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

Annual Report 2011
2011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 2010 ("FY2010"), 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 8% to RMB169 million from RMB157 million in the previous year (FY2009).

Dear Shareholders,

PERFORMANCE IN 2011

For the year ended 31 December 2011 ("FY2011"), Shanghai Turbo upheld the spirit of gaining trust as our fundamental management philosophy. We explored our markets both in China and abroad. Our products, which were well received by our customers, helped to boost turnover by 7.7% from RMB169 million to RMB182 million year on year. Correspondingly, gross profit increased by 15.8% from RMB62.16 million in FY2010 to RMB72.02 million in FY2011. To reward the shareholders' long term support and subject to shareholders' approval, the Board is proposing to pay dividends of RMB13.73 million.

Despite the sluggish global economic conditions in 2011, our management philosophy of continuous improvement through quality product and services since listing have resulted in a fruitful year. Our company's brand awareness in the market has been significantly increased. Our key customers continue to have high regard for our products rewarding us with repeat orders and increasing procurement weight ratio of our products. With regard to procuring domestic customers, our competitive advantage has been again been proven. We continued to optimize our management systems, improved cost control and gained more market share through high quality and low-cost products. We enhanced our product cost structures, material purchasing and outsourcing efficiency. Consequently, with sustained quality improvement our gross profit improved by 15.8% in 2011. With higher value-added products, we are steadily making inroads into high-end markets.

尊敬的股东们:

2011年业绩

截至2011年12月31日（“2011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，使营业总额在全球经济缓慢的情况也能从截至2010年12月31日（“2010财政年”）的1.69亿元（人民币，下同）增长至1.82亿元，增幅达到7.7%。同样，2011财政年的毛利润也从2010财政年的6,216万元增加到7,202万元，增幅为15.8%。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2011财政年，整体的业务环境并不是很好，但由于上市以来，我公司一直致力于品质和服务的提升，在市场得以回报，市场对公司品牌的认知度有了显著提升，几大核心客户给予公司高度的评价，在订单方面也加大了我们在客户方的采购权重比例。在国内客户的订单获取上，公司的竞争优势得到了明显的体现。应对2011年的全球经济缓慢，为了保持业务增长，公司继续深入优化内部管理体系，持续提升成本控制能力，以品质和成本的优势获取更多的市场份额。在努力开拓市场的同时，公司还努力优化产品的成本，原材料采购及外包业务的成本控制都得到了进一步的完善。公司以技术改革推动成本的管理，不断尝试新的用料方法，以达到最省料、最节省工时的效果。质量的持续改善直接推动了合格率的提高，使2011年毛利润增加了15.8%。随着公司产品所服务的领域逐步走向高端，所蕴含的附加值也将逐步得以体现。

MARKET PERSPECTIVES

According to the report of "China 12th Five-year's Plan", strategic emerging industries represented by the energy conservation industry will be increased to 8% of the gross domestic product (GDP). Besides that, the government will invest a total of nearly USD 1.5 trillion for seven strategic new industries such as energy saving industry, etc in the next five years. With the structural changes in the Chinese economy, high-energy consumption heavy industries is forecast to have slower growth.. With the current emphasis of Chinese government for high energy-consumption industries to conserve energy and reduce consumption it has become a stricter policy for its compliance enforcement. In addition, China's hydropower, nuclear power and solar energy with the rapid increase in power generation will gradually substitute thermal power. China's future consumption will gradually decline in the long term, but in the medium term, thermal power in China will still hold dominant position with rapid growth.

With the expected slowdown in domestic economic growth, government fiscal austerity action and crude oil supply and demand imbalance, the Chinese domestic market will decline in 2012. The business prospects for company in 2012 will mean a stable domestic market whilst we pursue active expansion of the foreign markets. We will continue our efforts to develop more products in new applications. The government will aggressively promote the use of low-emission and high efficiency power generation. We expect steam turbines of 300MW and above capacity and gas-steam hybrid units to be more widely adopted, and the company's efforts in recent years in developing turbine blades for steam and nuclear-energy generators will also begin to bear fruit.

市场前景

根据中国最新的《十二五规划纲要》，以节能环保为代表的战略性新兴产业增加值将占国内生产总值比重达到8%左右。节能环保等七大战略性新兴产业，未来五年将可能获得高达1.5万亿美元的政府投资。我们预计，未来随着经济结构的调整，重工业尤其是高耗能产业增速将呈现逐步放缓趋势；同时，我国政府对于高耗能产业节能降耗力度的政策导向日趋严厉，单位工业增加值能耗也将呈现逐步下降趋势；另外，我国水电，核电和太阳能等其它电力产能的快速增长将逐步对火电起到一定的替代作用，长期来看我国未来用电量增速也将逐步放缓，但中期来看，我国火电仍将占据主导地位，并保持快速增长。

随着国内经济增长速度的放缓、政府财政紧缩政策的调控及化石能源的供需失衡，2012年国内整体市场将有所回落。2012公司业务前景将呈现：国内市场稳中缓增，国外市场积极拓展，努力开发产品多领域应用的局面。未来政府对新能源的关注，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 increase in power generation facilities over the past five years, China has become the second largest consumer 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, despite the severe impact of earthquake, tsunami and nuclear crisis in Japan, to deliver satisfactory performance in FY2011.

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。尽管遭遇日本地震、海啸及核危机的后续影响，在2011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。

主席致辞

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 generators, nuclear applications, aircraft engine and propeller and has prospect for broader market reach in the industry. In addition to power generation applications, the company is also working to expand into new industrial areas, such as compressor blades, industrial production of turbine blades and etc. The company has made initial progress in the expansion of these products and is hoping to achieve breakthrough in 2012.

In recent years, the company has put in significant efforts in expanding overseas markets, as evident in our business performance. Although the lag effect of financial crisis and the nuclear crisis, we have explored the international market with strong and effective sales strategy and has completed the delivery of trial orders for the cooperation with the German's MAN TURBO and Siemens China in 2011. The company expects to secure business with Japan's Mitsubishi Heavy Industries, Germany's MAN TURBO, Siemens China and American's Dresser-Rand in 2012. To meet the stringent technical standards required by our customers, the company has invested RMB 38.5 million to purchase the advanced machinery in 2011 to enhance the company's technical capabilities. However, going forward, the company will be prudent or cautious in its capital expenditure.

As the man at the helm, I endeavor to maintain even stricter standards of discipline in operational and financial expenditures, and exercise greater diligence to achieve our goals. We will continue to optimize the company's management structure and reduce unnecessary waste. We are constantly seeking new breakthroughs and aim to become the long term preferred partners for our customers through our superior performance, shared profitability and common goals and consequently ensure better returns to our shareholders.

Acknowledgements

On behalf of the Board, I would like to express my gratitude to our customers, business partners, fellow directors and colleagues for their commitment and support. The year ahead remains challenging, but I remain confident that with strong teamwork we will again overcome the odds to remain successful.

