SHANGHAI TURBO ENTERPRISES LTD.

上海动力发展有限公司

PROPELLED for FUTURE PROGRESS

ANNUAL REPORT **2013**

2013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 substations. They are also essential components mounted onto steam turbine generators to maximise the efficiency of steam flow in the generation of electricity. These steam turbine power generators are used for power generation in power plants, power stations and/or substations.

Based in Changzhou City, Jiangsu, China, the Group is equipped with the latest advanced precision engineering machinery from Korea, Japan, Switzerland and Germany in its plants. Shanghai Turbo 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 Message

For the year ended 31 December 2013 ("FY2013"), 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 11% to RMB166 million from RMB151 million in the previous year (FY2012).

Dear Shareholders,

PERFORMANCE IN 2013

Shanghai Turbo continues to weather the challenges of a tough operating environment. Our strategy is focused on the following main business fundamentals:

- ensuring consistency in our products through an effective quality management system, which achieved ISO 9001:2008 certification
- building strong relationships with key customers who trust us with repeat orders, due to our track record of meeting expectations and delivering customer satisfaction
- developing new processes, new products, and nurturing our people

As a result of the strong relationships we have built, we have seen an overall increase in orders from domestic customers, as well as from overseas customers such as Japan's Mitsubishi Heavy Industries. This resulted in an 11% increase in Group revenue for the year ended 31 December 2013 ("FY2013"). However, gross profit declined 16% to RMB 68.0 million due to the sales mix as well as higher production overheads, especially in consumables and outsourcing costs. Full year net profit was RMB 43.7 million, 6% higher than in FY2012, due in part to the Group benefitting from a RMB 6.36 million tax refund in FY2013. The tax refund is a result of the Group obtaining the High Technology Status, a tax incentive scheme for high-tech enterprises, which is a testimony to our continuing efforts to remain technically competitive. The status and related tax incentives are effective for 3 years starting from 1st Jan 2012.

尊敬的股东们：

2013年业绩

上海动力仍在经受恶劣运营环境的挑战。我们的战略是专注于以下主要业务基础：

- 通过有效的管理系统确保产品的一致性——本集团系统现已满足ISO 9001:2008认证
- 与信任我们、多次下订单的重要客户建立长期关系——客户的信任来自于我们满足客户期望、保障客户满意的良好记录
- 开发新工艺、新产品、培养人才

由于我们打造的密切合作关系，本集团2013年的国内外客户订单， 包括日本三菱重工， 同比2012年有所增长，促使2013年的收入增长了11%。然而，由于销售产品组合有变，加上生产费用上升（主要是消耗品和委外加工）集团的毛利润下降至6,800万元（人民币，下同），减少了16%。全年净利润为4,370万元，比2012财年高6%，部分原因是因为在2013年收到了636万元的退税款。由于集团获得了高新技术企业证，获得了税务优惠，因此得到了以上退税款。得到了高新技术企业资质也证明了我们为保持技术优势而做出的持续努力。高新技术资质和相关的税收优惠从2012年1月1日起生效，有效期为3年。

We continue to invest in research and development, and new machinery, in order to ensure that our products are able to meet our customers' demands. Over the course of FY2013, we invested in high tech machinery such as high precision integrated turn-mill centres. Aside from hardware, we also firmly believe in developing our human resources, and our staff are encouraged to take up various training courses to improve their knowledge and skills.

OUTLOOK AND STRATEGY

The industry in which the Group operates is highly competitive, and the Group is also facing macroeconomic challenges posed by a recovering but still fragile global economy. China's economic growth is also widely reported to be slowing, with expectations of a 7.5% expansion in GDP in 2014, compared to 7.7% in 2013[1]. In addition to this, the credit markets in China are highly uncertain, with a rising number of reported corporate defaults. The Group's receivables turnover has deteriorated in 2013, but the management team is monitoring the situation very closely and will work towards improved collection. However, it is worth noting that the Group's receivables do contain a substantial amount of acceptance bills which are secured either by banks or on the credit standing of a state-owned enterprise.

A further challenge in the domestic market would be the Chinese government's firm stance on reducing reliance on traditional fuel-burning power generation methods, in order to combat pollution. However, the Group has positioned itself accordingly and is supplying products that are used in turbine generators powered by a variety of both clean and traditional methods such as nuclear, coal, and natural gas.

Our business is a capital-intensive one, and as such, we are always looking to manage our resources prudently, by improving our internal processes in areas such as cost control, product cost structures, material purchasing, and outsourcing efficiency. However, over the coming years, we see a need to increase our capital expenditure on high-tech machinery such as high precision integrated turn-mill centres, which would enable us to meet the increasing technical demands of modern turbine generators. New machinery would also allow us to perform more efficient precision engineering and reduce the reliance on skilled labour, which is becoming more expensive and difficult to retain. This is a trend which many engineering and manufacturing companies in China are having to deal with.

我们继续投资于研发和新机械设备，以确保我们的产品能够满足客户的需求。在2013年度，我们购买了森精机，高精度机床等高科技机械设备。除了硬件之外，我们还大力发展人力资源，我们鼓励员工参加各种培训课程，以提升他们的知识水平和技能。

展望与策略

本集团所在的行业竞争激烈，而全球经济虽处于复苏状态，但仍然脆弱，所以本集团也面对着这方面的宏观经济风险。诸多报道也显示中国的经济增长正在放缓，相比2013年GDP的7.7%增长水平，2014年的预测水平为7.5%[1]。除此之外，中国的信贷市场也存在不确定因数，企业违约的相关报告不断增多。本集团的应收账款周期在2013年有所放缓，但管理团队一直在密切关注情况，并将齐心协力改善收款情况。值得一提的是，集团的应收账款中包含大量承兑汇票，受到银行或国有企业信用的保障。

国内市场的另一个挑战是，为了对抗污染，中国政府立场坚定地减少对传统燃料发电方法的依赖。然而，本集团已经做好相应的定位，并将提供可使用清洁和传统来源，如核能、煤炭和天然气等用于涡轮发电机的产品。

我们处在一个投资密集型行业，因此，我们一直在审慎管理我们的资源——我们改善了成本控制、产品成本结构、材料采购和委外加工效率方面等等。然而，在未来几年，我们认为我们有必要增加高科技机械设备方面的资本投入，例如森精机，高精度机床等等，这将让我们得以满足现代涡轮发电机不断提升的技术需求。新的机械设备还将让我们得以执行更为高效的精准工程，减少我们对熟练劳力的依赖。这是在中国的许多工程和制造公司都在面临的趋势；熟练劳力越来越昂贵、也越来越难以保有。

[1] http://www.reuters.com/article/2014/03/05/us-china-parliament-gdp-idUSBREA2400X20140305

Chairman's Message

ACKNOWLEDGEMENTS

The year under review saw some changes to our Board of Directors. Ms Han Mei stepped down as a Non-Executive and Non-Independent Director. We thank her for the contributions she has made since her appointment in May 2009. She was replaced by Ms Sun Qixia on 1 March 2013.

On behalf of the Board, I would like to thank all our shareholders for continuing to support us through these difficult times. Our thanks also go out to all our customers, business partners, and the management and staff for their hard work. I am also grateful for the wisdom and guidance of my fellow directors. Let us all work together to overcome the challenges and strive for greater success.

Liu Ming
Executive Chairman and CEO

致谢

今年，我们的董事会发生了一些变化。韩梅小姐卸任非执行董事和非独立董事的职务。感谢她从2009年5月获得任命以来所作出的贡献。孙琦霞小姐将于2013年3月1日接替她的职位。

我谨代表董事会感谢我们所有股东，感谢大家一路相伴，支持我们度过这段困难时期。同时感谢我们所有的客户、业务伙伴，也感谢管理层和员工，感谢你们的辛勤工作。还要感谢各位董事所展现出来的智慧和引导。让我们携手共进、克服困难，迎接更大的成功。

刘明
执行主席兼首席行政官

STATEMENT OF COMPREHENSIVE INCOME

Group revenue increased 11% from RMB 150.6 million in FY2012 to RMB 166.4 million in FY2013, as the Group saw an increase in orders from both local and overseas customers. These orders are a testament to the Group's track record, and in the case of repeat orders, a reflection of the trust built with those customers.

