Ad-hoc meetings are convened when circumstances so require.

The frequency of meetings and attendance of each director at every board and board committee meeting are disclosed in this Report.

Matters which are specifically reserved to the Board for decision are 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 works closely with the professional corporate secretarial firm to provide its directors with regular updates on the latest governance and listing policies. All directors are 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.

The attendance of the Directors at Board meetings and Board Committee meetings during the financial year ended 31 December 2009 are as follows:-

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	4	4	2	1
Name of Directors				
Executive Directors:				
Liu San San[1]	3	–	–	–
Liu Ming[2]	4	2*	–	–
Non-Executive & Non-Independent Directors:				
Chung Kwai Hoi[3]	–	–	–	–
Koh Siak Khee[4]	4		–	–
Han Mei[4]	2	1	–	–
Non-Executive & Independent Directors:				
Jack Chia Seng Hee	4	4	2	1
Huang Wooi Teik[5]	3	3	1	–
Leong Siew Loon[6]	1	1	1	1

* By invitation

Notes:

1. Mr Liu San San demised on 10 January 2010.

2. Mr Liu Ming was appointed as a member of the Nominating Committee on 11 March 2009.

3. Mr Chung Kwai Hoi resigned as a Director on 10 March 2009.

4. Ms Han Mei was appointed as Non-Executive Director and Non-Independent Director of the Company on 11 May 2009. She was also appointed as a member of the Audit Committee and Remuneration Committee in place of Mr Koh Siak Khee on 11 May 2009.

5. Mr Huang Wooi Teik was appointed as Independent Director of the Company and a member of the Audit Committee on 11 March 2009. He was also appointed as Chairman of the Nominating Committee and Remuneration Committee in place of Mr Leong Siew Loon with effect from 23 April 2009.

6. Mr Leong Siew Loon did not seek for re-election as a director at the Company's Annual General Meeting held on 23 April 2009. Consequent to his retirement, Mr Leong also ceased as Chairman of the Nominating Committee and Remuneration and a member of the Audit Committee.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the Board

Presently, the Board comprises two Executive Directors, one Non-Executive Directors, and three Independent and Non-Executive Directors.

Executive Directors

Mr Liu Ming[1] (Executive Chairman & Chief Executive Officer)
Mr Zhou Xu[2]

Non-Executive & Non-Independent Directors

Mr Koh Siak Khee[3] (Deputy Chairman)
Ms Han Mei[4]

Non-Executive & Independent Directors

Mr Jack Chia Seng Hee
Mr Huang Wooi Teik[5]

Notes:

1. Mr Liu Ming was appointed as Executive Chairman with effect from 16 March 2010.

2. Mr Zhou Xu was appointed as Executive Director on 16 March 2010.

3. Mr Koh Siak Khee was appointed as Deputy Chairman on 16 March 2010.

4. Ms Han Mei was appointed as Non-Executive and Non-Independent Director on 11 May 2009.

5. Mr Huang Wooi Teik was appointed as an independent director on 11 March 2009.

There is presently a good balance between the executive and non-executive directors and a strong and 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 can be found in the "Board of Directors" section of the Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

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

Mr Liu Ming is currently the Executive Chairman and the CEO of the Company. The role of Chairman is not separate from that of the Group CEO as the Board considers that there is considerable accountability and transparency within the Group.

The role of the Chairman includes ensuring that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the Company Secretary and ensuring that Board members are provided with complete, adequate and timely information.

Mr Liu Ming, who with the support and advice of the Board, plays an instrumental role in setting the strategic direction of the Group and ensuring that its organizational objectives are achieved.

Separate roles have not been established for the Executive Chairman and CEO as the Board is of the view that it is unlikely that the discharge of responsibilities in these roles by the same person will be compromised as all major financial decisions made were reviewed by the AC. His performance and appointment to the Board are reviewed periodically by the NC and his remuneration package is governed by the recommendations of the RC with the approval of the Board.

Both the NC and the RC comprise a majority of independent directors. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority vested in any one individual.

Mr Koh Siak Khee was appointed as Deputy Chairman of the Company to lighten the workload of Mr Liu Ming in his role as Executive Chairman.

The Board unanimously supports Mr Liu Ming's role as both Chairman and CEO.

BOARD MEMBERSHIP

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

The Board, through the delegation of its authority to the Nominating Committee ("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.

Presently, the NC comprises 4 Directors, majority of whom including the Chairman, are Independent Directors. As at the date of this Report, the NC members are:-

Nominating Committee

Mr Huang Wooi Teik[1]	(Chairman)
Mr Jack Chia Seng Hee	(Member)
Mr Liu Ming[2]	(Member)

Notes:

1. Mr Huang Wooi Teik was appointed as Chairman of the NC on 23 April 2009.
2. Mr Liu Ming was appointed as a member of the NC on 11 March 2009.

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.

Article 85(6) of the Company's Articles of Association provides that any director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Ms Han Mei was appointed as Non-Executive and Non-Independent Director of the Company on 11 March 2009. She was also appointed as a member of the Audit Committee and Remuneration Committee in place of Mr Koh Siak Khee on 11 May 2009. The NC had recommended the nomination of Ms Han Mei, who is retiring pursuant to Article 85(6) of the Company's Articles of Association, to be put forward for re-election at the forthcoming Annual General Meeting. Ms Han Mei 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 as non-independent.

Mr Zhou Xu was appointed as Executive Director of the Company on 16 March 2010. The NC had recommended the nomination of Mr Zhou Xu, who is retiring pursuant to Article 85(6) of the Company's Articles of Association, to be put forward for re-election at the forthcoming Annual General Meeting.

Article 86 (1) & (2) provides for re-election of Directors by rotation at least once every three years. The retiring Directors are eligible to offer themselves for re-election.

The NC had also recommended the nominations of Mr Jack Chia Seng Hee and Mr Koh Siak Khee, who are retiring by rotation pursuant to Article 86(1)(2), to be put forward for re-election at the forthcoming Annual General Meeting. Mr Jack Chia Seng Hee will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent. Mr Koh Siak Khee will, upon re-election as a Director of the Company, remain as Deputy Chairman and will be considered as non-independent.

In reviewing the nomination of the retiring directors, the NC considered the performance and contribution of each of the retiring directors, having regards not only to their attendance and participation at Board and Board Committee meetings but also the time and efforts devoted to the Group's business and affairs, especially the operational and technical contributions.

BOARD PERFORMANCE

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

While the Code recommends that the NC be responsible for assessing the Board as a whole and also assessing the individual evaluation of each directors' contribution, NC felt that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company.

The NC has conducted a Board performance evaluation to assess the effectiveness of the Board in FY2009 and is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Group.

The NC, in conducting the appraisal process to assess the performance and effectiveness of the Board as a whole, it 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 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 Company Secretary and the external auditors at all times. Directors also have unrestricted access to the Company's records and information, all Board and Board's committees' minutes, and shall receive management accounts so as to enable them to carry out their duties.

The Company Secretary attends all Board and Board Committee meetings. The Company Secretary administers, attends and prepares minutes of Board and Board Committee meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's Articles of Association so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The Company Secretary's role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as board policies and procedures are complied with.