Liu Ming
Executive Chairman and CEO

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为公司带来广阔的市场前景。除了发电领域的应用产品以外，公司也在努力把产品拓展到新的工业领域中，如压缩机叶片、工业用汽轮机叶片的生产等，公司在这些产品的拓展中已取得初步进展，有望在2012年实现进一步的突破。

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。虽然受金融危机滞后效应及核危机爆发的影响，2011年公司两大主要国际市场日本和韩国的总体形式相对低迷，但管理层凭借有效的营销战略，在国际市场的开发已初见成效，与德国MAN TURBO和西门子中国基地的合作，已完成了试订单的交付。2012年公司有望进入的国外市场为日本三菱重工、德国MAN TURBO、西门子中国基地、美国德莱赛兰。为了满足市场对产品要求的不断提高，公司2011年已投资3850万人民币购置新的机器设备。在全球市场迎来新一轮的活跃期之前，未来公司将对设备采购持谨慎态度。

作为公司的掌舵人，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。在管理方面我们将不断优化公司的管理层次，减少不必要的浪费，在业务方面我们正不断寻找新的突破点，以我公司的卓越表现逐步成为客户的核心资源，以达到与客户长期达到共谋发展，共同盈利的目标，实现对股东的回报。

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！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

OPERATIONAL AND FINANCIAL REVIEW

Income Statement

Compared to FY2010, group total revenue increased from RMB169.2 million to RMB182.8 million in FY2011, reflecting greater fulfillment and deliveries of orders to customers.

Gross profit increased from RMB62.2 million to RMB72.0 million in FY2011. The increase in gross margin rates were mainly attributed to improvement in production efficiency, thus reducing the amount of direct materials consumed.

Other operating income increased from RMB1.3 million to RMB2.2 million in FY2011, mainly due to allowance for doubtful debts being written back in the year.

Administrative expenses slightly increased from RMB17.9 million to RMB15.8 million in FY2011 reflecting higher performance incentive.

Selling and distribution expenses decreased from RMB4.7 million to RMB1.3 million in FY2011 due to cancellation of sales commission.

There were no finance costs in FY2011 and FY2010 due to absence of bank borrowings during the year.

Other operating expenses amounted to RMB2.8 million during the year mainly due to increase in allowance for impairment of trade receivables during the year.

Income tax expense increased from RMB15.7 million to RMB16.1 million in FY2011 was mainly attributable higher profit during the year.

As a result, net profit after tax for the Group increased from RMB27.2 million to RMB36.2 million in FY2011, a 33% increase over the previous year.

Currency translation differences remained unchanged at RMB1.5 million in FY2011.

Overall, the total comprehensive income attributable to equity shareholders of the Company increased from RMB25.7 million to RMB34.8 million in FY2011.

Balance Sheet

As at 31 December 2011

Trade receivables increased to RMB72.1 million from RMB68.1 million due to increase in sales during the year. This also included bill receivables of RMB29.2 million (2010: RMB23.3 million) received from customers for the settlement of outstanding balances.

Other receivables, deposits and prepayments decreased to RMB1.3 million from RMB1.6 million, mainly due to decrease in advance to suppliers.

Inventories reduced to RMB6.8 million from RMB13.4 million. This significant decrease in inventories reflected better inventory management by the Company during the year.

Property, plant and equipment increased to RMB140.2 million from RMB115.7 million. Additional new machineries costing RMB38.5 million were acquired in the year. Other new additions included motor vehicles and office equipment which amounted to RMB2 million. Disposal during the year amounted to RMB1.3 million.

Trade payables increased to RMB40.7 million from RMB33.0 million. This also included bill payables of RMB21.1 million (2010: RMB15.5 million) issued to suppliers for the settlement of outstanding balances. As at year end, these bills have yet to mature. RMB3.0 million of bill receivables were pledged with the bank for this facility.

Other payables and accruals slightly increased to RMB14.6 million from RMB14.3 million.

Deferred tax liability was RMB652,000 as at the year end due to timing differences of tax liability on certain sales revenue.

Cash Flow Statement

Net cash generated from operating activities in FY2011 was RMB66.8 million, reflecting a higher profit before income tax, decrease in inventories, increase in trade payables and trade receivables and decrease in other payables and accruals.

Net cash used in investing activities in FY2011 was RMB41.9 million, reflecting an increase in purchase of property, plant and equipment.

Net cash from financing activities in FY2011 of RMB5.3 million reflected a decrease in pledged deposits and payment of dividend.

As a result of the above, there was a net increase in cash and cash equivalents of RMB30.1 million in FY2011.

BOARD OF DIRECTORS

MR LIU MING 刘明先生

Executive Chairman and Chief Executive Officer

Mr Liu was appointed as Executive Chairman on 16 March 2010 and Chief Executive Officer on 13 November 2009. 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 许锡麒先生

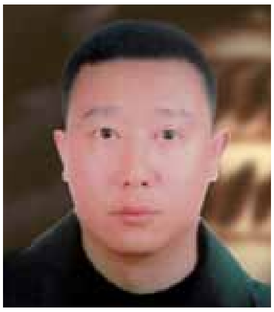
Deputy Chairman, Non-executive and Non-Independent Director

Mr Koh was appointed as Deputy Chairman on 16 March 2010. He 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 周旭先生

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 杰克 谢先生

Independent Director

Mr Chia was appointed on the Board of Shanghai Turbo Enterprises Ltd. on 1 February 2008. Currently, he runs his own investment advisory firm Jack Capital Solutions 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, asset management and consulting capacities respectively. 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 黄伟德先生

Independent Director

Mr. Huang Wooi Teik was appointed on the Board of Shanghai Turbo Enterprise Ltd. on 11 March 2009. Mr Huang currently runs a business and investment advisory firm, specialising in the China and capital markets. 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 韩梅小姐

Non-Executive and Non-Independent Director

Ms Han was appointed on the Board of Shanghai Turbo Enterprises Ltd. on 11 May 2009. She 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, Hong Kong, 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)
Mr Koh Siak Khee
(Deputy Chairman, Non-Executive & Non-Independent Director)
Mr Zhou Xu
(Executive Director)
Mr Jack Chia Seng Hee
(Independent Director)
Mr Huang Wooi Teik
(Independent Director)
Ms Han Mei
(Non-Executive and Non-Independent Director)

AUDIT COMMITTEE

Mr Jack Chia Seng Hee
(Chairman)
Mr Huang Wooi Teik
Ms Han Mei

NOMINATING COMMITTEE

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

REMUNERATION COMMITEE

Mr Huang Wooi Teik
(Chairman)
Mr Jack Chia Seng Hee
Ms Han Mei

SECRETARY

Ms Wong Yoen Har

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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 maintain high standards of measures, practices and transparency in the disclosure of material information in line with those set out in the Code of Corporate Governance 2005 (the "Code").

The Company has established various self-regulating and monitoring mechanisms to ensure that effective corporate governance is practiced as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and financial performance of the Group.