China continues to be the main market for the Group's products, with Chinese customers contributing 90% of FY2013 revenue, same as FY2012. Of the remaining 10% in FY2013, Korea contributed 2%, and Japan 8%.

Due to the sales mix in FY2013 and higher production overheads, gross profit decreased 16% from RMB 80.7 million in FY2012 to RMB 68.0 million. Gross profit margin declined from 53.6% to 40.9%.

Selling and distribution expenses decreased by 67% to RMB 2.4 million in FY2013 due to the termination of a significant sales commission agreement during the year. Administrative expenses, however, increased by 26% to RMB 22.5 million, mainly as a result of higher labour costs, technical service agreement , additional professional fees, vehicle repairs and maintenance, and an increase in staff bonus and executive incentives.

The Group's income tax expense was significantly lower at RMB 1.9 million for FY2013, compared to RMB 15.2 million in FY2012, mainly due to a tax refund of RMB 6.4 million for taxes paid in 2012, which helped to offset FY2013 tax expense. The tax refund is a result of the Group's wholly-owned subsidiary, Changzhou 3D Technological Complete Set Equipment Co., Ltd, obtaining High Technology Status from the Chinese government, a scheme for high-tech enterprises which reduces the corporate income tax rate for the subsidiary from 25% to 15%. The status is effective for 3 years, backdated from 1st Jan 2012.

As a result, net profit after tax for the period increased 6% from RMB 41.5 million in FY2012 to RMB 43.8 million in FY2013.

STATEMENT OF FINANCIAL POSITION

The Group's current assets stood at RMB 231.3 million as at 31 December 2013, compared to RMB 178.8 million as at 31 December 2012. The increase was mainly due to higher trade receivables, cash, and inventories. Trade receivables increased from RMB 83.7 million to RMB 121.6 million, reflecting slower collection particularly from the Group's state-owned enterprise (SOE) customers, but in general, customers continued to experience very tight credit in the Chinese market during the year. The trade receivables include acceptance bills amounting to RMB 22.3 million (31 Dec 2012: RMB 21.9 million) received from customers for the settlement of outstanding balances. Of this RMB 22.3 million bills receivable, 63.5% are bank-secured bills, and the remaining bills are from a SOE customer. Inventories increased by RMB 5.7 million to RMB 22.4 million due to work in progress which would be further processed for sale in FY2014. Cash and cash equivalents stood at RMB 85.8 million, compared to RMB 75.7 million as at 31 December 2012.

Non-current assets were RMB 11.8 million lower at RMB 124.6 million, largely due to property, plant and equipment which declined from RMB 125.6 million as at end 2012 to RMB 114.1 million. This was mainly due to depreciation expenses during the period, which was partially offset by RMB 7.6 million of new machinery and equipment acquired during the year.

Current liabilities increased from RMB 55.4 million to RMB 60.8 million, mainly due to an increase in trade and income tax payables, which was partially offset by a reduction in other payables and accruals. Trade payables also includes bill payables of RMB 12.7 million (31 Dec 2012: RMB 12.8 million) issued to suppliers for the settlement of outstanding balances. RMB 6.4 million of cash was pledged with the bank for this facility.

STATEMENT OF CASH FLOWS

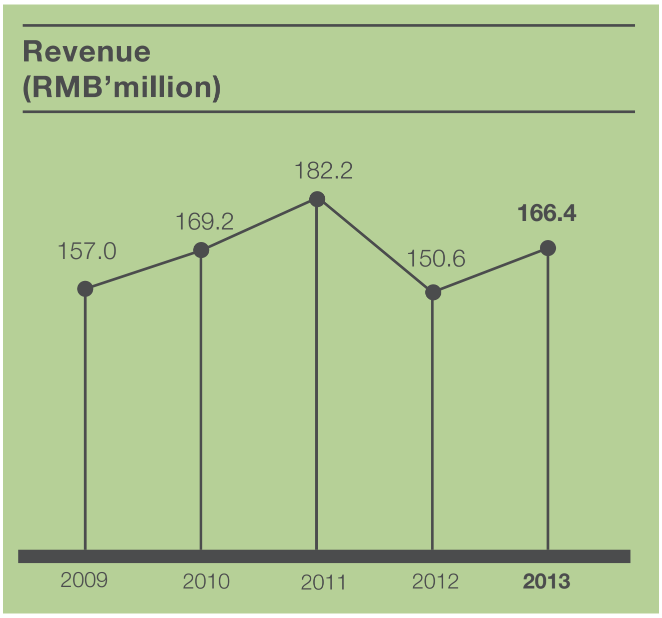
The Group generated a net cash flow of RMB 23.5 million from operating activities in FY2013, compared to RMB 34.1 million in FY2012. Although Group revenue was higher in 2013, the lower net cash flow generated from operating activities reflected the increase in days sales outstanding due to tight credit conditions among the Group's customers in China.

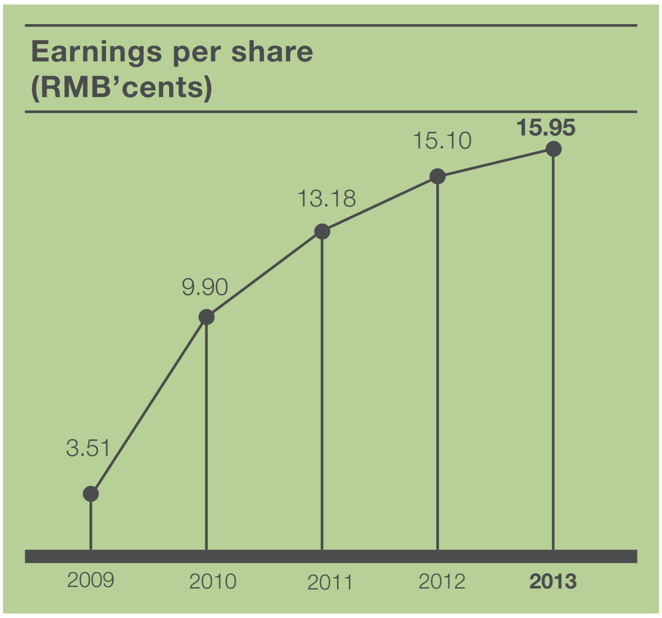
Net cash used in investing activities was RMB 6.5 million, for the purchase of new machinery and equipment.

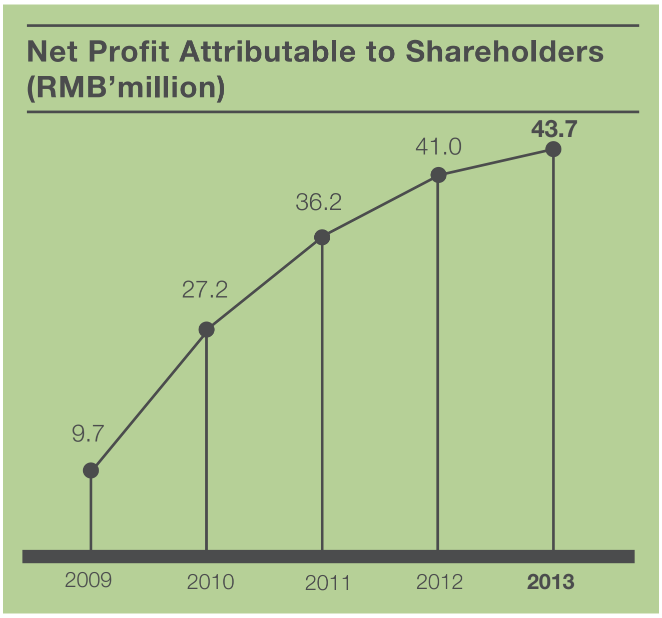
Net cash used in financing activities was only RMB 5,000, as the RMB 6.9 million in dividends paid during the year was almost totally offset by the release of pledged deposits.