Should Directors whether as a group or individually require professional advice, 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 Remuneration Committee ("RC") comprises, including Chairman, entirely Non-Executive and Independent Directors. As at the date of this Report, the RC members are:-

Remuneration Committee

Mr Huang Wooi Teik[1]	(Chairman)
Mr Jack Chia Seng Hee	(Member)
Ms Han Mei[2]	(Member)

Notes:

1. Mr Huang Wooi Teik was appointed as Chairman of the RC on 23 April 2009.
2. Ms Han Mei was appointed as a member of the RC with effect from 11 May 2009.

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 package 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 will have access to expert advice inside and/or outside the Company with regard to remuneration matters.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration for Directors should be adequate, not excessive, and linked to performance

The remuneration policy of the Company is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate Directors and senior management.

The Executive Directors do not receive Directors' fees. The Executive Directors and key senior management remuneration packages are based on service contracts and their remunerations are determined by having regard to the performance of the individuals and market trends.

Non-Executive and Independent Directors are paid yearly Directors' fees of an agreed amount based on their contributions, taking into account factors such as effort and 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 Annual General Meeting.

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 Annual General Meetings.

The RC had recommended to the Board the payment of Directors' Fees of RMB1,320,000 for the financial year ending 31 December 2010 for Non-Executive Directors and Non-Executive Independent Directors, which will be at the forthcoming Annual General Meeting for the shareholders' approval.

a) No. of Directors in remuneration bands

	2009	2008
Below S$250,000	8	7
S$250,000 to S$499,999	–	1
S$500,000 and above		
	8	8

b) A breakdown, showing the level and mix of each individual director's remuneration and fees for Shanghai Turbo in FY2009 is as follow:-

Remuneration Bands & Name	Salary* %	Bonus %	Benefits %	Other Remuneration %	Directors' Fees*	Total %
Below S$250,000						
Executive Directors						
Liu San San	48		19	33		100
Liu Ming	49		1	50		100
Non-Executive Directors						
Chung Kwai Hoi					100	100
Koh Siak Khee					100	100
Han Mei					100	100
Independent Directors						
Leong Siew Loon					100	100
Jack Chia Seng Hee					100	100
Huang Wooi Teik					100	100

c) **No. of top 5 key executives in remuneration bands**

	2009	2008
Below S$250,000	1	1
S$250,000 to S$499,999		
S$500,000 and above		
	1	1

d) **A breakdown, showing the level and mix of each key executive's remuneration for FY2009, is as follow:-**

Remuneration Bands & Name	Salary %	Bonus %	Total %
Below S$250,000			
Tan Kok See	100		100

The Board is of the opinion that details of remuneration for individual Directors and key executives are confidential, and disclosure of such information would not be in the interest of the Company.

Immediate Family members of Directors

There are no immediate family members of Directors in employment with the Group and whose remuneration exceeds S$100,000 during FY2009.

ACCOUNTABILITY

Principle 10: Board should present a balanced and understandable assessment of the Company's performance, position and prospects

The Board is accountable to shareholders for the management of the Group. 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 Managements is accountable to the Board by providing the Board with the necessary financial information for the discharge of its duties.

AUDIT COMMITTEE

Principle 11: Establishment of Audit Committee with written terms of reference

Presently, the Audit Committee ("AC") comprises entirely of 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:-

Audit Committee

Mr Jack Chia Seng Hee (Chairman)
Mr Huang Wooi Teik[1] (Member)
Ms Han Mei[2] (Member)

1. Mr Huang Wooi Teik was appointed as a member of the AC with effect from 11 March 2009.
2. Ms Han Mei was appointed as a member of the AC with effect from 11 May 2009.

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 judgements relating to financial statements for each financial year, interim and annual results announcement before submission to the Board for approval;

4. reviews the adequacy of the Company's internal control (financial and operational) 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 management on the auditors' recommendations;

6. appraises and report 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 consider the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the auditors and approve 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; and

9. reviews the remuneration of employees who are related to our Directors or substantial shareholders.

The AC has explicit authority to investigate any matter within its terms of reference. The AC has full access to and co-operation of the management and external auditors, Horwath First Trust LLP, Singapore. It also has the discretion to invite any Director and key executive to attend its meetings. The AC meets with the external auditors without the presence of the management at least once a year. The AC has adequate resources to enable it to discharge its responsibilities properly.

The AC has reviewed the non-audit services performed by Horwath First Trust LLP, Singapore and noted that the level of such activities are not significant compared to the level of audit services carried out that may impair the auditors' independence.

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

Pursuant to Listing Rule 716, the Board and the AC are satisfied that the appointment of different auditors for the subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The details of the auditors are outlined in Note 9 to the financial statements.

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.

INTERNAL CONTROLS

Principle 12: The Board to ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets

AC reviews the adequacy of financial, operational and compliance controls and risk management policies.

The AC is fully aware of the need to put in place a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in the financial statements.

Risk management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also create shareholders' value.

Based on the information provided to the AC, nothing has come to the AC's attention to cause the AC to believe that the system of internal controls and risk management is inadequate.

INTERNAL AUDIT

Principle 13: Setting up independent internal audit function

The Company has appointed Shanghai LSC Certified Public Accountants Co., Ltd to undertake the function of internal audit ("IA"). Report of their work is expected to be received after the AGM..

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders
Principle 15: Shareholders' participation at AGM

The Company recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis so that it can discharge its duties effectively. The Company also 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 is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

All shareholders of the Company receive the annual report and notice of Annual General Meeting (AGM). At general meetings of shareholders, shareholders are given the opportunity to voice their views and ask Directors or management questions regarding the Company's affairs. 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.

CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES

The Company has adopted its own internal compliance code pursuant to the SGX-ST's 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 one month before the announcement of the Company's results, or if they are in possession of unpublished price-sensitive information of the Company. In addition, directors and officers 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 the Best Practices Guide on Securities Transactions issued by the Singapore Exchange.

MATERIAL CONTRACTS

There are no material contracts of the Company or its subsidiaries involving the interests of the Managing Director, 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 on a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with the established procedures.

The directors present their report to the members together with the audited financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2009 and the balance sheet of the Company as at 31 December 2009.

Directors

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

Liu Ming	
Koh Siak Khee	
Jack Chia Seng Hee	
Huang Wooi Teik	
Han Mei	(appointed on 11 May 2009)
Zhou Xu	(appointed on 16 March 2010)

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

Except for the bonus warrants as disclosed below, 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

The directors of the Company holding office at the end of the financial year had no interest in the shares or debentures of the Company or its related corporations, except as follows:

	Shareholdings registered in names of directors		Shareholdings in which directors are deemed to have interests	
	At 1 January 2009	At 31 December 2009	At 1 January 2009	At 31 December 2009
The Company				
(Ordinary shares at US$0.025 each)				
Liu San San	41,200,000	41,200,000	-	-
Liu Ming	41,200,000	41,200,000	-	-
Kok Siak Khee	-	-	29,643,400	62,643,400

The directors' interests in the share capital of the Company as at 21 January 2010 were the same as those as at 31 December 2009.

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

(a) Option to take up unissued shares

During the financial year, there were no options granted by the Company or its subsidiaries to take up unissued shares in the Company or its subsidiaries.

(b) Option exercised

During the financial year, there were no shares issued by virtue of any exercise of option to take up unissued ordinary shares of the Company or its subsidiaries.