This report describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited's Listing Manual.

The Board is pleased to confirm that for the financial year ended 31 December 2011, the Company has generally adhered to the principles and guidelines as set out in the Code, except for Guideline 3.1 (Chairman and Chief Executive Officer 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 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 2011 are as follows:-

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	4	4	1	1
Name of Directors				
Executive Directors:				
Liu Ming	4	3*	1	1*
Zhou Xu	2	2*	-	-
Non-Executive & Non-Independent Directors:				
Koh Siak Khee	3	1*	1*	1*
Han Mei	4	4	1*	1
Non-Executive & Independent Directors:				
Jack Chia Seng Hee	4	4	1	1
Huang Wooi Teik	4	4	1	1

* By invitation

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the Board

Presently, the Board comprises two executive directors, two non-executive & non-independent directors and two non-executive & independent directors.

Executive Directors

Mr Liu Ming (Executive Chairman & Chief Executive Officer)
Mr Zhou Xu

Non-Executive & Non-Independent Directors

Mr Koh Siak Khee (Deputy Chairman)
Ms Han Mei

Non-Executive & Independent Directors

Mr Jack Chia Seng Hee
Mr Huang Wooi Teik

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 organisational 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 3 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	(Chairman)
Mr Jack Chia Seng Hee	(Member)
Mr Liu Ming	(Member)

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of directors to the Board, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:-

1. to make recommendations to the Board on all board appointments and re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation, candour, and any other salient factors);

2. to ensure that all directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

3. to determine annually whether a director is independent, in accordance with the independence guidelines contained in the Code;

4. to review whether a director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple board representations; and

5. to consider how the Board's performance may be evaluated and to propose objective performance criteria.

The NC conducts an annual review of directors' independence and based on the Code's criteria for independence, the NC is of the view that Mr Jack Chia Seng Hee and Mr Huang Wooi Teik are deemed independent.

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 Koh Siak Khee and Ms Han Mei, who are retiring by rotation pursuant to Article 86(1)&(2), to be put forward for re-election at the forthcoming Annual General Meeting (AGM). Mr Koh Siak Khee will, upon re-election as a director of the Company, remain as Deputy Chairman and will be considered non-independent. 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.

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 attendances and participations 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 FY2011 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, majority of whom including the Chairman, are non-executive and independent directors. As at the date of this Report, the RC members are:-

Remuneration Committee

Mr Huang Wooi Teik	(Chairman)
Mr Jack Chia Seng Hee	(Member)
Ms Han Mei	(Member)

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.

The Company does not have Share Option Scheme.

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, time spent, responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

DISCLOSURE ON REMUNERATION

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

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

The RC had recommended to the Board the payment of directors' fees of RMB1,320,000 for the financial year ending 31 December 2012 for non-executive directors and non-executive independent directors, which will be tabled at the forthcoming AGM for shareholders' approval.

a) No. of Directors in remuneration bands	2011	2010
Below S$250,000	5	5
S$250,000 to S$499,999	0	1
S$500,000 and above	1	0
	6	6

b) **A breakdown, showing the level and mix of each individual director's remuneration and fees for Shanghai Turbo in FY2011 is as follow:-**

Remuneration Bands & Name	Salary* %	Bonus %	Benefits %	Other Remuneration %	Directors' Fees*	Total %
S$500,000 and above						
Executive Director						
Liu Ming	9		1	90		100
Below S$250,000						
Executive Director						
Zhou Xu	93			7		100
Non-Executive Directors						
Koh Siak Khee					100	100
Han Mei					100	100
Independent Directors						
Jack Chia Seng Hee					100	100
Huang Wooi Teik					100	100

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

	2011	2010
Below S$250,000	1	1

d) **A breakdown, showing the level and mix of each key executive's remuneration for FY2011, 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 FY2011.

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 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 (Member)
Ms Han Mei (Member)

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 reports to our Board on the audits undertaken by the external auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;
7. reviews the independence of external auditors annually and consider the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the auditors and approves the remuneration and terms of engagement of the external auditors;
8. reviews interested person transactions, as defined in the Listing Manual of the SGX-ST; 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, Crowe 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 Crowe Horwath First Trust LLP, Singapore and noted that there was no non-audit service performed in FY2011. The audit service fees paid or payable for the financial year ended 31 December 2011 amounted to RMB775,000, none of these fees are for non-audit services.

The AC has recommended to the board of directors that Crowe Horwath First Trust LLP, Singapore be nominated for reappointment as auditors at the forthcoming AGM 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 compiled with Rules 712 and 716 of the Listing Manual.

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.

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. Shanghai Turbo's internal auditors, Shanghai LSC Certified Public Accountants Co., Ltd, carry out, in the course of their internal audit, a review of the effectiveness of Shanghai Turbo's material internal controls, annually to the extent of their scope laid out in their audit plan. All material non-compliance and internal control weaknesses noted during their audit and the auditors' recommendations, are reported to the AC. For FY2011, the Board is of the view that, based on the reports from the auditors and the concurrence of the AC, the system of internal controls, have adequately addressed the financial, operational and compliance risks. (Rule 1207(10)

INTERNAL AUDIT

Principle 13: Setting up independent internal audit function

The Company had appointed Shanghai LSC Certified Public Accountants Co., Ltd to undertake the function of internal audit ("IA"). Reports of their work covering various cycles or aspects of the accounting functions and internal control systems and procedures had been received and corrective actions taken in the course of the year. They are continuing to look at other cycles or aspects and their reports are expected to be received in due course.

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 practice 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 the AGM. At the AGM, 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.

DEALING IN SECURITIES

The Company has adopted its own internal compliance code pursuant to the best practices on dealings in securities and these are applicable to all its officers in relation to their dealings in the Company's securities. Its officers are advised not to deal in the Company's shares during the period commencing 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 Listing Rule 1207 (19) of the Listing Manual.

MATERIAL CONTRACTS

There are no material contracts of the Company or its subsidiaries involving the interests of the executive directors, each director or Controlling Shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported 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.

DIRECTORS' REPORT

The directors present their report to the members together with the audited financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2011 and the balance sheet of the Company as at 31 December 2011.

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
Zhou Xu

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

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

None of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		Deemed interests	
	At 1 January 2011	At 31 December 2011	At 1 January 2011	At 31 December 2011
Company				
(Ordinary shares at US$0.025 each)				
Liu Ming	41,200,000	41,200,000	41,200,000	41,200,000
Koh Siak Khee	-	-	62,643,400	62,643,400

The directors' interests in the ordinary shares of the Company as at 21 January 2012 were the same as those as at 31 December 2011.

Liu Ming and Koh Siak Khee are deemed to have interests in the share capital of the Company's wholly-owned subsidiaries, through their indirect shareholdings held by a nominee and major shareholdings in Allport Limited respectively.