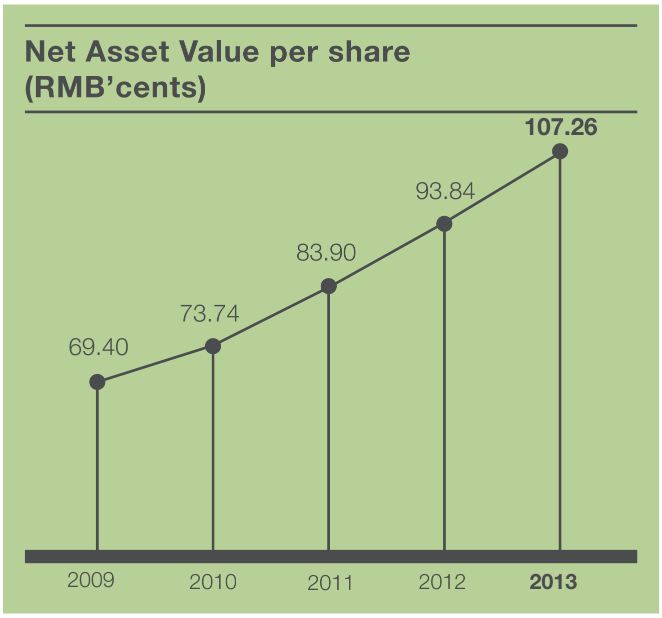
As a result of the above, the Group's cash and cash equivalents increased by approximately RMB 17.0 million for 2013.

Financial Highlights









Mr Liu Ming, Mr Koh Siak Khee, Mr Zhou Xu
(From Left to Right)

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, respectively. As the Executive Chairman and Chief Executive Officer, Mr Liu Ming works on the formulation and execution of overall business strategies and policies. He is also responsible for overseeing our production and operation, marketing, quality control, public relations and technology departments.

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

Executive Deputy Chairman

Mr Koh is currently the managing partner of East Gate Capital Pte Ltd which manages China pre-IPO funds backed by Japanese institutional investors. 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 derivatives, as well as regulatory arbitrage. From 1989 to 1992, he worked for Allen & Gledhill as a corporate lawyer in Singapore.

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

Mr Koh Siak Khee resigned as Executive Deputy Chairman on 31 January 2014.

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 Technological Complete Set Equipment Co., Limited 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 Changzhou Jiaotong Technical College and has over 18 years' sales experience in the machinery-related industry.

Mr Zhou Xu resigned on 27 January 2014.

Board of Directors

Mr Jack Chia Seng Hee, Mr Huang Wooi Teik, Ms Sun Qixia
(From Left to Right)

MR JACK CHIA SENG HEE 杰克 谢先生

Independent Director

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

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

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

MR 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 and Lead Independent Director on 6 August 2012. Mr Huang currently runs a business and investment advisory firm, specialising in the China, fund management and capital markets. Prior to this, Mr Huang was a Managing Director at Middle East Development Singapore Limited listed on the SGX-ST and had held senior management and financial roles in regional MNC and listed companies, including General Manager of Shanghai Carrier Transicold Equipment Co., Limited, CFO of United Technologies Carrier Refrigeration Asia Pacific Operations, CFO of Hi-P International Limited listed on the SGX-ST and Group CFO (China) of Hong Leong China Limited. He holds a Master of Business Administration with Honours from Oklahoma City University, in addition to his Bachelor of Accountancy from the University of Singapore and a Diploma of Marketing from the Chartered Institute of Marketing in United Kingdom. He is a Fellow of Institute of Singapore Chartered Accountants and CPA Australia and member of the Marketing Institute of Singapore and the Chartered Institute of Marketing in United Kingdom.

MS SUN QIXIA 孙琦霞小姐

Non-Executive and Non-Independent Director

Ms Sun was appointed on the Board of Shanghai Turbo Enterprises Ltd. on 1 March 2013. She is currently working as financial analyst in East Gate Capital Partners Pte. Ltd. She graduated from Ryutsu Keizai University Japan with a Master's Degree in Law.

Corporate Information

BOARD OF DIRECTORS
Mr Liu Ming
(Executive Chairman and Chief Executive Officer)

Mr Koh Siak Khee
(Executive Deputy Chairman)
(Resigned as Executive Deputy Chairman on 31 January 2014)

Mr Zhou Xu
(Executive Director)
(Resigned on 27 January 2014)

Mr Huang Wooi Teik
(Lead Independent Director)

Mr Jack Chia Seng Hee
(Independent Director)

Ms Han Mei
(Non-Executive and Non-Independent Director)
(Resigned on 1 March 2013)

Ms Sun Qixia
(Non-Executive and Non-Independent Director)
(Appointed on 1 March 2013)

AUDIT COMMITTEE
Mr Jack Chia Seng Hee
(Chairman)

Mr Huang Wooi Teik

Ms Han Mei
(Resigned on 1 March 2013)

Ms Sun Qixia
(Appointed on 1 March 2013)

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
(Resigned on 1 March 2013)

Ms Sun Qixia
(Appointed on 1 March 2013)

SECRETARY
Ms Tan Min-Li

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AUDIT PARTNER-IN-CHARGE
Mr Goh Sia
Appointed with effect from financial year 2013

CORPORATE GOVERNANCE REPORT AND FINANCIAL CONTENTS

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

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

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

The Board is pleased to confirm that for the financial year ended 31 December 2013, 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 the 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. The Board exercises independent judgement in dealing with the business affairs of the Group and works with the management to make objective decisions in the interest of the Group.

To assist in the execution of its responsibilities, the Board has established several Board Committees namely, Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). These Board Committees function within clearly defined terms of reference, which are reviewed on a regular basis. The terms of reference of the respective committees have incorporated the recent changes under the Code.

The Board and its committees met regularly and as warranted by particular circumstances. To enable members of the Board and its committees to prepare for the meetings, agendas were circulated in advance. The frequency of meetings and attendance of each director at every board and Board Committee meeting are disclosed in this Report.

The attendance of the directors at Board meetings and Board Committee meetings during the financial year ended 31 December 2013 are as follows:-

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	5	5	1	2
Name of directors				
Executive Directors:				
Liu Ming	4		1	
*Zhou Xu	4			
#Koh Siak Khee	4			
Non-Executive & Non-Independent Directors:				
Sun Qixia	4	3		2
Non-Executive & Independent Directors:				
Jack Chia Seng Hee	5	5	1	2
Huang Wooi Teik	5	5	1	2

* Zhou Xu resigned on 27 January 2014
# Koh Siak Khee resigned as Executive Deputy Chairman on 31 January 2014

The Company has adopted internal guidelines governing matters that require the Board's approval. Matters which are specifically reserved to the Board for decision include those involving a conflict of interest for a substantial shareholder or a director, material acquisitions, disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders and matters which require Board approval as specified under the Company's interested person transaction policy.

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

Newly appointed directors will, if necessary, be given briefings by the management on the business activities of the Group, governance policies, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company's securities and restrictions on disclosure of price sensitive information.

A formal letter of appointment is furnished to every newly-appointed director upon his or her appointment explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the Board

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

Executive Director

Mr Liu Ming	(Executive Chairman & Chief Executive Officer)

Non-Executive & Non-Independent Directors

Mr Koh Siak Khee	(Resigned as Executive Deputy Chairman on 31 January 2014)
Ms Sun Qixia	

Non-Executive & Independent Directors

Mr Huang Wooi Teik	(Lead Independent Director)
Mr Jack Chia Seng Hee	

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

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

The NC conducts its annual review on the composition and size of the Board. The NC considers the current Board composition and size to be appropriate to facilitate effective decision making for the existing needs and demands of the Group's businesses. As the Chairman is not an Independent Director, the NC is reviewing the composition of Independent Directors on the Board and will submit proposals on the necessary reconstitution before the end of the grace period for the compliance of Guideline 2.2 of the Code.

The NC and the Board, in its deliberation as to the independence of a director, takes into account examples of relationships as set out in the Code.

The Board possesses the relevant core competencies in areas such as accounting and finance, strategic planning, business and management experience. In particular, the Executive Director possesses good industry knowledge while the Non-Executive Directors, who are mostly professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations.