(c) Unissued shares under bonus warrants

In November 2006, the Company granted bonus warrants on the basis of 1 bonus warrant for every 2 existing ordinary shares of US$0.025 each held in the share capital of the Company to all the eligible shareholders under the Bonus Warrant Scheme (the "Scheme"). A total number of 137,335,130 bonus warrants were issued free to the share holders and listed on the Singapore Exchange Securities Trading Limited on 24 November 2006.

The Scheme allows all warrant holders to subscribe for a new share of the Company at an exercise price of S$0.32 during the exercise period. The exercise period is 3 years commencing from the listing date of the warrants. During the financial year, all unexercised warrants lapsed due to the expiry of the warrants on 20 November 2009.

Except as disclosed above, during the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit committee

The members of the Audit Committee at the date of this report are as follows:

Jack Chia Seng Hee
Huang Wooi Teik
Han Mei (appointed on 11 May 2009)

The Audit Committee performs the functions specified by the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code 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.

In performing those functions, the Audit Committee reviewed:

- the audit plan of the Company's independent auditors and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2009 prior to their submission to the Board of Directors, as well as the independent auditors' report on those financial statements; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The Audit Committee convened four meetings during the year and has also met with independent auditors, without the presence of the Company's management, at least once a year.

The Audit Committee has recommended to the Board of Directors that the independent auditors, 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 to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditors before confirming their re-nomination.

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

Independent auditors

The independent auditors, 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
Director

ZHOU XU
Director

2 April 2010

STATEMENT BY DIRECTORS

In the opinion of the directors, the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 28 to 66 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 2009 and of the results, changes in equity and cash flows of the Group for the financial year then ended, and 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

ZHOU XU
Director

2 April 2010

INDEPENDENT AUDITORS' REPORT

To the Members of Shanghai Turbo Enterprises Ltd.

Horwath First Trust

Horwath First Trust LLP
Certified Public Accountants

7 Temasek Boulevard
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Singapore 038987

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We have audited the accompanying financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 28 to 66, which comprise the balance sheets of the Company and of the Group as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. The responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

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 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 judgment, 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 and fair presentation of the financial statements 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.

Horwath First Trust

Opinion

In our opinion, the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the International Financial Reporting Standards 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 2009, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Horwath First Trust LLP
Public Accountants and
Certified Public Accountants

Singapore
2 April 2010

BALANCE SHEETS

As at 31 December 2009
(Amounts in Chinese Renminbi ("RMB"))

	Note	Group		Company	
		2009	2008	2009	2008
		RMB'000	RMB'000	RMB'000	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	81,524	81,527	81,524
		136,936	136,933	136,936	136,933
Other reserves					
Statutory reserve	5	7,808	6,467	-	-
Translation reserve	6	14	68	-	-
		7,822	6,535	-	-
Retained earnings	7	45,871	37,559	(1,639)	2,007
TOTAL EQUITY		190,629	181,027	135,297	138,940
ASSETS					
Non-current assets					
Property, plant and equipment	8	107,239	107,545	-	-
Subsidiaries	9	-	-	156,236	156,236
Prepaid lease payments	10	8,986	9,181	-	-
Current assets					
Inventories	11	14,906	59,806	-	-
Trade receivables	12	38,451	15,677	-	-
Other receivables, deposits and prepayments	13	1,492	8,017	-	54
Prepaid lease payments	10	195	195	-	-
Cash and bank balances	24	60,318	26,991	18	17
		115,362	110,686	18	71
TOTAL ASSETS		231,587	227,412	156,254	156,307

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

BALANCE SHEETS

As at 31 December 2009

(Amounts in Chinese Renminbi ("RMB"))

	Note	Group		Company	
		2009	2008	2009	2008
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Current liabilities					
Trade payables	14	27,393	25,829	-	-
Other payables and accruals	15	13,555	10,489	1,275	5,247
Due to subsidiaries (non-trade)	16	-	-	19,682	12,120
Income tax payable		10	67	-	-
Term loans	17	-	10,000	-	-
		40,958	46,385	20,957	17,367
TOTAL LIABILITIES		40,958	46,385	20,957	17,367
NET ASSETS		190,629	181,027	135,297	138,940

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fianancial year ended 31 December 2009
(Amounts in Chinese Renminbi ("RMB"))

	Note	2009 RMB'000	2008 RMB'000
Revenue	18	156,955	124,985
Cost of sales		(122,711)	(100,951)
Gross profit		34,244	24,034
Other operating income	19	1,368	877
Selling and distribution expenses		(16,918)	(4,946)
Administrative expenses		(6,875)	(13,955)
Finance costs – interest expense		(184)	(54)
Profit before tax	21	11,635	5,956
Income tax (expense) credit	22	(1,982)	406
Profit for the year		9,653	6,362
Other comprehensive income:			
Share premium arising from exercising of bonus warrants		3	-
Currency translation differences arising from consolidation		(54)	(2,345)
Other comprehensive income, net of tax:		(51)	(2,345)
Total comprehensive income for the year		9,602	4,017
Earnings per share (RMB cents):			
Basic and diluted earnings per share	23	3.51	2.32

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the fianancial year ended 31 December 2009
(Amounts in Chinese Renminbi ("RMB"))

	Share capital	Share premium	Statutory reserve	Translation reserve	Retained earnings	Total
	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 2008	55,409	81,524	5,271	2,413	32,393	177,010
Total comprehensive income for the year	-	-	-	(2,345)	6,362	4,017
Transfer to statutory reserve	-	-	1,196	-	(1,196)	-
Balance as at 31 December 2008	55,409	81,524	6,467	68	37,559	181,027
Balance as at 1 January 2009	55,409	81,524	6,467	68	37,559	181,027
Total comprehensive income for the year	-	3	-	(54)	9,653	9,602
Transfer to statutory reserve	-	-	1,341	-	(1,341)	-
Balance as at 31 December 2009	55,409	81,527	7,808	14	45,871	190,629

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the fianancial year ended 31 December 2009
(Amounts in Chinese Renminbi ("RMB"))

	Note	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Profit before tax		11,635	5,956
Adjustments:			
Amortisation of prepaid lease payments		195	195
Amortisation of deferred expenditure		1,609	1,027
Depreciation of property, plant and equipment		12,713	12,629
Effects of foreign currency rate changes		(54)	(2,345)
Interest expense		184	54
Interest income		(127)	(80)
(Gain) / Loss on disposal of property, plant and equipment		(219)	4
Operating profit before working capital changes		25,936	17,440
Inventories		44,900	(15,769)
Trade and other receivables		(21,807)	1,194
Trade and other payables		4,630	18,295
Cash generated from operations		53,659	21,160
Interest paid		(184)	(54)
Interest income received		127	80
Income taxes paid		(2,039)	(2,635)
Net cash from operating activities		51,563	18,551
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		898	2,515
Purchase of property, plant and equipment	A	(9,137)	(15,523)
Net cash used in investing activities		(8,239)	(13,008)

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the fianancial year ended 31 December 2009 (Continued)
(Amounts in Chinese Renminbi ("RMB"))

	Note	2009 RMB'000	2008 RMB'000
Cash flows from financing activities			
Fixed cash deposits pledged		(551)	(5,361)
Proceeds from exercise of bonus warrants		3	-
(Repayments) Proceeds from term loans		(10,000)	10,000
Net cash (used in) from financing activities		(10,548)	4,639
Net increase in cash and cash equivalents		32,776	10,182
Cash and cash equivalents at beginning of year	24	21,032	10,850
Cash and cash equivalents at end of year	24	53,808	21,032

Note A:

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB 13,086,000 (2008: RMB 17,089,000) of which RMB 3,949,000 (2008: RMB 1,566,000) was capitalised from short term deposits. Cash payments of RMB 9,137,000 were made to purchase these property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

For the fianancial year ended 31 December 2009
(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

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 ("SGX-ST"). 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.1-2, 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. During the financial year, the Company disposed a wholly-owned subsidiary, Rosace Ltd (incorporated in Hong Kong) on 4 December 2009. This entity has not commenced operations since its incorporation. The disposal of Rosace is not expected to have any material impact on the consolidated financial statements of the Group for the year ended 31 December 2009.