Directors' contractual benefits

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

Share options

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

Audit committee

The members of the Audit Committee at the end of the financial year are as follows:

Jack Chia Seng Hee (Chairman)
Huang Wooi Teik
Han Mei

The Audit Committee carried out its functions in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2011 prior to their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and subsidiaries, the Board of Directors has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

DIRECTORS' REPORT

Independent auditors

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

On behalf of the Board of Directors

LIU MING	**ZHOU XU**
Director	Director

9 April 2012

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 26 to 64 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 2011 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

LIU MING
Director

ZHOU XU
Director

9 April 2012

INDEPENDENT AUDITORS' REPORT

To the Members of Shanghai Turbo Enterprises Ltd.

Crowe Horwath First Trust LLP
Certified Public Accountants
Member Crowe Horwath International

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Report on the Financial Statements

We have audited the accompanying financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and subsidiaries (the "Group") set out on pages 26 to 64, which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

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

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

Crowe Horwath®

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Crowe Horwath First Trust LLP
Public Accountants and
Certified Public Accountants

Singapore
9 April 2012

BALANCE SHEETS

As at 31 December 2011
(Amounts in Chinese Renminbi ("RMB"))

	Note	Group		Company	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	3	55,409	55,409	55,409	55,409
Share premium	4	81,527	81,527	81,527	81,527
		136,936	136,936	136,936	136,936
Other reserves					
Statutory reserve	5	14,870	10,944	-	-
Translation reserve	6	(2,979)	(1,528)	-	-
		11,891	9,416	-	-
Retained earnings / (Accumulated losses)	7	81,632	56,208	(859)	(2,071)
TOTAL EQUITY		230,459	202,560	136,077	134,865
ASSETS					
Non-current assets					
Property, plant and equipment	8	140,215	115,662	-	-
Subsidiaries	9	-	-	156,236	156,236
Land use right	10	11,042	10,198	-	-
Current assets					
Inventories	11	6,793	13,400	-	-
Trade receivables	12	72,140	68,079	-	-
Other receivables, deposits and prepayments	13	1,270	1,645	-	-
Land use right	10	251	227	-	-
Cash and bank balances	25	59,935	42,147	13	15
		140,389	125,498	13	15
TOTAL ASSETS		291,646	251,358	156,249	156,251

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

BALANCE SHEETS

As at 31 December 2011 (Continued)
(Amounts in Chinese Renminbi ("RMB"))

	Note	Group		Company	
		2011	2010	2011	2010
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Current liabilities					
Trade payables	14	40,716	32,963	-	-
Other payables and accruals	15	14,455	14,293	1,844	1,381
Due to subsidiaries (non-trade)	16	-	-	18,328	20,005
Income tax payable		5,364	1,542	-	-
		60,535	48,798	20,172	21,386
Non-current liability					
Deferred tax liability	17	652	-	-	-
TOTAL LIABILITIES		61,187	48,798	20,172	21,386
NET ASSETS		230,459	202,560	136,077	134,865

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011
(Amounts in Chinese Renminbi ("RMB"))

	Note	2011 RMB'000	2010 RMB'000
Revenue	18	182,784	169,231
Cost of sales		(110,761)	(107,068)
Gross profit		72,023	62,163
Other operating income	19	2,160	1,329
Selling and distribution expenses		(1,259)	(4,721)
Administrative expenses		(17,863)	(15,837)
Other operating expenses	20	(2,794)	-
Profit before income tax	22	52,267	42,934
Income tax	23	(16,050)	(15,727)
Profit for the year		36,217	27,207
Currency translation differences arising from consolidation		(1,451)	(1,542)
Total comprehensive income for the year, representing profit attributable to equity holders of the Company		34,766	25,665
Earnings per share (cents)			
Basic and diluted	24	13.18	9.90

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2011
(Amounts in Chinese Renminbi ("RMB"))

	Attributable to equity holders of the Company					
	Share capital	Share premium	Statutory reserve	Translation reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	
Balance as at 1 January 2010	55,409	81,527	7,808	14	45,871	190,629
Profit for the year	-	-	-	-	27,207	27,207
Other comprehensive loss, net of tax	-	-	-	(1,542)	-	(1,542)
Total comprehensive income	-	-	-	(1,542)	27,207	25,665
Transfer to statutory reserve	-	-	3,136	-	(3,136)	-
Dividends (Note 25)	-	-	-	-	(13,734)	(13,734)
Balance as at 31 December 2010	55,409	81,527	10,944	(1,528)	56,208	202,560
Balance as at 1 January 2011	55,409	81,527	10,944	(1,528)	56,208	202,560
Profit for the year	-	-	-	-	36,217	36,217
Other comprehensive loss, net of tax	-	-	-	(1,451)	-	(1,451)
Total comprehensive income	-	-	-	(1,451)	36,217	34,766
Transfer to statutory reserve	-	-	3,926	-	(3,926)	-
Dividends (Note 25)	-	-	-	-	(6,867)	(6,867)
Balance as at 31 December 2011	55,409	81,527	14,870	(2,979)	81,632	230,459

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011
(Amounts in Chinese Renminbi ("RMB"))

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit before income tax		52,267	42,934
Adjustments:			
Amortisation of deferred expenditure		-	338
Amortisation of land use right		348	321
Depreciation of property, plant and equipment		15,331	13,324
Interest income		(146)	(134)
Loss / (Gain) on disposal of property, plant and equipment		114	(154)
Property, plant and equipment written-off		267	-
Unrealised exchange gain		(1,240)	(1,522)
Operating profit before working capital changes		66,941	55,107
Inventories		6,607	1,506
Trade and other receivables		(4,808)	(30,119)
Trade and other payables		9,480	4,743
Cash generated from operations		78,220	31,237
Interest income received		146	134
Income taxes paid		(11,576)	(14,195)
Net cash from operating activities		66,790	17,176
Cash flows from investing activities			
Additions to land use rights (Note A)		(2,781)	-
Proceeds from disposal of property, plant and equipment		220	736
Purchase of property, plant and equipment (Note B)		(39,363)	(22,329)
Net cash used in investing activities		(41,924)	(21,593)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011 (Continued)
(Amounts in Chinese Renminbi ("RMB"))

	Note	2011 RMB'000	2010 RMB'000
Cash flows from financing activities			
Dividends paid	25	(6,867)	(13,734)
Release / (Pledge) of cash deposits		12,125	(5,615)
Net cash from / (used in) financing activities		5,258	(19,349)
Net increase / (decrease) in cash and cash equivalents		30,124	(23,766)
Cash and cash equivalents at beginning of year		30,022	53,808
Effects of exchange rate changes in cash and cash equivalents		(211)	(20)
Cash and cash equivalents at end of year	26	59,935	30,022

Note A

During the financial year, cash payments of approximately RMB 2,781,000 was made to purchase land use right of which approximately RMB 1,216,000 and RMB 1,565,000 was acquired in 2011 and 2010 respectively.

Note B

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB 40,485,000 (2010: RMB 22,329,000) for which deposits have been paid amounting to approximately RMB 1,122,000 (2010: RMB Nil) in previous year. Cash payments of RMB 39,363,000 (2010: RMB 22,329,000) were made to purchase these property, plant and equipment.