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

During the year, the Non-Executive Directors communicated among themselves without the presence of management as and when the need arose. The Company also benefited from the management's ready access to its directors for guidance and exchange of views both within and outside the formal Board or committees meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

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

Mr Liu Ming 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.

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.

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

Mr Koh Siak Khee resigned as Executive Deputy Chairman of the Company on 31 January 2014. He remains on the Board as a Non-Executive Director.

The role of the Chairman includes ensuring that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the professional corporate secretarial firm and ensuring that Board members are provided with complete, adequate and timely information. Mr Liu Ming, 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.

The Board has appointed Mr Huang Wooi Teik as the Lead Independent Non-Executive Director to co-ordinate and to lead the independent directors.

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

BOARD MEMBERSHIP

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

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

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

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

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

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

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

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

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

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

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that directors appointed to the Board possess the relevant background, experience and knowledge in business, legal, finance and management skill critical to the Group's business to enable the Board to make sound and well considered decisions.

Save for 1 director who is also a director of a number of other listed corporations, all directors do not sit on the board of other listed corporations.

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

The NC has recommended the nominations of Mr Liu Ming and Mr Huang Wooi Teik, who are retiring by rotation pursuant to Article 86(1)&(2), to be put forward for re-elections at the forthcoming Annual General Meeting ("**AGM**"). Mr Liu Ming will, upon re-election as a director of the Company, remain as Chairman of the Board and a member of the Nominating Committee and will be considered non-independent. Mr Huang Wooi Teik will, upon re-election as Lead Independent Director of the Company, remain as Chairman of the Nominating Committee and of the Remuneration Committee and a member of the Audit Committee and will be considered 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 annual assessment of the effectiveness of the Board and contributions by each director.

The NC is responsible for assessing the Board as a whole and also each individual director's contribution. The NC has conducted a board performance evaluation exercise to assess the effectiveness of the Board in financial year ended 31 December 2013 ("**FY2013**") and is satisfied that sufficient time and attention has been given by the directors to the affairs of the Group.

To ensure confidentiality, the evaluation returns completed by directors were submitted to the professional corporate secretarial firm for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the Board's performance for the year.

The NC, in conducting the appraisal process to assess the performance and effectiveness of the Board as a whole, focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the directors' standards of conduct. The Board has approved and adopted a revised set of performance criteria in view of the revised Code of Corporate Governance 2012.

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

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

ACCESS TO INFORMATION

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

The Board has separate and independent access to senior management of the Company, the professional corporate secretarial firm, the Internal Auditors (as defined below) and the External Auditors (as defined below) at all times. Directors also have unrestricted access to the Company's records and information, all Board and Board's committees' minutes, and have been receiving management accounts so as to enable them to carry out their duties.

In addition to the annual budget and business plans submitted to the Board for approval, the Board has been provided with management reports, Board papers and related materials informing the directors of the Group's performance, position and prospects. Management also keeps the Board apprised of material variances between the actual results, corresponding period of last year and the budget, with appropriate explanation on such variances. Further, additional information is circulated to the Board on a regular basis as and when there is material development in the Group's business operations.

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

The appointment and removal of the Company Secretary and the professional corporate secretarial firm are subject to the approval of the Board.

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

Mr Huang Wooi Teik	(Chairman)
Mr Jack Chia Seng Hee	(Member)
Ms Sun Qixia	(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 has not sought advice from any external expert in the field of executive compensation.

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

LEVEL AND MIX OF REMUNERATION

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

Executive Directors do not receive directors' fees. The Executive Director and key senior management remuneration packages are based on service contracts. The reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Director and key management personnel are commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group.

The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk management policies of the Group. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Company.

The Company does not have share option scheme or performance share plan. The RC is considering the viability of such scheme/plan and is looking into other long-term incentive scheme to supplement the Group's current compensation framework.

Non-Executive Directors and Independent Directors are paid yearly Directors' fees of an agreed amount based on their contributions, taking into account factors such as effort, time spent, responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The Company uses contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors but not its key management personnel in China in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The RC is seeking legal advice on the enforceability of such provisions in the People's Republic of China.

DISCLOSURE ON REMUNERATION

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

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

The RC has recommended to the Board the payment of directors' fees of RMB1,600,000 for the financial year ending 31 December 2014 for Non-Executive Directors and Independent Directors, which will be tabled at the forthcoming AGM for shareholders' approval.

Remuneration for the directors for the financial year ended FY2013 is as follows:

Remuneration Bands & Name	Salary %	Bonus %	Others Remuneration %	Directors Fees %	Total %
Executive Director					
S$500,000 and above					
Liu Ming	8.9%	91.1%	–	–	100.0%
Below S$250,000					
Zhou Xu*	53.6%	46.4%	–	–	100.0%
Koh Siak Khee#	100.0%	–	–	–	100.0%
Non-Executive Director					
Below S$250,000					
Sun Qixia	–	–	–	100.0%	100.0%
Huang Wooi Teik	–	–	–	100.0%	100.0%
Jack Chia Seng Hee	–	–	–	100.0%	100.0%

* Zhou Xu resigned on 27 January 2014
# Koh Siak Khee resigned as Executive Deputy Chairman on 31 January 2014.

Remuneration for the top five key executives (who are not a director or CEO) for FY2013 is as follows:

	Salary %	Bonus %	Other Remuneration %	Total %
Below S$250,000				
*Johnny Lim Chong Boon	100.0%	–	–	100.0%
Shi Lin Bin	74.6%	25.4%	–	100.0%
Huang Yi Jiang	73.8%	26.2%	–	100.0%
Huang Cheng Yuan	67.6%	32.4%	–	100.0%
Jia Qing	76.5%	23.5%	–	100.0%

* Johnny Lim Chong Boon resigned on 31 December 2013

The aggregate of the total remuneration paid to the top five key management personnel (who are not directors or the CEO) is RMB 729,000.

There are no immediate family members of directors or CEO in employment with the Group and whose remuneration exceeds S$50,000 during FY2013.

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

The RC sets and reviews remuneration linked to the key performance indexes for the CEO for every financial year and assesses his performance. Key performance indexes are not only tied to corporate performance but also linked with certain risk control measurements. For FY2013, the CEO has met the key performance indexes set by the RC. The RC is considering setting long term performance conditions while it considers the viability of share option scheme or performance share plan. The RC intends to extend the same to other key management personnel.

ACCOUNTABILITY

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

The Board is accountable to shareholders. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The management is accountable to the Board by providing the Board with the necessary financial information for the discharge of its duties.

During the year, the Board has reviewed reports from the management to ensure compliance with all the Group's policies, operational practices and procedures and relevant legislative and regulatory requirements.

The management updates the Board regularly on the Group's business activities and financial performance through operations reports. Such reports compare the Group's actual performance against the approved budget and results of the previous year and where appropriate, against forecast. They also highlight key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make balanced and informed assessment of the Group's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for risk governance and internal controls

As the Company does not have a risk management committee, the Board, the AC and the management assume the responsibility of the risk management function. The management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

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

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

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

Based on the Group's framework of the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external auditors and Internal Auditors, the Board, with the concurrence of the AC, is of the view that the internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate as at 31 December 2013. Notwithstanding the foregoing, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

AUDIT COMMITTEE

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

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

Mr Jack Chia Seng Hee	(Chairman)
Mr Huang Wooi Teik	(Member)
Ms Sun Qixia	(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 judgments relating to financial statements for each financial year, interim and annual results announcement before submission to the Board for approval;

4. reviews and reports to the Board annually on the adequacy of the Company's internal controls (financial, operational, compliance and information technology) and risk management policies and systems established by the management;

5. reviews the audit plans and reports of the external auditors and consider the effectiveness of the actions taken by the management on the auditors' recommendations;

6. appraises and reports to our Board on the audits undertaken by the external auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;

7. reviews the independence of external auditors annually and consider the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the external auditors and approves the remuneration and terms of engagement of the external auditors;

8. reviews interested person transactions, as defined in the Listing Manual of the SGX-ST;

9. reviews the remuneration of employees who are related to our directors or substantial shareholders; and

10. reviews the effectiveness of the Company's internal audit function.