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 2 April 2010.

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 Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) as indicated.

The preparation of the financial statements in conformity with FRS requires management to exercise its judgments, 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 judgment or complexity, are disclosed in this Note.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards

On 1 January 2009, the Group adopted the new or amended IFRS 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. The following are the new or revised IFRS that are relevant to the Group:

(a) IAS 1 (revised) Presentation of financial statements - effective 1 January 2009

The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement but entities can choose whether to present one performance statement (the "statement of comprehensive income") or two statements (the income statement and statement of comprehensive income). The Group has chosen to adopt the former alternative. In addition, where comparative information is restated or reclassified, a restated balance sheet is required to be presented as at the beginning comparative period. There is no restatement of the balance sheet as at 1 January 2008 in the current financial year.

(b) IAS 23 Borrowing costs - effective 1 January 2009

IAS 23 has been revised to require capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. The Group has amended its accounting policy based on the revised IAS 23. In accordance with the transitional provisions of the Standard, the Group has adopted this as a prospective change. The Group has assessed that the borrowing costs are not attributable to qualifying assets. Accordingly, borrowing costs are expensed in the profit or loss in the period in which they are incurred.

(c) IFRS 7 Financial instruments – Disclosures (amendment) - effective 1 January 2009

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy (Note 28). As the change in accounting policy only results in additional disclosures, there is no impact on the accounting policies and measurement bases adopted by the Group.

(d) IFRS 108 Operating segments - effective 1 January 2009

This replaces IFRS 14 *Segment Reporting,* and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. IFRS 108 requires disclosure information about the Group's operating segments and replaces the requirement to determine primary and secondary segments of the Group. The management does not allocate resources and assess performance by operating segments as the Group's major business comprises of the manufacturing and sale of high precision vane products and principally attributable to a single geographical region, which is the PRC. Accordingly, there is no impact on the financial statements upon the adoption of IFRS 108.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting standards and IFRS interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has not early adopted.

	Effective for annual periods beginning on or after
Revised IAS 27 *Consolidated and separate financial statements*	1 July 2009
Revised IFRS 3 *Business combinations*	1 July 2009
IFRIC 17 *Distribution of non-cash assets to owners*	1 July 2009
Amendments to IFRS 2 *Group cash-settled and share-based payment transactions*	1 July 2009
Amendments to IFRS 5 *Measurement of non-current assets (or disposal groups) classified as held-for-sale*	1 July 2009
Amendments to IAS 38 *Intangible assets*	1 July 2009
Amendments to IAS 1 *Presentation of financial statements*	1 January 2010

The Group's assessment of the impact of adopting these standards, amendments and interpretations that are relevant to the Group is set out below:

(a) IAS 27 (revised) Consolidated and separate financial statements - effective from 1 July 2009

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

(b) IFRS 3 (Revised) Business combinations - effective from 1 July 2009

IFRS 3 (revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

(c) IFRIC 17 Distribution of non-cash assets to owners - effective on or after 1 July 2009

IFRIC 17 provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present location and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010, but it is not expected to have a material impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated.

The acquisition of a subsidiary is accounted for using the purchase method. Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets, liabilities and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. Adjustments to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's interest in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recognised as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of the business combination is recognised as income in the profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The results of subsidiaries are consolidated from the date control is transferred to the Group and de-consolidated from the date on which control ceases. The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange difference that relate to the subsidiary, is recognised in the statement of comprehensive income.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the statement of comprehensive income. On disposal of investments in subsidiaries, the differences between net disposal proceeds and the carrying amount of the investments is taken to the statement of comprehensive income.

Subsidiaries

A subsidiary is an entity over which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of the asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

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

All 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. The estimated useful lives and residual values have been taken as follows:

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

Fully depreciated assets are retained in the financial statements until they are no longer in use. 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.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit and loss within "Other income (expense)".

Prepaid lease payments

Consideration paid for land use rights are recorded as prepaid lease payments. Land use rights are stated at cost less accumulated amortisation. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the terms of the respective leases.

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 calculated as the higher of the asset's value in use and the asset's or cash-generating unit's fair value less costs to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. In determining 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

An impairment loss is recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. 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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Financial assets

Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets have expired or have been transferred. 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.

All regular way purchases and sales of financial assets are recognised and derecognised on trade date basis where the purchase or sale of financial assets are under a contract whose terms require delivery of the assets within the timeframe established by the market concerned.

A. Classification

The Group classifies its investments in financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

A. Classification (Continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date. Loans and receivables are presented as trade and other receivables on the balance sheet.

B. Subsequent measurement

At subsequent reporting dates, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The Group assess as at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired and recognised the impairment loss when such evidence exists.

(i) Financial assets carried at amortised cost

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. 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 amounts charged to the allowance account are 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) 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 valued 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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalent of comprise cash on hand, and deposits with financial institutions, excluding cash deposits pledged for a period of more than three months, that are readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired.

Financial liabilities

Financial liabilities within the scope of IAS 39 are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. 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.

Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred and subsequently accounted for at amortised costs using the effective interest method. Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.

Operating leases

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 and loss on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when there is 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 regularly 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, the provision is 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.

Government grants

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as “Other income”. Alternatively, they are deducted in reporting the related expenses.

Share capital

Ordinary shares are classified as 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. 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.

Subcontracting service income is recognised when such services are provided.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Rental income is recognised on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing cost are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, are 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 subsidiaries' 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. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Income tax

(a) Corporate tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the balance sheet date.

(b) Deferred tax

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.

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 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 equity, in which case the deferred tax is also dealt with in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

(b) Deferred tax (Continued)

Deferred tax assets and 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.

(c) Value-added-tax (“VAT”)

The Group’s sales of goods in the PRC are subjected 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.

Functional and foreign currencies

Functional currency and presentation currency

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Chinese Renminbi (“RMB”), which is also the functional currency of the Company.

Foreign currency transactions

Transactions in foreign currencies 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 foreign currencies 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. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Translation of the Group’s financial statements

The assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional and foreign currencies (Continued)

Foreign currency transactions (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entity (including monetary items that, in substance, form part of the net investment in foreign entity), are taken to the foreign currency translation reserve. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments. The management does not allocate resources and assess performance by operating segments as the Group's major business comprises of the manufacturing and sale of high precision vane products and principally attributable to a single geographical region, which is the PRC. Accordingly, no separate analysis of segment information is presented.

Critical accounting estimates

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

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.