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Shanghai Turbo Enterprises Ltd. (the "Company") is a limited company domiciled and incorporated in the Cayman Islands and listed on the Main Board of the Singapore Exchange Securities Trading Limited. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is No.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.

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 9 April 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the International Financial Reporting Standards ("IFRS"). The financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) as indicated.

The preparation of the financial statements in conformity with IFRS requires management to exercise its judgement, in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2011, the Group adopted the new or amended IFRS and Interpretations of 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 and Interpretations of IFRS. The adoption of these new or amended IFRS and Interpretations of IFRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

(Amounts in Chinese Renminbi ("RMB"))

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Amendment to IAS 1 Presentation of Financial Statements
The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the consolidated statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to financial statements. Such amendments have been applied retrospectively, and hence the presentation in the consolidated statement of changes in equity has been modified to reflect the changes.

Revised IAS 24 Related Party Disclosures
From 1 January 2011, the Group has applied the revised IAS 24 Related Party Disclosures to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. IAS 24 improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of the revised IAS 24 did not result in additional parties being identified as related to the Group. Transactions and outstanding balances with these related parties for the current and comparative years are disclosed in Note 26 to the financial statements.

The adoption of the revised IAS 24 affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of the revised IAS 24 has no impact on earnings per share.

Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendment to IFRS 7 *Disclosures – Transfer of Financial Assets*	1 July 2011
Amendment to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendments to IAS 12 *Deferred Tax - Recovery of Underlying Assets*	1 January 2012
Amendments to IAS 1- *Presentation of Items of Other Comprehensive Income*	1 July 2012
IAS 19 Employee Benefits	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurements	1 January 2013
Amendment to IFRS 7 - *Disclosure - Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendment to IAS 32 - *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
IFRS 9 Financial Instruments	1 January 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Except for the Amendments to IAS 1, IFRS 12, Amendment to IFRS 7 and IAS 32, and IFRS 9, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to IAS 1, IFRS 12 and IFRS 9 is described below.

Amendments to IAS 1 - *Presentation of Items of Other Comprehensive Income*

The Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is effective for financial periods beginning on or after 1 January 2013.

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

Amendment to IFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*
Amendment to IAS 32 - *Offsetting Financial Assets and Financial Liabilities*
IFRS 9 Financial Instruments

The Group is in the process of assessing their impact on future accounting periods.

Group accounting

(a) *Subsidiaries*

(i) Basis of Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(a) Subsidiaries (Continued)

(ii) Acquisition of businesses

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(iii) Disposals of subsidiaries or businesses

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

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

Subsidiaries

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation

Functional and presentation currency

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

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Translation of the Group's financial statements

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

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

Property, plant and equipment

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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 as follows: -

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

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

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

Land use right

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

Financial assets

Initial recognition and measurement
Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value.

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

Loans and receivables

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

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

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

(ii) Financial assets carried at cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

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

Financial liabilities

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

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

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

Operating leases – The Group as lessee

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 consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share capital

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

Revenue recognition

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

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

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

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

Employees' benefits

(i) Retirement benefits

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

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

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

(i) Income tax

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets or liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(ii) Value-added-tax ("VAT")

The Group's sales of goods in the PRC are subject to VAT at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other receivables" or "Other payables" in the balance sheet. The Group's export sales are not subject to VAT.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

Dividends

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

Related parties

A related party is defined as follows:

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

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Critical accounting estimates and assumptions

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.

(a) Useful lives of plant and machinery

The cost of plant and machinery for the manufacture of precision turbine blades are depreciated on a straight-line basis over the plant and machinery's estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 10 years and the residual values to be 10% of the cost of these assets. These are common life expectancies and residual values applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at 31 December 2011 was approximately RMB 115,383,000 (2010: RMB 90,731,000). A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 3% (2010: 3%) variance in the Group's profit for the year.

(b) Impairment of loans and receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and assumptions (Continued)

(b) Impairment of loans and receivables (Continued)

If the net present values of estimated cash flows decrease by 10% from management's estimates for all past due but not impaired loans and receivables, the Group's allowance for impairment for the year will increase by RMB 1,347,000 (2010: RMB 1,164,000).

(c) Net realisable values of inventory

An assessment of net realisable values is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. As at 31 December 2011, the total allowances for inventory is approximately RMB 11,031,000 (2010: RMB 13,131,000).

3. SHARE CAPITAL

	Group and Company			
	2011	2010	2011	2010
	No. of ordinary shares at US$0.025 each		US$'000	US$'000
Issued and fully paid:				
At beginning and end of the year	274,684,760	274,684,760	6,867	6,867
Equivalent to (RMB'000)			55,409	55,409

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

4. SHARE PREMIUM

	Group and Company	
	2011	2010
	RMB'000	RMB'000
At beginning and end of the year	81,527	81,527

Under The Companies Law (revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

5. STATUTORY RESERVE

	Percentage of contribution from profit after tax	Group	
		2011	2010
		RMB'000	RMB'000
Statutory reserve fund	10%	14,870	10,944

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

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

6. TRANSLATION RESERVE

	Group	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	(1,528)	14
Currency translation differences arising from consolidation	(1,451)	(1,542)
At end of the year	(2,979)	(1,528)

7. RETAINED EARNINGS / (ACCUMULATED LOSSES)

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	56,208	45,871	(2,071)	(1,639)
Profit for the year	36,217	27,207	8,079	13,302
Transfer to statutory reserve	(3,926)	(3,136)	-	-
Dividend paid (Note 25)	(6,867)	(13,734)	(6,867)	(13,734)
At end of the year	81,632	56,208	(859)	(2,071)

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 1.1.2010	31,828	126,416	2,512	2,970	163,726
Additions	-	22,127	57	145	22,329
Disposals	-	(1,216)	-	(746)	(1,962)
As at 31.12.2010	31,828	147,327	2,569	2,369	184,093
As at 1.1.2011	31,828	147,327	2,569	2,369	184,093
Additions	-	38,539	120	1,826	40,485
Disposals	-	(786)	(125)	(400)	(1,311)
Written-off	-	(804)	-	-	(804)
As at 31.12.2011	31,828	184,276	2,564	3,795	222,463
Accumulated depreciation					
As at 1.1.2010	6,804	45,923	2,058	1,702	56,487
Charge for the year	1,420	11,471	142	291	13,324
Disposals	-	(798)	-	(582)	(1,380)
As at 31.12.2010	8,224	56,596	2,200	1,411	68,431
As at 1.1.2011	8,224	56,596	2,200	1,411	68,431
Charge for the year	1,420	13,357	74	480	15,331
Disposals	-	(523)	(113)	(341)	(977)
Written-off	-	(537)	-	-	(537)
As at 31.12.2011	9,644	68,893	2,161	1,550	82,248
Net carrying amount					
As at 1.1.2010	25,024	80,493	454	1,268	107,239
As at 31.12.2010	23,604	90,731	369	958	115,662
As at 31.12.2011	22,184	115,383	403	2,245	140,215

9. SUBSIDIARIES

	Company	
	2011	2010
	RMB'000	RMB'000
Unquoted equity shares, at cost	156,236	156,236

9. SUBSIDIARIES (Continued)

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	
			2011	2010	2011	2010
			%	%	RMB'000	RMB'000
Held by the Company						
Best Success (Hong Kong) Limited [(1)] ("Best Success")	Investment holding	Hong Kong	100	100	156,236	156,236
Held by Best Success						
Changzhou 3D Technological Complete Set Equipment Co., Limited [(2)]	Manufacturing of vane products and relating subcontracting services	PRC	100	100		

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

(2) Audited by Changzhou Xinhuarui CPAs (常州新华瑞联合会计师事务所), a firm of certified public accountants in the PRC for local statutory reporting and by Crowe Horwath First Trust LLP for consolidation purposes.