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

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

The AC has reviewed the non-audit services performed by the External Auditors and noted that there was no non-audit service performed in FY2013. The audit service fees paid or payable for the financial year ended 31 December 2013 amounted to RMB871,000, none of these fees are for non-audit services.

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

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The details of the whistle-blowing policies and arrangements have been made available to all employees.

In addition to the activities undertaken to fulfil its responsibilities, the AC is kept abreast by the management, external auditors on changes to accounting standards, stock exchange rules and other codes and regulations which could have an impact on the Group's business and financial statements.

INTERNAL AUDIT

Principle 13: Setting up independent internal audit function

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

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

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

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Fair and equitable treatment of shareholders

The Company believes in timely, fair and adequate disclosure of relevant information to shareholders and investors so that they will be apprised of developments that may have a material impact on the Company's securities. The Company does not practise selective disclosure. All information of the Company is published through the SGXNet.

The Company allows The Central Depository (Pte) Limited or other corporations which provide nominee or custodial services to appoint more than two proxies to attend general meetings of the Company so that shareholders will have the opportunity to participate effectively in and vote at general meetings.

Principle 15: Effective and fair communication with shareholders

In line with the continuous disclosure obligations under the listing rules of the SGX-ST, the Board informs shareholders promptly of all major developments that may have material impact on the Group. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Material information on the Group is being released to the public through the Company's announcements via the SGXNET.

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or input and address shareholders' concerns at general meetings. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

Principle 16: Shareholders' participation at general meetings

All shareholders receive the annual report and notice of the AGM. At the AGM, shareholders are given the opportunity to voice their views and ask directors or the management questions regarding the Company's affairs. If the Company convenes an extraordinary general meeting ("EGM"), the same is practised save for the shareholders receive a circular or letter explaining the purpose of the EGM and notice of EGM.

The Chairmen of the Audit, Remuneration and Nominating Committees will normally be present at AGM to answer any questions relating to the work of these Committees. The external auditors are also present at the AGM to answer questions from shareholders.

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

DEALING IN SECURITIES

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

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

MATERIAL CONTRACTS

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

INTERESTED PERSON TRANSACTIONS

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

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

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

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

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

Directors' Report

The directors present their report to the members together with the audited financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2013 and the balance sheet of the Company as at 31 December 2013.

Directors

The directors of the Company in office are as follows:

Liu Ming
Koh Siak Khee
Jack Chia Seng Hee
Huang Wooi Teik
Sun Qixia

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 2013	At 31 December 2013	At 1 January 2013	At 31 December 2013
Company				
(Ordinary shares at US$0.025 each)				
Liu Ming	41,200,000	82,400,000	41,200,000	-
Koh Siak Khee	-	-	62,643,400	-

The directors' interests in the ordinary shares of the Company as at 21 January 2014 were the same as those as at 31 December 2013.

Liu Ming is deemed to have interest in the share capital of the Company's wholly-owned subsidiaries, through his direct shareholding in the Company.

Directors' contractual benefits

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

Share options

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

Audit committee

The members of the Audit Committee are as follows:

Jack Chia Seng Hee (Chairman)
Huang Wooi Teik
Sun Qixia

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

- the scope and the results of internal audit procedures with the internal auditors;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board of Directors for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2013 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 external auditors, Crowe Horwath First Trust LLP, be nominated for reappointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has confirmed that no non-audit services were provided by the independent external auditors.

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

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

Independent auditors

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

On behalf of the Board of Directors

LIU MING
Director

KOH SIAK KHEE
Director

7 April 2014

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 28 to 68 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 2013 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	**KOH SIAK KHEE**
Director	Director

7 April 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 28 to 68, which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2013, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD. (Continued)

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 2013, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

7 April 2014

Balance Sheets

As at 31 December 2013
(Amounts in Chinese Renminbi ("RMB"))

	Note	Group		Company	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
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	24,052	19,764	-	-
Translation deficit	6	(3,523)	(3,424)	-	-
		20,529	16,340	-	-
Retained earnings	7	137,151	104,485	2,143	2,350
TOTAL EQUITY		294,616	257,761	139,079	139,286
ASSETS					
Non-current assets					
Property, plant and equipment	8	114,079	125,561	-	-
Subsidiaries	9	-	-	156,236	156,236
Land use right	10	10,540	10,791	-	-
Current assets					
Inventories	11	22,384	16,703	-	-
Trade receivables	12	121,569	83,679	-	-
Other receivables, deposits and prepayments	13	1,319	2,401	5	8
Land use right	10	251	251	-	-
Cash and bank balances	26	85,817	75,727	50	2
		231,340	178,761	55	10
TOTAL ASSETS		355,959	315,113	156,291	156,246
LIABILITIES					
Current liabilities					
Trade payables	14	41,748	35,502	-	-
Other payables and accruals	15	16,436	18,079	1,242	1,264
Due to subsidiaries (non-trade)	16	-	-	15,970	15,696
Income tax payable		2,631	1,788	-	-
		60,815	55,369	17,212	16,960
Non-current liability					
Deferred tax liability	17	528	1,983	-	-
TOTAL LIABILITIES		61,343	57,352	17,212	16,960
NET ASSETS		294,616	257,761	139,079	139,286

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013
(Amounts in Chinese Renminbi ("RMB"))

	Note	2013 RMB'000	2012 RMB'000
Revenue	18	166,400	150,586
Cost of sales		(98,361)	(69,839)
Gross profit		68,039	80,747
Other operating income	19	2,614	1,186
Selling and distribution expenses		(2,375)	(7,133)
Administrative expenses		(22,506)	(17,862)
Other operating expenses	20	(63)	(273)
Profit before income tax	22	45,709	56,665
Income tax	23	(1,888)	(15,184)
Profit for the year		43,821	41,481
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		(99)	(445)
Total comprehensive income for the year, representing profit attributable to equity holders of the Company		43,722	41,036
Earnings per share (cents)			
Basic and diluted	24	15.95	15.10

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2013
(Amounts in Chinese Renminbi ("RMB"))

	Attributable to equity holders of the Company					
	Share capital	Share premium	Statutory reserve	Translation deficit	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	
Balance as at 1 January 2012	55,409	81,527	14,870	(2,979)	81,632	230,459
Profit for the year	-	-	-	-	41,481	41,481
Other comprehensive loss, net of tax						
Currency translation differences arising from consolidation	-	-	-	(445)	-	(445)
Total comprehensive income for the year	-	-	-	(445)	41,481	41,036
Contributions by and distributions to owners						
Transfer to statutory reserve	-	-	4,894	-	(4,894)	-
Dividends (Note 25)	-	-	-	-	(13,734)	(13,734)
Total contributions by and distributions to owners	-	-	4,894	-	(18,628)	(13,734)
Balance as at 31 December 2012	55,409	81,527	19,764	(3,424)	104,485	257,761
Balance as at 1 January 2013	55,409	81,527	19,764	(3,424)	104,485	257,761
Profit for the year	-	-	-	-	43,821	43,821
Other comprehensive loss, net of tax						
Currency translation differences arising from consolidation	-	-	-	(99)	-	(99)
Total comprehensive income for the year	-	-	-	(99)	43,821	43,722
Contributions by and distributions to owners						
Transfer to statutory reserve	-	-	4,288	-	(4,288)	-
Dividends (Note 25)	-	-	-	-	(6,867)	(6,867)
Total contributions by and distributions to owners	-	-	4,288	-	(11,155)	(6,867)
Balance as at 31 December 2013	55,409	81,527	24,052	(3,523)	137,151	294,616

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013
(Amounts in Chinese Renminbi ("RMB"))