Depreciation of plant and machinery

The depreciable cost of plant and machinery used for the manufacture of precision turbo blades are depreciated on a straight-line basis over the estimated useful lives. Management estimates the useful lives of these plant and machinery to be within 5 – 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. The carrying amount of the Group's plant and machinery at 31 December 2009 was approximately RMB 80,493,000 (2008: RMB 79,202,000). 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates (Continued)

Impairment of trade receivables

Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to original term of debts. An assessment is made at each balance sheet date of whether there is any indication of impairment or whether there is any indication that an impairment loss previously recognised in prior years may no longer exist or may have decreased. Where the actual results differ from the amounts that were initially assessed, such differences will result in a material adjustment to the carrying amounts of trade receivables within the next financial year. The carrying values of trade receivables as at 31 December 2009 were approximately RMB 38,451,000 (2008: RMB 15,677,000).

Impairment of inventory

Management exercises their judgments in making allowance for inventories. An allowance for inventories is made if inventories are obsolete or where cost is lower than the estimated net realisable value. The carrying amounts as at the balance sheet date are disclosed in Note 11 to the financial statements.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on fair values. These calculations require the use of judgment and estimates. The carrying amounts as at the balance sheet date are disclosed in Note 8 to the financial statements.

Impairment of investment in subsidiaries

The Company assesses annually whether its investment in subsidiaries has any indication of impairment. Management made the assessment based on existing financial performance as well as operating profit forecasts of the subsidiaries. The carrying values of the investments in subsidiaries are disclosed in Note 9 to the financial statement.

3. SHARE CAPITAL

(a) Ordinary shares

	Group and Company			
	2009	2008	2009	2008
	No. of ordinary shares at US$0.025 each		US$'000	US$'000
Issued and fully paid:				
At the beginning of the year	274,682,760	274,682,760	6,867	6,867
Exercise of bonus warrants	2,000	-	^	-
At the end of the year	274,684,760	274,682,760	6,867	6,867
Equivalent to (RMB'000)			55,409	55,409

^ Amount less than US$1,000

(b) Bonus warrants

	Group and Company	
	2009	2008
	No. of bonus warrants	
At the beginning of the year	137,322,630	137,322,630
Exercised during the year	(2,000)	-
Expired during the year	(137,320,630)	-
At the end of the year	-	137,322,630

In November 2006, the Company granted bonus warrants on the basis of 1 bonus warrant for every 2 existing ordinary shares of US$0.025 each held in the share capital of the Company to all the eligible shareholders under the Bonus Warrant Scheme (the "Scheme"). A total number of 137,335,130 bonus warrants were issued free to shareholders and listed on the Singapore Exchange Securities Trading Limited on 24 November 2006.

The Scheme allows all warrant holders to subscribe for a new share of the Company at an exercise price of S$0.32 during the exercise period. The exercise period is 3 years commencing from the listing date of the warrants. During the financial year, all unexercised warrants lapsed due to the expiry of the warrants on 20 November 2009.

Except as disclosed above, during the financial year, there were no unissued shares of the Company or its subsidiaries under option.

4. SHARE PREMIUM

	Group and Company	
	2009	2008
	RMB'000	RMB'000
At the beginning of the year	81,524	81,524
Arising from the exercise of bonus warrants	3	-
At the end of the year	81,527	81,524

5. STATUTORY RESERVE

	Percentage of contribution from profit after tax	Group	
		2009	2008
		RMB'000	RMB'000
Statutory reserve fund	10%	7,808	6,467

5. STATUTORY RESERVE (Continued)

In accordance with the "Law of the PRC on Enterprise Operated Exclusively with Foreign Capital" and the subsidiary's Articles of Association, the subsidiary, being a wholly foreign-owned enterprise must make appropriation to a statutory reserve fund ("SRF"). At least 10 percent of the statutory after-tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF, however no appropriation is required in the loss-making year. If the cumulative total of the SRF reaches 50% of the subsidiary's registered capital, the subsidiary will not be required to make any further appropriation.

The reserve fund may be used to offset accumulated losses or increase the registered capital of the Company, 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 RESERVE

	Group	
	2009	2008
	RMB'000	RMB'000
At the beginning of the year	68	2,413
Net currency translation difference of financial statements of a foreign subsidiary	(54)	(2,345)
At the end of the year	14	68

7. RETAINED EARNINGS

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year	37,559	32,393	2,007	9,774
Net profit (loss) for the year	9,653	6,362	(3,646)	(7,767)
Transfer to statutory reserve	(1,341)	(1,196)	-	-
At the end of the year	45,871	37,559	(1,639)	2,007

8. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
As at 1.1.2008	31,364	102,560	2,462	2,643	139,029
Additions	464	16,377	50	198	17,089
Disposals	-	(3,978)	-	(43)	(4,021)
As at 31.12.2008	31,828	114,959	2,512	2,798	152,097
As at 1.1.2009	31,828	114,959	2,512	2,798	152,097
Additions	-	12,282	-	804	13,086
Disposals	-	(825)	-	(632)	(1,457)
As at 31.12.2009	31,828	126,416	2,512	2,970	163,726
Accumulated depreciation					
As at 1.1.2008	3,931	26,936	1,458	1,100	33,425
Charge for the year	1,452	10,284	387	506	12,629
Disposals	-	(1,463)	-	(39)	(1,502)
As at 31.12.2008	5,383	35,757	1,845	1,567	44,552
As at 1.1.2009	5,383	35,757	1,845	1,567	44,552
Charge for the year	1,421	10,669	213	410	12,713
Disposals	-	(503)	-	(275)	(778)
As at 31.12.2009	6,804	45,923	2,058	1,702	56,487
Net book value					
As at 1.1.2008	27,433	75,624	1,004	1,543	105,604
As at 31.12.2008	26,445	79,202	667	1,231	107,545
As at 31.12.2009	25,024	80,493	454	1,268	107,239

9. SUBSIDIARIES

	Company	
	2009 RMB'000	2008 RMB'000
Unquoted equity shares, at cost	156,236	156,236

The details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2009 %	2008 %	2009 RMB'000	2008 RMB'000
Held by the Company						
Best Success (Hong Kong) Limited ("Best Success") (1)	Investment holding	Hong Kong	100	100	156,236	156,236
Rosace Limited (2)	Dormant	Hong Kong	-	100	-	^
					156,236	156,236
Held by Best Success						
Changzhou 3D Technological Complete Set Equipment Co., Limited (3)	Manufacture of vane products	PRC	100	100	-	-

^ Amount less than RMB 1,000

(1) Audited by S. W. Chan & Co, Hong Kong.

(2) During the financial year, the Company disposed of the wholly-owned subsidiary in Hong Kong for a total consideration of HK$1.

(3) Audited by 常州新华瑞会计师事务所, a firm of certified public accountants in the PRC for local statutory reporting and by Horwath First Trust LLP for consolidation purposes.

10. PREPAID LEASE PAYMENTS

	Group	
	2009 RMB'000	2008 RMB'000
Cost		
At beginning of the year, representing balance at end of the year	9,766	9,766
Accumulated amortisation		
At beginning of the year	390	195
Charge for the year	195	195
At end of the year	585	390
Net book value		
At beginning of the year	9,376	9,571
At end of the year	9,181	9,376

10. PREPAID LEASE PAYMENTS (Continued)

	Group	
	2009 RMB'000	2008 RMB'000
Presentation in balance sheet:		
- Not later than one year, current portion	195	195
- Later than one year but not later than five years	780	780
- Later than five years	8,206	8,401
Non-current portion	8,986	9,181

Prepaid lease payments are charged to profit and loss statement on a straight-line basis over 50 years. Amortisation of prepaid lease payment is included in administrative expenses.