10. LAND USE RIGHT

	Group	
	2011	2010
	RMB'000	RMB'000
Cost		
At beginning of the year	11,331	9,766
Additions	1,216	1,565
At end of the year	12,547	11,331
Accumulated amortisation		
At beginning of the year	906	585
Charge for the year	348	321
At end of the year	1,254	906
Net carrying amount		
At beginning of the year	10,425	9,181
At end of the year	11,293	10,425

10. LAND USE RIGHT (Continued)

	Group	
	2011	2010
	RMB'000	RMB'000
Presentation on balance sheet, based on amount to be amortised:		
- Not later than one year, current portion	251	227
- Later than one year but not later than five years	1,004	906
- Later than five years	10,038	9,292
Non-current portion	11,042	10,198

The Group has land use right over a plot of state-owned land in the People's Republic of China (PRC) where the Group's PRC manufacturing and storage facilities reside. The land use right is not transferable and has a remaining tenure of 45 years (2010: 46 years).

11. INVENTORIES

	Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	4,707	5,239
Work-in-progress	3,518	5,683
Finished goods	9,599	15,609
	17,824	26,531
Allowance for inventory obsolescence	(11,031)	(13,131)
	6,793	13,400

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately RMB 60,286,000 (2010: RMB 62,401,000). During the year, the Group reversed approximately RMB 2,100,000 (2010: RMB 1,366,000), part of an inventory write-down made in 2010, as the inventories were sold above the carrying amounts in 2011. The reversal has been included in 'cost of sales' in the consolidated statement of comprehensive income.

The movement in allowance for inventory obsolescence is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	13,131	14,497
Allowance written back	(2,100)	(1,366)
At end of the year	11,031	13,131

12. TRADE RECEIVABLES

	Group	
	2011	2010
	RMB'000	RMB'000
Trade receivables (Note A)	47,654	48,436
Allowance for impairment of trade receivables (Note 30 (c))	(4,726)	(3,630)
	42,928	44,806
Bills receivable (Note B)	29,212	23,273
	72,140	68,079

Note A

Included in the Group's trade receivables is unbilled trade receivable amounting to approximately RMB 2,608,000 (2010: RMB Nil) arising from revenue recognised on subcontracting services but not invoiced to customers as at 31 December 2011. Unbilled receivable will normally be billed within 1 year from the time of revenue recognition. The directors are of the view that all unbilled receivable as at balance sheet date are billable and collectible eventually.

Note B

Bills receivable of RMB 3,000,000 (2010: RMB Nil) are pledged to a bank in connection with bills payable facilities (Note 14).

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2011	2010
	RMB'000	RMB'000
Advances to suppliers	935	1,559
Advances to sub-contractors	34	22
Prepayments	286	34
Other receivables	15	30
	1,270	1,645

14. TRADE PAYABLES

	Group	
	2011	2010
	RMB'000	RMB'000
Trade payables	19,596	17,463
Bills payable (Note A)	21,120	15,500
	40,716	32,963

Note A
Bills receivable (Note 12) and cash deposits (Note 26) of RMB 3,000,000 (2010: RMB Nil) and RMB Nil (2010: RMB 12,125,000) respectively are pledged in connection with bills payable facilities granted by a bank.

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued operating expenses (Note A)	10,815	9,832	1,844	1,381
Other payables	2,142	3,565	-	-
Value added tax payable	1,197	609	-	-
Others	301	287	-	-
	14,455	14,293	1,844	1,381

Note A
Included in the Group's accrued operating expenses are mainly bought forward prior year accrued sales commission payable to a third party of approximately RMB 2,167,000 (2010: RMB 4,335,000) and a director's incentive payable of RMB 4,467,000 (2010: RMB 1,380,000).

In accordance with an incentive award scheme approved by the Remuneration Committee, the director's incentive is computed based on Changzhou 3D Technological Complete Set Equipment Co., Limited's net profit for the year and is effective from 1 January 2011 to 31 December 2011 (2010: 1 January 2010 to 31 December 2010).

16. DUE TO SUBSIDIARIES (NON-TRADE)

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

17. DEFERRED TAX LIABILITY

	Group	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	-	-
Recognised in the consolidated statement of comprehensive income (Note 23)	652	-
At end of the year	652	-

Deferred tax liability is attributable to the taxable temporary differences arising from the unbilled revenue included in trade receivables (Note 12) for the subcontracting services recognised during the year.

There are no income tax consequences (2010: RMB Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

18. REVENUE

	Group	
	2011	2010
	RMB'000	RMB'000
Sale of goods	136,235	136,360
Subcontracting services	46,549	32,871
	182,784	169,231

19. OTHER OPERATING INCOME

	Group	
	2011	2010
	RMB'000	RMB'000
Allowance for doubtful trade debts written back (Note 30(c))	1,034	-
Gain on sale of scrap materials	856	792
Gain on disposal of property, plant and equipment	-	154
Government grants	124	24
Interest income	146	134
Others	-	225
	2,160	1,329

20. OTHER OPERATING EXPENSES

	Group	
	2011	2010
	RMB'000	RMB'000
Allowance for doubtful debts (Note 30 (c))	2,379	-
Loss on disposal of property, plant and equipment	114	-
Property, plant and equipment written-off	267	-
Others	34	-
	2,794	-

21. PERSONNEL EXPENSES

	Group	
	2011	2010
	RMB'000	RMB'000
Wages, salaries and bonuses	24,456	23,355
Contributions to defined contribution plans	2,203	1,845
Other personnel expenses	924	442
	27,583	25,642

22. PROFIT BEFORE INCOME TAX

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

	Group	
	2011	2010
	RMB'000	RMB'000
Allowance for doubtful debts (Note 30 (c))	2,379	-
Allowance for doubtful debts written back (Note 30 (c))	1,034	-
Allowance for inventory obsolescence written back	(2,100)	(1,366)
Amortisation of deferred expenditure	-	338
Amortisation of land use right	348	321
Audit fees		
- auditors of the Company	883	768
- other auditors	92	81
Depreciation of property, plant and equipment	15,331	13,324
Directors' remuneration		
- directors of the Company	1,320	1,320
- directors of subsidiaries	4,160	2,040
Loss / (Gain) on disposal of property, plant and equipment	114	(154)
Foreign exchange gain, net	(1,069)	(1,481)
Personnel expenses (Note 21) *	27,583	25,642
Property, plant and equipment written-off	267	-

* Includes directors' remuneration as disclosed in this note.