	Note	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Profit before income tax		45,709	56,665
Adjustments:			
Amortisation of land use right		251	251
Depreciation of property, plant and equipment		19,016	18,640
Interest income		(212)	(214)
(Gain) / Loss on disposal of property, plant and equipment		(34)	4
Allowance for doubtful debts		-	227
Allowance for doubtful debts written back		(60)	-
Allowance for inventory obsolescence write back		(1,150)	
Currency translation differences		(45)	(442)
Operating profit before working capital changes		63,475	75,131
Inventories		(4,531)	(9,910)
Trade and other receivables		(37,778)	(12,345)
Trade and other payables		4,603	(1,590)
Cash generated from operations		25,769	51,286
Interest income received		212	214
Income taxes paid		(2,500)	(17,429)
Net cash from operating activities		23,481	34,071
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		66	10
Purchase of property, plant and equipment	A	(6,536)	(4,552)
Net cash used in investing activities		(6,470)	(4,542)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013
(Amounts in Chinese Renminbi ("RMB"))

	Note	2013 RMB'000	2012 RMB'000
Cash flows from financing activities			
Dividends paid	25	(6,867)	(13,734)
Withdrawal / (Placement) of pledged deposits		6,862	(13,310)
Net cash used in financing activities		(5)	(27,044)
Net increase in cash and cash equivalents		17,006	2,485
Cash and cash equivalents at beginning of year		62,417	59,935
Effects of exchange rate changes in cash and cash equivalents		(54)	(3)
Cash and cash equivalents at end of year	26	79,369	62,417

Note A

	2013 RMB'000	2012 RMB'000
Total additions to property, plant and equipment (Note 8)	7,566	4,000
(Less) / Add:(Decrease) / Increase in deposits paid included in other receivables, deposits and prepayments (Note 13)	(1,030)	552
Purchase of plant, property and equipment per consolidated statement of cash flows	6,536	4,552

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.9, Yinghua Road, Zhonglou Economic Development Zone, Changzhou City, Jiangsu Province, the People's Republic of China ("PRC").

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are shown in Note 9.

The financial statements for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 7 April 2014.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards

On 1 January 2013, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") 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 FRS and INT FRS. The adoption of these new or amended FRS and INT FRS 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:

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income ("OCI")*

The Amendments to IAS 1 change 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 presentation of items that are already recognised in OCI, the application of the amendments has had no material impact to the Group.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities for first time in the current year. The amendments to IFRS7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 28 (as revised in 2011) and IFRS 11 is not applicable to the Group as the Group does not have any associate or interest in joint arrangements. The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements as the new definition of controls does not result in any changes in the subsidiary status or composition of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities 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. As this is a disclosure standard, there had no impact to the financial position and financial performance of the Group. Based on the current composition of the Group, there is no additional disclosure required as a result of this new standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

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
Amendments to IFRS 10, 12 and IAS 27: Investment Entities	1 January 2014
Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
IFRS 9 *Financial Instruments*	1 January 2015
Amendments to IFRS 9 and IFRS *7 Mandatory Effective Date of IFRS 9 and Transition Disclosures*	1 January 2015

Except for Amendments to 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 Amendments to IFRS 9 is described below.

IFRS 9 *Financial Instruments*

IFRS 9 applies to clarification and measurement of financial assets and financial liabilities in IAS 39.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Group accounting

Subsidiaries

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- had power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (continued)

Subsidiaries (continued)

(a) Basis of consolidation

- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (continued)

Subsidiaries (continued)

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred (for acquisition from 1 January 2010) or formed part of the acquisition costs (for acquisition before 1 January 2010).

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.

(c) Disposals of subsidiaries or businesses

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

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

Subsidiaries

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Translation of the Group's financial statements

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

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

Financial assets

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

<u>Loans and receivables</u>

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

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

(iii) Derecognition

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(iii) Derecognition (Continued)

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

Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(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.

Inventories

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

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

Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(iii) Derecognition

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

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 profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

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

Share capital

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

Revenue recognition

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations. The subsidiary, incorporated and operating in the PRC, 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.

Income tax

(i) Current 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

(i) Current income tax (Continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(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.

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 vane products are depreciated on a straight-line basis over the plant and machinery's estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 10 years and the residual values to be 10% of the cost of these assets. These are common life expectancies and residual values applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at 31 December 2013 was approximately RMB 91,297,000 (2012: RMB 101,513,000). A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 3% (2012: 3%) variance in the Group's profit for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and assumptions (Continued)

(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.

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 4,145,000 (2012: RMB 1,946,000).

(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 2013, the total allowances for inventory is approximately RMB 9,881,000 (2012: RMB 11,031,000).

3. SHARE CAPITAL

	Group and Company			
	2013	2012	2013	2012
	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	
	2013	2012
	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	
		2013	2012
		RMB'000	RMB'000
Statutory reserve fund	10%	24,052	19,764

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 DEFICIT

	Group	
	2013	2012
	RMB'000	RMB'000
At beginning of the year	(3,424)	(2,979)
Currency translation differences arising from consolidation	(99)	(445)
At end of the year	(3,523)	(3,424)

7. RETAINED EARNINGS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	104,485	81,632	2,350	(859)
Profit for the year	43,821	41,481	6,660	16,943
Transfer to statutory reserve	(4,288)	(4,894)	-	-
Dividend paid (Note 25)	(6,867)	(13,734)	(6,867)	(13,734)
At end of the year	137,151	104,485	2,143	2,350

8. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings	Plant and machinery	Office equipment	Motor vehicles	Renovation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
As at 1.1.2012	31,828	184,276	2,564	3,795	-	222,463
Additions	464	2,652	319	-	565	4,000
Disposals	-	-	-	(136)	-	(136)
As at 31.12.2012	32,292	186,928	2,883	3,659	565	226,327
As at 1.1.2013	32,292	186,928	2,883	3,659	565	226,327
Additions	-	6,354	886	326	-	7,566
Disposals	-	-	(41)	(278)	-	(319)
As at 31.12.2013	32,292	193,282	3,728	3,707	565	233,574
Accumulated depreciation						
As at 1.1.2012	9,644	68,893	2,161	1,550	-	82,248
Charge for the year	1,435	16,522	88	517	78	18,640
Disposals	-	-	-	(122)	-	(122)
As at 31.12.2012	11,079	85,415	2,249	1,945	78	100,766
As at 1.1.2013	11,079	85,415	2,249	1,945	78	100,766
Charge for the year	1,442	16,570	288	528	188	19,016
Disposals	-	-	(37)	(250)	-	(287)
As at 31.12.2013	12,521	101,985	2,500	2,223	266	119,495
Net carrying amount						
As at 31.12.2012	21,213	101,513	634	1,714	487	125,561
As at 31.12.2013	19,771	91,297	1,228	1,484	299	114,079

9. SUBSIDIARIES

	Company 2013 RMB'000	Company 2012 RMB'000
Unquoted equity shares, at cost	156,236	156,236

The details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2013 %	2012 %	2013 RMB'000	2012 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] ("Changzhou 3D")	Manufacturing of vane products and relating subcontracting services	PRC	100	100		

(1) Audited by S. W. Chan & Co, Hong Kong and reviewed by Crowe Horwath First Trust LLP for consolidation 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 2013 RMB'000	Group 2012 RMB'000
Cost		
At beginning and end of the year	12,547	12,547
Accumulated amortisation		
At beginning of the year	1,505	1,254
Charge for the year	251	251
At end of the year	1,756	1,505
Net carrying amount		
At beginning of the year	11,042	11,293
At end of the year	10,791	11,042

10. LAND USE RIGHT (Continued)

	Group 2013 RMB'000	Group 2012 RMB'000
Presentation on balance sheet, based on amount to be amortised:		
- Not later than one year, current portion	251	251
- Later than one year but not later than five years	1,004	1,004
- Later than five years	9,536	9,787
Non-current portion	10,540	10,791

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 43 years (2012: 44 years).

11. INVENTORIES

	Group 2013 RMB'000	Group 2012 RMB'000
Raw materials	5,804	4,647
Work-in-progress	16,572	11,024
Finished goods	9,889	12,063
	32,265	27,734
Allowance for inventory obsolescence	(9,881)	(11,031)
	22,384	16,703

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately RMB 42,807,000 (2012: RMB 25,674,000).