11. INVENTORIES

	Group	
	2009 RMB'000	2008 RMB'000
Raw materials	8,504	14,694
Work-in-progress	4,760	18,665
Finished goods	16,139	39,573
	29,403	72,932
Allowance for inventory obsolescence	(14,497)	(13,126)
	14,906	59,806

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB 87,067,000 (2008: RMB 65,097,000).

The movement in allowance for inventory obsolescence is as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Balance at beginning of the year	13,126	11,018
Allowance made during the year (Note 21)	1,371	2,108
Balance at end of the year	14,497	13,126

12. TRADE RECEIVABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Trade receivables	34,905	15,982
Allowance for impairment of trade receivables (Note 28 (c))	(3,630)	(4,153)
	31,275	11,829
Bills receivable	7,176	3,848
	38,451	15,677

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	950	5,307	-	-
Advances to sub-contractors	87	346	-	-
Deferred expenditure	338	614	-	-
Prepayments	22	-	-	-
Other receivables	55	1,505	-	-
Others	40	245	-	54
	1,492	8,017	-	54

14. TRADE PAYABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Trade payables	15,193	17,829
Bills payable (1)	12,200	8,000
	27,393	25,829

(1) Cash deposits of RMB 6,100,000 (2008: RMB 4,000,000) are pledged in connection with bills payable facilities granted by a bank (Note 24).

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued operating expenses	7,920	7,766	1,275	5,247
Deposits received from customers	1,624	266	-	-
Other tax payable	219	236	-	-
Other payables	2,000	2,000	-	-
Value added tax payable	1,792	221	-	-
	13,555	10,489	1,275	5,247

16. DUE TO SUBSIDIARIES (NON-TRADE)

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

17. TERM LOANS

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year:		
Term loans	-	10,000

Bank term loans of RMB 10,000,000 were fully repaid during the year. The bank term loans bear interest at 5.44% (2008: 5.44%) per annum. Cash deposits of RMB Nil (2008: RMB 1,000,000) were pledged in connection with loans facilities granted by a bank (Note 24).

18. REVENUE

	Group	
	2009	2008
	RMB'000	RMB'000
Sale of goods	125,950	111,394
Subcontracting services	31,005	13,591
	156,955	124,985

19. OTHER OPERATING INCOME

	Group	
	2009	2008
	RMB'000	RMB'000
Rental income	12	12
Gain on sale of scrap materials	338	211
Interest income	127	80
Government grants	200	80
Write-back of allowance for doubtful trade debts (Note 28(c))	523	421
Others	168	73
	1,368	877

20. PERSONNEL EXPENSES

	Group	
	2009	2008
	RMB'000	RMB'000
Wages, salaries and bonuses	18,055	19,026
Staff benefits	562	1,159
Pension contributions	1,711	1,457
	20,328	21,642

21. PROFIT BEFORE TAX

This is determined after charging (crediting) the following:

	Group	
	2009	2008
	RMB'000	RMB'000
Allowance for inventory obsolescence	1,371	2,108
Amortisation of prepaid lease payment	195	195
Amortisation of deferred expenditure	1,609	1,027
Cost of inventories recognised as expense	87,067	65,097
Depreciation of property, plant and equipment	12,713	12,629
Directors' remuneration		
- directors of the Company	1,492	1,585
- directors of subsidiaries	600	605
(Gain) / loss on disposal of property, plant and equipment	(219)	4
Net foreign exchange gain	(64)	(2,352)
Personnel expenses (Note 20)*	20,328	21,642
Write-back of allowance for doubtful trade debts (Note 28 (c))	(523)	(421)

* This includes the amount shown as directors' remuneration.

22. INCOME TAX EXPENSE (CREDIT)

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

	Group	
	2009	2008
	RMB'000	RMB'000
Current tax		
- current year	1,931	1,489
- under / (over) provision in prior year	51	(1,895)
	1,982	(406)

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

	Group	
	2009	2008
	RMB'000	RMB'000
Profit before tax	11,635	5,956
Tax at the domestic rates of 25% (2008: 25%)	2,909	1,489
Tax effects of:		
Tax exemptions granted to subsidiaries	(1,925)	(1,445)
Expenses that are not deductible in determining taxable profit	645	856
Under / (over) provision of tax in prior year	51	(1,895)
Differences in tax rates	302	589
Tax expense (credit)	1,982	(406)

The Company:

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

Subsidiaries:

Best Success (Hong Kong) Limited, subject to Hong Kong tax rate of 16.5% (2008: 16.5%), does not have assessable profit since its incorporation on 23 April 2005.

On 13 July 2005, the subsidiary, Changzhou Technological Complete Set Equipment Co., Ltd ("Changzhou 3D") was converted to a wholly foreign-owned enterprise ("WFOE"). From this date, in accordance with the "Income Tax Law of the PRC applicable to Enterprises with Foreign Investment and Foreign Enterprises", the income tax on foreign investment enterprises engaged in production established in coastal economic open zones shall be levied at the reduced rate of 24%. Accordingly, Changzhou 3D being a WFOE is entitled to a PRC preferential corporate tax rate of 24%, as compared to the statutory tax rate for PRC companies of 33% for the financial year ended 31 December 2007.

22. INCOME TAX EXPENSE (CREDIT) (Continued)

Changzhou 3D is further entitled to an exemption from Enterprise Income Tax ("EIT") for the first two profitable years of operation and thereafter a 50% reduction in EIT for the following three financial years. It is also exempted from the local income tax of 3% during the 5-year tax concession period. Thereafter, Changzhou 3D will have to pay EIT at the then prevailing statutory tax rate.

On 26 March 2007, the PRC promulgated the PRC Enterprise Income Tax Law (the "New Tax Law"), which became effective from 1 January 2008. The New Tax Law changed the tax rate from 33% to 25%.

Changzhou 3D enjoyed tax exemption from 2005 and is subject to EIT at 12.5% (2008: 12.5%), representing a 50% relief from the applicable tax rate of 25% (2008: 25%).

No deferred tax has been provided, as the Group does not have any significant temporary differences which give rise to a deferred tax asset or liability at the balance sheet date.

23. EARNINGS PER SHARE

The calculations of earnings per share are based on the profit and numbers of shares shown below.

	2009 RMB'000	2008 RMB'000
Profit attributable to shareholders	9,653	6,362

	Number of ordinary shares	
	2009	2008
Weighted average number of ordinary shares	274,682,990	274,682,760

There is no dilution effect in earnings per share in respect of the bonus warrants which are anti-dilutive.

24. CASH AND CASH EQUIVALENTS

	Group	
	2009 RMB'000	2008 RMB'000
Cash on hand	10	122
Cash in bank	53,798	20,910
Cash and cash equivalents as stated in the statement of cash flows	53,808	21,032
Pledged cash deposits placed with banks	6,510	5,959
Cash and bank balances as stated in balance sheet	60,318	26,991

Cash deposits of RMB Nil and RMB 6,100,000 (2008: RMB 1,000,000 and RMB 4,000,000) are pledged in connection with term loans (Note 17) and bills payable facilities (Note 14) respectively. The remaining balance of RMB 410,000 (2008: RMB 959,000) is pledged to a bank for the import of raw materials.