23. INCOME TAX

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

	Group	
	2011	2010
	RMB'000	RMB'000
Current tax		
- current year	14,220	13,386
- under provision in prior year	279	1,964
- withholding tax on dividend income	899	377
Deferred tax (Note 17)		
- current year	652	-
	16,050	15,727

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

	Group	
	2011	2010
	RMB'000	RMB'000
Profit before income tax	52,267	42,934
Tax at the PRC rate of 25% (2010: 25%)	13,067	10,733
Tax effects of:		
Income not subject to tax	(822)	(125)
Expenses that are not deductible in determining taxable profit	2,627	2,778
Under provision of tax in prior years	279	1,964
Withholding tax on dividend income	899	377
Tax expense	16,050	15,727

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% (2010: 16.5%), does not have assessable profit since its incorporation on 23 April 2005.

For the financial year ended 31 December 2011 and 31 December 2010, Changzhou 3D Technological Complete Set Equipment Co., Limited. ("Changzhou 3D") is subject to EIT at the applicable tax rate of 25%.

The aggregate amount of temporary differences associated with undistributed earnings of Changzhou 3D for which deferred tax liabilities have not been recognised is approximately RMB 41,476,000 (2010: RMB 24,243,000). No liability has been recognised in respect of temporary differences associated with undistributed earnings of the PRC subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. EARNINGS PER SHARE

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

	Group	
	2011	2010
Net profit attributable to equity holders of the Company (RMB'000)	36,217	27,207
Weighted average number of ordinary shares outstanding for basic earnings per share	274,684,760	274,684,760
Basic earnings per share (RMB cents per share)	13.18	9.90

Diluted earnings per share is the same as the basic earnings per share as no share options, warrants or other compound financial instruments with dilutive effect were granted during the financial year or outstanding at the end of the financial year.

25. DIVIDENDS

	Group and Company	
	2011	2010
	RMB'000	RMB'000
First and final exempt (one-tier) paid in respect of previous financial year of RMB 0.025 per ordinary share (2010: RMB 0.05 per ordinary share)	6,867	13,734

At the forthcoming Annual General Meeting, a first and final dividend of RMB 0.05 per ordinary share (one-tier, tax exempt) amounting to approximately RMB 13,734,000 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 2012.

26. CASH AND CASH EQUIVALENTS

	Group	
	2011	2010
	RMB'000	RMB'000
Cash on hand	88	53
Cash in bank	59,847	29,969
Fixed deposits	-	12,125
Cash and bank balances as stated in the consolidated balance sheet	59,935	42,147
Less: Pledged cash deposits placed with a bank	-	(12,125)
Cash and cash equivalents as stated in the consolidated statement of cash flows	59,935	30,022

26. CASH AND CASH EQUIVALENTS (Continued)

Cash deposits of RMB Nil (2010: RMB 12,125,000) are pledged in connection with bills payable facilities (Note 14).

As at 31 December 2011, the Group has cash and bank balances deposited with banks in the People's Republic of China amounting to approximately RMB 54,058,000 (2010: RMB 41,306,000). 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.

27. 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. 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	
	2011	2010
	RMB'000	RMB'000
Key management personnel compensation:-		
Short-term employee benefits	5,561	4,516
Employers' contribution to defined contribution plans	40	41
	5,601	4,557

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

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

28. CAPITAL COMMITMENTS

Capital expenditure contracted for as at 31 December 2011 but not recognised in the financial statements are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
In respect of plant and equipment	2,072	6,588

29. SEGMENT INFORMATION

The Group operates in only one main operating segment which focuses on the manufacture and sale of vane products and relating subcontracting services. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by management of the Group. Management of the Group reviews the overall results of the Group as a whole to make decisions about resource allocation. Accordingly, no further analysis of this single reporting segment has been prepared.

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

(a) Market risk

(i) Foreign exchange risk

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

Group 2011	Singapore dollars	Chinese Renminbi	Hong Kong dollars	Others*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and bank balances	13	54,051	5,864	7	59,935
Trade receivables	-	72,140	-	-	72,140
Other receivables	-	15	-	-	15
	13	126,206	5,864	7	132,090
Financial liabilities					
Trade payables	-	40,703	-	13	40,716
Other payables and accruals	979	13,172	57	247	14,455
	979	53,875	57	260	55,171
Net financial (liabilities) / assets	(966)	72,331	5,807	(253)	76,919
Less: Net financial assets denominated in the respective entities functional currencies	-	(72,331)	(5,864)	-	(78,195)
Foreign currency exposure	(966)	-	(57)	(253)	(1,276)

* Others comprise of United States dollars, Japanese Yen and South-Korean Won.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Group 2010	Singapore dollars	Chinese Renminbi	Hong Kong dollars	Others*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and bank balances	15	40,990	826	316	42,147
Trade receivables	-	68,079	-	-	68,079
Other receivables	-	30	-	-	30
	15	109,099	826	316	110,256
Financial liabilities					
Trade payables	-	32,963	-	-	32,963
Other payables and accruals	1,002	13,039	5	247	14,293
	1,002	46,002	5	247	47,256
Net financial (liabilities) / assets	(987)	63,097	821	69	63,000
Less: Net financial assets denominated in the respective entities functional currencies	-	(63,097)	(826)	-	(63,923)
Foreign currency exposure	(987)	-	(5)	69	(923)

* Others comprise of United States dollars and Japanese Yen.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Company 2011	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	13	-	-	-	13
Financial liabilities					
Other payables and accruals	979	57	561	247	1,844
Due to subsidiaries (non-trade)	-	-	18,328	-	18,328
	979	57	18,889	247	20,172
Net financial liabilities	(966)	(57)	(18,889)	(247)	(20,159)
Less: Net financial liabilities denominated in the Company's functional currency	-	-	18,889	-	18,889
Foreign currency exposure	(966)	(57)	-	(247)	(1,270)

Company 2010	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	15	-	-	-	15
Financial liabilities					
Other payables and accruals	1,002	5	127	247	1,381
Due to subsidiaries (non-trade)	-	-	20,005	-	20,005
	1,002	5	20,132	247	21,386
Net financial liabilities	(987)	(5)	(20,132)	(247)	(21,371)
Less: Net financial liabilities denominated in the Company's functional currency	-	-	20,132	-	20,132
Foreign currency exposure	(987)	(5)	-	(247)	(1,239)

30. 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. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the Chinese Renminbi strengthens by 10% against the relevant foreign currency, with all the other variables held constant, profit for the year will increase / (decrease) by:

Group	Singapore dollars	Hong Kong dollars	Others*	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2011				
Profit for the year	72	4	19	95
2010				
Profit for the year	74	^	(5)	69
Company				
2011				
Profit for the year	97	6	25	128
2010				
Profit for the year	99	1	25	125

* Others comprise of United States dollars, Japanese Yen and South-Korean Won.
^ Amount less than RMB 1,000

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

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

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

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

(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 financial liabilities of the Group as at 31 December 2011 and 2010 are repayable on demand or done within 1 year from the balance sheet date.