The movement in allowance for inventory obsolescence is as follows:

	Group 2013 RMB'000	Group 2012 RMB'000
At beginning of the year	11,031	11,031
Allowance written back	(1,150)	-
At end of the year	9,881	11,031

12. TRADE RECEIVABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Trade receivables (Note A)	104,148	66,736
Allowance for impairment of trade receivables (Note 30 (iii))	(4,893)	(4,953)
	99,255	61,783
Bills receivable	22,314	21,896
	121,569	83,679

Note A

Included in the Group's trade receivables is unbilled trade receivable amounting to approximately RMB 7,063,000 (2012: RMB 11,331,0000) arising from revenue recognised on subcontracting services but not invoiced to customers as at 31 December 2013. Unbilled receivable will normally be billed within 3 months from the time of revenue recognition. The directors are of the view that all unbilled receivable as at balance sheet date are billable and collectible eventually.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	195	160	-	-
Deposits for plant and equipment	410	1,440	-	-
Advances to sub-contractors	-	242	-	-
Prepayments	413	329	5	8
Other receivables	301	230	-	-
	1,319	2,401	5	8

14. TRADE PAYABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Trade payables	29,012	22,655
Bills payable (Note A)	12,736	12,847
	41,748	35,502

Note A

Cash deposits of (Note 26) RMB 6,448,000 (2012: RMB 13,310,000) are pledged in connection with bills payable facilities granted by a bank.

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued operating expenses (Note A)	12,954	14,666	912	1,264
Other payables	709	2,663	330	-
Value added tax payable	2,361	492	-	-
Other taxes payable	412	258	-	-
	16,436	18,079	1,242	1,264

Note A

Included in the accrued operating expenses is director's incentive payable of RMB 8,548,000 (2012: RMB 4,873,000), in accordance with an incentive award scheme approved by the Remuneration Committee. The director's incentive is computed based on the Group's net profit for the year.

16. DUE TO SUBSIDIARIES (NON-TRADE)

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

17. DEFERRED TAX LIABILITY

	Group	
	2013	2012
	RMB'000	RMB'000
At beginning of the year	1,983	652
Effect of changes in tax rate (from 25% to 15%) (Note 23)	(793)	-
Recognised in the profit or loss	(662)	1,331
At end of the year	528	1,983

	Deferred tax liability	Deferred tax assets			
	Unbilled revenue	Accrued bonus	Allowance for impairment of trade receivables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2013					
Balance at beginning of year	2,833	(314)	(393)	(143)	1,983
Effect of changes in tax rate	(1,133)	125	157	58	(793)
Recognised in the profit or loss	(640)	(18)	9	(13)	(662)
Balance at end of year	1,060	(207)	(227)	(98)	528
2012					
Balance at beginning of year	652	-	-	-	652
Recognised in the profit or loss	2,181	(314)	(393)	(143)	1,331
Balance at end of year	2,833	(314)	(393)	(143)	1,983

There are no income tax consequences attached to the dividends proposed by the Company but not recognised as a liability in the financial statements.

18. REVENUE

	Group	
	2013	2012
	RMB'000	RMB'000
Sale of goods	99,052	101,892
Subcontracting services	67,348	48,694
	166,400	150,586

19. OTHER OPERATING INCOME

	Group	
	2013	2012
	RMB'000	RMB'000
Gain on disposal of property, plant and equipment	34	-
Allowance for doubtful debts written back	60	-
Allowance for inventories obsolescence written back	1,150	-
Gain on sale of scrap materials	930	494
Government grants	216	35
Interest income	212	214
Other payables written off	1	443
Others	11	-
	2,614	1,186

20. OTHER OPERATING EXPENSES

	Group	
	2013	2012
	RMB'000	RMB'000
Allowance for impairment of trade receivables (Note 30 (iii))	-	227
Loss on disposal of property, plant and equipment	-	4
Others	63	42
	63	273

21. PERSONNEL EXPENSES

	Group	
	2013	2012
	RMB'000	RMB'000
Wages, salaries and bonuses *	25,337	22,857
Contributions to defined contribution plans	2,838	2,599
Other personnel expenses	1,243	1,135
	29,418	26,591

* This includes the amount shown as directors' remuneration.

22. PROFIT BEFORE INCOME TAX

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

	Group	
	2013	2012
	RMB'000	RMB'000
Allowance for doubtful debts (Note 30 (iii))	-	227
Allowance for doubtful debts written back (Note 30 (iii))	(60)	-
Allowance for inventory obsolescence written back	(1,150)	-
Amortisation of land use right	251	251
Audit fees		
- auditors of the Company	871	975
- other auditors	123	85
Depreciation of property, plant and equipment	19,016	18,640
Directors' remuneration		
- directors of the Company	1,350	1,320
- directors of subsidiaries	4,595	3,912
Gain on disposal of property, plant and equipment	34	4
Foreign exchange loss/ (gain), net	336	(202)
Personnel expenses (Note 21) *	29,418	26,591

* 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	
	2013	2012
	RMB'000	RMB'000
Current tax		
- current year	8,412	14,342
- (over) / under provision in prior year	(6,020)	(1,384)
- withholding tax on dividend income	951	895
	3,343	13,853
Deferred tax (Note 17)		
- origination and reversal of temporary differences	(662)	1,667
- benefits from previously unrecognised deductible temporary differences used to reduce deferred tax expense	-	(336)
- effect of changes in tax rate (from 25% to 15%)	(793)	-
	(1,455)	1,331
	1,888	15,184

23. INCOME TAX (Continued)

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

	Group	
	2013 RMB'000	2012 RMB'000
Profit before income tax	45,709	56,665
Tax at the PRC statutory tax rate of 25% (2012: 25%)	11,427	14,166
Tax effects of:		
Income not subject to tax	(302)	(44)
Expenses that are not deductible in determining taxable profit	1,148	2,207
Effect of different tax rates in tax-free jurisdictions	1,085	765
Tax incentive	(5,608)	(838)
Effect of change in applicable tax rate on deferred tax	(793)	
(Over) / Under provision of tax in prior years	(6,020)	(1,384)
Utilisation of previously unrecognised deductible temporary differences to reduce		
- deferred tax	-	(336)
- current tax	-	(247)
Withholding tax on dividend income	951	895
Tax expense	1,888	15,184

The Company:

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

Subsidiaries:

Best Success, subject to Hong Kong tax rate of 16.5% (2012: 16.5%), does not have assessable profit since its incorporation on 23 April 2005.

In accordance with the Income Tax Law of the People's Republic of China for High Technology Enterprises and various approval documents issued by the PRC Tax Bureau, Changzhou 3D being awarded the "High Technology Enterprise" status enjoys a concessionary tax rate of 15%, as compared to the statutory tax rate for PRC companies of 25%. The concessionary income tax status is valid for 3 years and is subjected to renewal when its expired in August 2015. This benefit was disclosed under the tax incentive in the tax reconciliation during the year.

The aggregate amount of temporary differences associated with undistributed earnings of Changzhou 3D for which deferred tax liabilities have not been recognised is approximately RMB 72,519,000 (2012: RMB 63,939,000). 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	
	2013	2012
Net profit attributable to equity holders of the Company (RMB'000)	43,821	41,481
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)	15.95	15.10

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	
	2013	2012
	RMB'000	RMB'000
First and final exempt (one-tier) paid in respect of previous financial year of RMB 0.025 per ordinary share (2012: RMB 0.05 per ordinary share)	6,867	13,734

26. CASH AND CASH EQUIVALENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Cash on hand	71	52
Cash in bank	85,746	75,675
Cash and bank balances as stated in the consolidated balance sheet	85,817	75,727
Less: Pledged cash deposits placed with a bank	(6,448)	(13,310)
Cash and cash equivalents as stated in the consolidated statement of cash flows	79,369	62,417

26. CASH AND CASH EQUIVALENTS (Continued)

Cash deposits of RMB 6,448,000 (2012: RMB 13,310,000) are pledged in connection with bills payable facilities (Note 14).