24. CASH AND CASH EQUIVALENTS (Continued)

As at 31 December 2009, the Group has cash and bank balances deposited with banks in the People's Republic of China denominated in Chinese Renminbi ("RMB") and United States dollars amounting to approximately RMB 48,367,000 and RMB 8,408,000 (2008: RMB 25,531,000 and RMB 618,000 respectively). The RMB is not freely convertible into foreign currencies. Under the People's Republic of China's Foreign Exchange Control Regulations and Administration of settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

25. RELATED PARTY TRANSACTIONS

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. The balances due from related parties are unsecured, interest-free and repayable on demand. 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	
	2009	2008
	RMB'000	RMB'000
Key management personnel compensation	2,241	2,870

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

26. CAPITAL COMMITMENTS

	Group	
	2009	2008
	RMB'000	RMB'000
Capital expenditure contracted but not provided for in the financial statements:		
- commitments in respect of land use rights	2,781	2,781
- commitments in respect of acquisition of plant and equipment	-	6,357
	2,781	9,138

27. SEGMENT INFORMATION

No separate analysis of operating segment is presented as the management does not allocate resources and assess performance by operating segments. The Group's major business comprises of the manufacture and sale of high precision vane products and the Group's revenue, expenses, results, assets, liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC.

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are foreign exchange risk, 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.

(a) Market risk

(i) Foreign exchange risk

As the Group's transactions are primarily denominated in RMB, it is subject to minimal foreign exchange exposure. The Group has cash and bank balances denominated in Singapore dollars, United States dollars and Hong Kong dollars. Accordingly, the Group's balance sheets can be affected by movements in these exchange rates.

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.

Group 2009	Singapore Dollars	United States Dollars	Chinese Renminbi	Hong Kong Dollars	Japanese Yen	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash and bank balances	18	8,408	48,367	3,525	-	60,318
Trade receivables	-	-	38,451	-	-	38,451
Other receivables	-	-	95	-	-	95
	18	8,408	86,913	3,525	-	98,864
Financial liabilities						
Trade payables	-	-	27,393	-	-	27,393
Other financial liabilities	945	-	10,658	81	247	11,931
	945	-	38,051	81	247	39,324
Net financial (liabilities) assets	(927)	8,408	48,862	3,444	(247)	59,540
Less: Net financial liabilities (assets) denominated in the respective entities functional currencies	-	-	(48,862)	(3,476)	-	(52,338)
Foreign currency exposure	(927)	8,408	-	(32)	(247)	7,202

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Group 2008	Singapore Dollars	United States Dollars	Chinese Renminbi	Hong Kong Dollars	Japanese Yen	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash and bank balances	17	620	25,531	823	-	26,991
Trade receivables	-	-	15,677	-	-	15,677
Other receivables	-	-	1,697	-	-	1,697
	17	620	42,905	823	-	44,365
Financial liabilities						
Term loans	-	-	10,000	-	-	10,000
Trade payables	-	-	25,829	-	-	25,829
Other financial liabilities	1,256	-	8,642	78	247	10,223
	1,256	-	44,471	78	247	46,052
Net financial (liabilities) assets	(1,239)	620	(1,566)	745	(247)	(1,687)
Less: Net financial liabilities (assets) denominated in the respective entities functional currencies	-	-	1,566	(777)	-	789
Foreign currency exposure	(1,239)	620	-	(32)	(247)	(898)

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Company 2009	Singapore Dollars	Hong Kong Dollars	Chinese Renminbi	Japanese Yen	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and bank balances	18	-	-	-	18
Financial liabilities					
Other financial liabilities	945	16,543	3,222	247	20,957
Net financial liabilities	(927)	(16,543)	(3,222)	(247)	(20,939)
Less: Net financial liabilities denominated in the respective entities functional currencies	-	-	3,222	-	3,222
Foreign currency exposure	(927)	(16,543)	-	(247)	(17,717)

Company 2008	Singapore Dollars	Hong Kong Dollars	Chinese Renminbi	Japanese Yen	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and bank balances	17	-	-	-	17
Financial liabilities					
Other financial liabilities	1,256	8,980	6,884	247	17,367
Net financial liabilities	(1,239)	(8,980)	(6,884)	(247)	(17,350)
Less: Net financial liabilities denominated in the respective entities functional currencies	-	-	6,884	-	6,884
Foreign currency exposure	(1,239)	(8,980)	-	(247)	(10,466)

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) 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. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. 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. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the Chinese Renminbi strengthens by 10% against the relevant foreign currency, profit or loss will increase (decrease) by:

Group 2009	Singapore Dollars	Hong Kong Dollars	United States Dollars	Japanese Yen	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	93	3	(841)	25	(720)
Company					
Profit or loss	93	1,654	-	25	1,772

Group 2008	Singapore Dollars	Hong Kong Dollars	United States Dollars	Japanese Yen	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	124	3	(62)	25	90
Company					
Profit or loss	124	898	-	25	1,047

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

If the Chinese Renminbi weakens by 10% against the relevant foreign currency, profit or loss will increase (decrease) by:

Group 2009	Singapore Dollars	Hong Kong Dollars	United States Dollars	Japanese Yen	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	(93)	(3)	841	(25)	720
Company					
Profit or loss	(93)	(1,654)	-	(25)	(1,772)

Group 2008	Singapore Dollars	Hong Kong Dollars	United States Dollars	Japanese Yen	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	(124)	(3)	62	(25)	(90)
Company					
Profit or loss	(124)	(898)	-	(25)	(1,047)

(ii) Interest rate risk

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 31 December 2009, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments, that are exposed to interest rate risk:

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year – fixed rates		
Term loans	-	10,000

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

Interest risk sensitivity

The Group's income statement and equity are not affected by changes in interest rates as the interest-bearing financial instruments carry fixed interest until maturity. Hence, the Group's exposure to interest rate risk is minimal.

(b) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

Group	On demand or within 1 year
2009	RMB'000
Trade payables	27,393
Other payables	11,931
	39,324
2008	
Trade payables	25,829
Other payables	10,223
Term loans	10,000
	46,052

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

Company	On demand or within 1 year
2009	RMB'000
Other payables	1,275
Due to subsidiaries	19,682
	20,957
2008	
Other payables	5,247
Due to subsidiaries	12,120
	17,367

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate 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 the 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.

As at 31 December 2009, the Group has five customers which comprise 94% (2008: 88%) of the Group's outstanding trade receivables, which are located in the People's Republic of China.

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 average credit period on sales of goods ranges from 30 to 90 days (2008: 30 to 90 days). No interest is imposed on overdue trade receivables.

The carrying amounts of cash and bank balances, trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and cash equivalents are placed with reputable local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. 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.