(c) Credit risk

Credit risk refers to the risk that 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 long time customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. Credit exposure to an individual counterparty is restricted by credit limits that are approved by management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Board of Directors.

Included in the Group's trade receivables are 2 customers (2010: 2 customers) that represented 57% (2010: 56%) of the balance as at 31 December 2011, which are located in the People's Republic of China. Amounts of approximately RMB 134,026,000 and RMB 44,651,000 (2010: RMB 114,348,000 and RMB 25,816,000) that represented 73% and 24% (2010: 68% and 15%) respectively of the Group's revenue are generated from these 2 customers (2010: 2 customers) during the financial year.

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 and subcontracting services is 90 days (2010: 90 days). No interest is imposed on overdue trade receivables.

Cash and bank balances 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.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

The age analysis of trade receivables is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Not past due and not impaired	29,460	33,167
Past due but not impaired		
- Past due less than 3 months	13,468	9,524
- Past due over 3 months	-	2,115
	13,468	11,639
Impaired trade receivables	4,726	3,630
Less: Allowance for impairment loss	(4,726)	(3,630)
Net trade receivables (Note 12)	42,928	44,806

The movement in allowance for impairment loss is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Balance at beginning of the year	3,630	3,630
Bad debts written off against allowance	(249)	-
Allowance made during the year	2,379	-
Allowance written back during the year	(1,034)	-
Balance at end of the year	4,726	3,630

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

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(d) Financial instruments by category

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Financial assets				
Loans and receivables (including cash and bank balances)	132,090	110,256	13	15
Financial liabilities				
Financial liabilities at amortised cost	55,171	47,256	20,172	21,386

Capital risk management policies and objectives

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

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

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on guidance of the board, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt. The Group's overall strategy remains unchanged from 2010.

As disclosed in Note 5, the PRC incorporated subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute to and to maintain a non-distributable statutory reserve fund, the utilisation of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been compiled with by the above-mentioned subsidiary for the financial years ended 31 December 2011 and 2010.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The Group and the Company had no financial assets or liabilities carried at fair value in 2011 and 2010.

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

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables (including amounts due to subsidiaries) are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments.

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

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

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

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 999	17	1.46	6,896	0.00
1,000 - 10,000	394	33.73	2,661,968	0.97
10,001 - 1,000,000	739	63.27	46,442,016	16.91
1,000,001 and above	18	1.54	225,573,880	82.12
TOTAL	1,168	100.00	274,684,760	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 26 March 2012)

	Direct Interest	%	Deemed Interest	%
Liu San San[1]	41,200,000	14.99	0	0
Liu Ming [2]	41,200,000	14.99	0	0
Allport Limited [3]	62,643,400	22.81	0	0
Koh Siak Khee [3]	0	0	62,643,400	22.81
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. A total of 41,200,000 shares were held by Liu San San through his nominee. Liu San San demised on 10 January 2010.

2. Liu Ming holds a total of 41,200,000 shares held through his nominee.

3. Allport Limited, which is a wholly-owned subsidiary of East Gate Capital, holds a total of 62,643,400 shares through HSBC (Singapore) Nominees Pte Ltd. East Gate Partners Pte. Ltd. is the investment manager of East Gate Capital, and is wholly-owned by Mr Koh Siak Khee.

4. TIA Systems Yugen Gaisha Japan is wholly-owned by Mr Seiichi Higashino.

STATISTICS OF SHAREHOLDINGS

As at 26 March 2012

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1	RAFFLES NOMINEES (PTE) LTD	83,800,000	30.51
2	HSBC (SINGAPORE) NOMINEES PTE LTD	62,706,640	22.83
3	TIA SYSTEMS YUGEN GAISHA JAPAN	33,000,000	12.01
4	NOMURA SECURITIES SINGAPORE PTE LTD	12,000,000	4.37
5	CIMB SECURITIES (SINGAPORE) PTE LTD	5,535,300	2.02
6	OCBC SECURITIES PRIVATE LTD	4,730,040	1.72
7	DBS VICKERS SECURITIES (S) PTE LTD	4,603,600	1.68
8	DB NOMINEES (S) PTE LTD	3,000,000	1.09
9	HONG LEONG FINANCE NOMINEES PTE LTD	2,373,000	0.86
10	WANG YU LONG DENIS	2,004,000	0.73
11	TAN WOON TIANG	1,830,000	0.67
12	TAN ENG CHUA EDWIN	1,805,000	0.66
13	TAN YEW MENG	1,734,000	0.63
14	LIM SIAN KOK	1,517,000	0.55
15	KHOO SU CHIN	1,484,300	0.54
16	TAN TIEN SENG	1,243,000	0.45
17	XIA ZHIFU	1,200,000	0.44
18	TAN HENG CHING	1,008,000	0.37
19	CITIBANK NOMINEES SINGAPORE PTE LTD	977,000	0.36
20	WONG WAI KUEN	870,000	0.32
	TOTAL	**227,420,880**	**82.81**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 35.2% 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.

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 Samsung Hub level 8, 3 Church Street, Changi Room, Singapore 049483 on Monday, 30 April 2012 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2011 together with the Auditors' Report thereon.
(Resolution 1)

2. To declare a first and final dividend of RMB 0.05 per ordinary share (tax not applicable) for the year ended 31 December 2011 (2010: RMB 0.025 per ordinary share).
(Resolution 2)

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

   Mr Koh Siak Khee **(Resolution 3)**
   Ms Han Mei **(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 non-independent.

4. To approve the payment of Directors' Fees of RMB 1,320,000 for the year ending 31 December 2012 (2011: RMB1,320,000).
(Resolution 5)

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

6. 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:

7. **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 authorised and empowered to:

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

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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

provided that:

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

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

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

    (b) new shares arising from exercising share options or vesting 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) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

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

(Resolution 7)

8. **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 (ii)]

(Resolution 8)

By Order of the Board

Wong Yoen Har
Secretary
Singapore, 13 April 2012

Explanatory Notes:

(i) The Ordinary Resolution 7 in item 7 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.

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.

(ii) The Ordinary Resolution 8 proposed 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 when varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company from time to time pursuant to the Shanghai Turbo Enterprises Ltd. Scrip Dividend Scheme.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. 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. If he wishes to appoint a proxy to attend the Meeting, he must complete and deposit the CDP Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 at least forty-eight (48) hours before the time of the Meeting.

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