As at 31 December 2013, the Group has cash and bank balances deposited with banks in the People's Republic of China amounting to approximately RMB 76,561,000 (2012: RMB 73,083,000). 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	
	2013	2012
	RMB'000	RMB'000
Key management personnel compensation:-		
Wages and Salaries	2,633	2,076
Director's Incentive	3,675	3,598
Employers' contribution to defined contribution plans	43	42
	6,351	5,716

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

The remuneration of directors and key management including the director's incentive (Note 15) 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 but not recognised in the financial statements are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
In respect of plant and equipment	410	3,360

29. SEGMENT INFORMATION

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

Revenue of approximately RMB 13,013,000 (2012: RMB 3,221,000) and RMB 4,258,000 (2012: RMB 12,095,000) are derived from overseas customers mainly in Japan and Korea respectively.

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.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk

(a) Foreign exchange risk

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

Group 2013	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	50	76,561	2,195	7,011	85,817
Trade receivables	-	119,595	-	1,974	121,569
Other receivables	-	301	-	-	301
Intragroup receivables	-	48,142	-	-	48,142
	50	244,599	2,195	8,985	255,829
Financial liabilities					
Trade payables	-	41,718	-	30	41,748
Other payables and accruals	897	12,766	-	-	13,663
Intragroup payables	-	48,142	-	-	48,142
	897	102,626	-	30	103,553
Net financial (liabilities) / assets	(847)	141,973	2,195	8,955	152,276
Less: Net financial assets denominated in the respective entities functional currencies	-	(95,790)	(2,195)	-	(97,985)
Foreign currency exposure	(847)	46,183	-	8,955	54,291

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

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2012	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	2	73,083	363	2,279	75,727
Trade receivables	-	81,035	-	2,644	83,679
Other receivables	-	230	-	-	230
Intragroup receivables	-	40,551	-	-	40,551
	2	194,899	363	4,923	200,187
Financial liabilities					
Trade payables	-	35,232	-	270	35,502
Other payables and accruals	1,246	16,065	18	-	17,329
Intragroup payables	-	40,551	-	-	40,551
	1,246	91,848	18	270	93,382
Net financial (liabilities) / assets	(1,244)	103,051	345	4,653	106,805
Less: Net financial assets denominated in the respective entities functional currencies	-	(62,500)	(363)	-	(62,863)
Foreign currency exposure	(1,244)	40,551	(18)	4,653	43,942

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

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

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

Company 2012	Singapore dollars	Chinese Renminbi	Hong Kong dollars	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Cash and bank balances	2	-	-	2
Financial liabilities				
Other payables and accruals	1,246	-	18	1,264
Due to subsidiaries (non-trade)	-	15,696	-	15,696
	1,246	15,696	18	16,960
Net financial liabilities	(1,244)	(15,696)	(18)	(16,958)
Less: Net financial liabilities denominated in the Company's functional currency	-	15,696	-	15,696
Foreign currency exposure	(1,244)	-	(18)	(1,262)

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Chinese Renminbi against the relevant foreign currencies. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

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

Group	Singapore dollars	Chinese Renminbi	Hong Kong dollars	Others*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2013					
Profit for the year	63	(3,464)	-	(671)	(4,073)
2012					
Profit for the year	93	(3,041)	1	(349)	(3,296)
Company					
2013					
Profit for the year	85	-	-	-	85
2012					
Profit for the year	124	-	2	-	126

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

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

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

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

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

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

(ii) Liquidity risk

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

All the financial liabilities of the Group as at 31 December 2013 and 2012 are repayable on demand or due within 1 year from the balance sheet date.

(iii) 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 (2012: 2 customers) located in the PRC and principally engaged in development and manufacture of power equipment representing 79% (2012: 69%) of the total trade receivables balance as at 31 December 2013. Approximately RMB 94,236,000 and RMB 50,529,000 (2012: RMB 98,520,000 and RMB 33,560,000), representing 57% and 30% (2012: 65% and 22%) respectively of the Group's revenue are generated from these 2 customers (2012: 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.

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 average credit period on sales of goods and subcontracting services is 90 days (2012: 90 days). No interest is imposed on overdue trade receivables. 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)

(iii) Credit risk (Continued)

The age analysis of trade receivables is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Not past due and not impaired	57,807	42,321
Past due but not impaired		
- Past due less than 3 months	21,130	8,205
- Past due over 3 months	20,318	11,257
	41,448	19,462
Impaired trade receivables	4,893	4,953
Less: Allowance for impairment loss	(4,893)	(4,953)
Net trade receivables (Note 12)	99,255	61,783

The movement in allowance for impairment loss is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Balance at beginning of the year	4,953	4,726
Allowance made during the year	-	227
Allowance written back during the year	(60)	-
Balance at end of the year	4,893	4,953

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

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/or no collection during the year and up to the date of this report. The Group does not hold any collateral over the amounts outstanding as at balance sheet date, and the management is of the view that from the past historical experience, such balances are not recoverable.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category

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

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
<u>Financial assets</u>				
Loans and receivables (including cash and bank balances)	207,687	159,636	50	2
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	55,411	52,831	17,212	16,960

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 2012.

As disclosed in Note 5, the PRC incorporated subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute to and to maintain a non-distributable statutory reserve fund, the utilisation of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2013 and 2012.

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 2013 and 2012.

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

DISTRIBUTION OF SHAREHOLDING

SIZE OF SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	18	1.67	8,376	0.00
1,000 - 10,000	364	33.77	2,464,429	0.90
10,001 - 1,000,000	678	62.89	41,913,315	15.26
1,000,001 AND ABOVE	18	1.67	230,298,640	83.84
TOTAL	1,078	100.00	274,684,760	100.00

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 19 March 2014)

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

Notes:

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

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

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

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

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

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

Statistics of Shareholdings

As at 19 March 2014

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	83,939,000	30.56
2	ALLPORT LIMITED	62,643,400	22.81
3	YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN	33,000,000	12.01
4	CITIBANK NOMINEES SINGAPORE PTE LTD	12,522,000	4.56
5	CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,118,300	1.86
6	TAN ENG CHUA EDWIN	4,927,000	1.79
7	OCBC SECURITIES PRIVATE LIMITED	4,579,040	1.67
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,433,600	1.61
9	TAN YEW MENG	3,044,000	1.11
10	DB NOMINEES (SINGAPORE) PTE LTD	3,000,000	1.09
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,449,000	0.89
12	WANG YU LONG DENIS	2,004,000	0.73
13	KHOO SU CHIN	1,911,300	0.70
14	TAN WOON TIANG	1,760,000	0.64
15	LIM SIAN KOK	1,517,000	0.55
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	PEH HOCK CHOON	918,000	0.33
20	ONG KANG CHIM	700,000	0.25
TOTAL		**231,916,640**	**84.42**

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

Based on the information available to the Company as at 19 March 2014, approximately 30.81% of the issued ordinary shares of the Company were held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of SHANGHAI TURBO ENTERPRISES LTD. will be held at Parkroyal on Pickering, 3 Upper Pickering Street, Singapore 058289 on Wednesday, 30 April 2014 at 9.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2013 together with the Auditors' Report thereon. **Resolution 1**

2. To re-elect the following directors retiring pursuant to Article 86(1) of the Articles of Association:

   Mr Liu Ming **Resolution 2**
   Mr Huang Wooi Teik **Resolution 3**

   Mr Liu Ming will, upon re-election as Director of the Company, remain as Chairman of the Board and a member of the Nominating Committee and will be considered non-independent.

   Mr Huang Wooi Teik will, upon re-election as Lead Independent Director of the Company, remain as Chairman of the Nominating Committee and of the Remuneration Committee and a member of the Audit Committee and will be considered independent.

3. To approve Directors' Fees of RMB 1,600,000 for the financial year ending 31 December 2014 for payment (2013: RMB 1,320,000). **Resolution 4**

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

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

AS SPECIAL BUSINESS

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

6. AUTHORITY TO ALLOT AND ISSUE SHARES

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

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

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

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

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

PROVIDED THAT:

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

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

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

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

(c) any subsequent consolidation or subdivision of shares

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

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

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

BY ORDER OF THE BOARD

TAN MIN-LI
COMPANY SECRETARY

Date : 15 April 2014

SINGAPORE

Explanatory Notes:

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

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

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

Notes :-

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

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

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

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