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

The age analysis of trade receivables is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Not past due and not impaired	29,857	7,688
Past due but not impaired		
- Past due 0 to 3 months	176	998
- Past due over 3 months	1,242	3,143
	1,418	4,141
Impaired trade receivables	3,630	4,153
Less: Allowance for impairment loss	(3,630)	(4,153)
Net trade receivables (Note 12)	31,275	11,829

The movement in allowance for impairment loss is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Balance at beginning of the year	4,153	4,574
Allowance written back during the year	(523)	(421)
Balance at end of the year	3,630	4,153

The Group has provided majority of its trade receivables over one year because historical experience is such that receivables that are past due beyond one year are generally not recoverable. Trade receivables less than one year are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Fair value of financial instruments by classes that are carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables are reasonable approximation of fair values, (including amounts due to subsidiaries) due to their short-term nature.

28. FINANCIAL INSTRUMENTS (Continued)

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, which includes the interest-bearing bank term loans disclosed in Note 17, cash and cash equivalents in Note 24 and equity attributable to equity holders of the parent, comprising share capital, share premium, reserves and retained earnings as disclosed in Notes 3, 4, 5 and 6.

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group will then balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

29. SUBSEQUENT EVENT

At the Annual General Meeting, a first and final dividend of RMB0.05 per share (one tier, tax exempt) amounting to RMB13,734,238 will be recommended. These financial statements do not reflect this proposed dividend which will be accounted for in shareholders' equity as an appropriation in retained earnings in the financial year ending 31 December 2010.

SHAREHOLDINGS' INFORMATION

As at 16 March 2010

SHAREHOLDERS' INFORMATION AS AT 16 MARCH 2010

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

There is no treasury shares held in the issued capital of the Company.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mr Liu San San[1]	41,200,000	14.99	0	0
Mr Liu Ming[2]	41,200,000	14.99	0	0
Koh Siak Khee[3]	0	0	62,643,400	22.81
Allport Limited[3]	62,643,400	22.81	0	0
East Gate Capital[3]	0	0	62,643,400	22.81
East Gate Capital Partners Pte. Ltd.[3]	0	0	62,643,400	22.81
TIA Systems Yugen Gaisha Japan[4]	33,000,000	12.01	0	0
Seiichi Higashino[4]	0	0	33,000,000	12.01

Notes:-

1. Mr Liu San San holds a total of 41,200,000 shares held through his nominees. Mr Liu San San demised on 10 January 2010.
2. Mr Liu Ming holds a total of 41,200,000 shares held through his nominee.
3. Allport Limited holds a total of 62,643,400 shares in their own name and is a wholly-owned subsidiary of East Gate Capital. East Gate Partners Pte. Ltd. is the investment manager of East Gate Capital, and is wholly-owned by Koh Siak Khee.
4. TIA Systems Yugen Gaisha Japan is wholly-owned by Mr Seiichi Higashino.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 35.20% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2010

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding			Number of Shareholders	%	Number of Shares	%
1	-	999	17	1.30	6,896	0.00
1,000	-	10,000	454	34.55	3,127,968	1.14
10,001	-	1,000,000	828	63.01	49,729,556	18.10
1,000,001		and above	15	1.14	221,820,340	80.76
TOTAL			**1,314**	**100.00**	**274,684,760**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	RAFFLES NOMINEES (PTE) LTD	83,800,000	30.51
2.	ALLPORT LIMITED	62,643,400	22.81
3.	TIA SYSTEMS YUGEN GAISHA JAPAN	33,000,000	12.01
4.	NOMURA SINGAPORE LIMITED	12,000,000	4.37
5.	CIMB-GK SECURITIES PTE. LTD.	6,018,300	2.19
6.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,494,600	2.00
7.	OCBC SECURITIES PRIVATE LTD	5,234,040	1.91
8.	DB NOMINEES (SINGAPORE) PTE LTD	3,000,000	1.09
9.	TAN ENG CHUA	2,353,000	0.86
10.	WANG YU LONG DENIS	2,004,000	0.73
11.	LIM SIAN KOK	1,380,000	0.50
12.	YEO CHUNG SUN	1,333,000	0.49
13.	TAN TIEN SENG	1,243,000	0.45
14.	TAN WOON TIANG	1,230,000	0.45
15.	CITIBANK NOMINEES SINGAPORE PTE LTD	1,087,000	0.40
16.	KIM ENG SECURITIES PTE. LTD.	941,000	0.34
17.	UOB KAY HIAN PTE LTD	819,000	0.30
18.	LIM & TAN SECURITIES PTE LTD	774,000	0.28
19.	PEH HOCK CHOON	761,000	0.28
20.	ONG KANG CHIM	700,000	0.25
	TOTAL	**225,815,340**	**82.22**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shanghai Turbo Enterprises Ltd. ("the Company") will be held at Sapphire 2, Orchid Lodge, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Wednesday, 28 April 2010 at 9.00 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 year ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of RMB 0.05 per ordinary share tax exempt for the year ended 31 December 2009 (2008: Nil). **(Resolution 2)**

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

   Ms Han Mei **(Resolution 3)**

   Mr Zhou Xu **(Resolution 4)**

   Ms Han Mei 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 as non-independent.

4. To re-elect the following Directors of the Company retiring pursuant to Article 86 of the Articles of Association of the Company:-

   Mr Jack Chia Seng Hee **(Resolution 5)**

   Mr Koh Siak Khee **(Resolution 6)**

   Mr Jack Chia Seng Hee will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent.

5. To approve the payment of Directors' Fees of RMB 1,320,000 for the financial year ending 31 December 2010 (2009: RMB 1,250,000). **(Resolution 7)**

6. To re-appoint Messrs Horwath First Trust LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **Authority to issue shares**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be 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 Instrument 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 of share 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) (until 31 December 2010 or such other expiration date as may be determined by Singapore Exchange Securities Trading Limited), the limit on the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) of fifty per cent (50%) of the total number of issued shares in the capital of the Company set out in sub-paragraph (1) above, shall be increased to 100%, for purposes of enabling the Company to undertake pro-rata renounceable rights issues;

(4) 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

(5) 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. [See Explanatory Note (i)] **(Resolution 9)**

9. **Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST**

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares (other than on a pro-rata basis to the shareholders of the Company) at a discount (‘the Discount”) not exceeding ten per centum (10%) to the weighted average price (“the Price”) for trades done on the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that in exercising the authority conferred by this Resolution:-

(a) the Company complies with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST); and

(b) the Company may, until 31 December 2010 or such other expiration date as may be determined by SGX-ST increase the Discount to an amount exceeding ten per cent (10%) but not more than twenty per cent (20%) of the Price for shares to be issued,

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

(Resolution 10)

10. **Authority to issue shares under the Shanghai Turbo Enterprises Ltd. Scrip Dividend Scheme**

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 in the Company 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. [See Explanatory Note (iii)]

(Resolution 11)

By Order of the Board

Wong Yoen Har
Secretary

Singapore, 12 April 2010

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 9 in item 8 above, 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. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues subject to timeline stated below.

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 Ordinary 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 Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009 until 31 December 2010. The effectiveness of these measures will be reviewed by the SGX-ST at the end of the period. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(ii) The Ordinary Resolution 10 in item 9 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009 until 31 December 2010. The effectiveness of these measures will be reviewed by SGX-ST at the end of the period. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders' approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

(iii) The Ordinary Resolution 11 proposed in item 10 above, 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. If a Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore) wishes to attend and vote at the Annual General Meeting (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 to the meeting.

2. If a Depositor wishes to appoint a proxy/proxies, then the CDP Proxy Form must be deposited 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.