



Incorporated in the Cayman Islands on 14 July 2005

Quarterly Financial Statement for the First Quarter Ended 31 March 2015 (“1QFY2015”)

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

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

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2015**

	Group		
	3 months ended		+ / (-)
	31 Mar 2015 RMB'000	31 Mar 2014 RMB'000	
Revenue	25,064	22,442	12%
Cost of sales	(16,659)	(13,332)	25%
Gross profit	8,405	9,110	-8%
Other income	141	159	-11%
Selling and distribution expenses	(591)	(649)	-9%
Administrative expenses	(4,677)	(3,582)	31%
Other operating income/(expenses)	6	(66)	NM
Profit before income tax	3,284	4,972	-34%
Income tax credit/(charge)	101	(648)	NM
Net profit after tax	3,385	4,324	-22%
Other comprehensive (expenses)/income:			
Currency translation (losses)/gain	(9)	968	NM
Total comprehensive income attributable to			
Equity shareholders of the Company	3,376	5,292	-36%

NM - Not meaningful

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



	Group		
	3 months ended		+ / (-)
	31 Mar 2015 RMB'000	31 Mar 2014 RMB'000	
Depreciation expense	4,219	4,725	-11%
Amortisation of land use right	62	63	-2%
Interest Income	(37)	(58)	-36%
Foreign exchange (gain)/loss	(48)	99	NM
Loss on disposal of property, plant and equipment	31	66	-53%
<i>NM - Not meaningful</i>			



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

	Group		Company	
	31 Mar 2015 RMB'000	31 Dec 2014 RMB'000	31 Mar 2015 RMB'000	31 Dec 2014 RMB'000
EQUITY				
Capital and reserves attributable to				
Equity holders of the Company				
Share capital	55,409	55,409	55,409	55,409
Share premium	81,527	81,527	81,527	81,527
	136,936	136,936	136,936	136,936
Other Reserves				
Statutory reserve	27,957	27,957	-	-
Foreign exchange reserve	(3,340)	(3,331)	-	-
	24,617	24,626	-	-
Retained earnings	164,198	160,813	(3,057)	(1,634)
TOTAL EQUITY	325,751	322,375	133,879	135,302
ASSETS				
Non-current assets				
Property, plant and equipment	113,600	115,192	-	-
Subsidiaries	-	-	156,236	156,236
Land use right	10,227	10,289	-	-
	123,827	125,481	156,236	156,236
Current assets				
Inventories	47,475	40,508	-	-
Trade receivables	141,613	166,580	-	-
Other receivables, deposits and prepayments	1,143	4,071	112	74
Land use right	251	251	-	-
Cash and cash equivalents	74,675	53,775	1,371	2,395
	265,157	265,185	1,483	2,469
TOTAL ASSETS	388,984	390,666	157,719	158,705
LIABILITIES				
Current liabilities				
Trade payables	58,396	60,923	-	-
Other payables and accruals	3,260	5,291	1,073	636
Due to subsidiaries (non-trade)	-	-	22,767	22,767
Income tax payable	1,360	78	-	-
	63,016	66,292	23,840	23,403
Non-current liability				
Deferred tax liability	217	1,999	-	-
TOTAL LIABILITIES	63,233	68,291	23,840	23,403
NET ASSETS	325,751	322,375	133,879	135,302



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

Amount repayable in 1 year or less, or on demand

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

Amount repayable after 1 year

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



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

<u>Group</u>						
Group	Share	Share	Statutory	Translation	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 Jan 2014	55,409	81,527	24,052	(3,523)	137,151	294,616
Total comprehensive income/ (expenses) for the period	-	-	-	192	34,434	34,626
Statutory reserves	-	-	3,905	-	(3,905)	-
Dividend	-	-	-	-	(6,867)	(6,867)
Balance as at 31 Dec 2014	55,409	81,527	27,957	(3,331)	160,813	322,375
<u>Group</u>						
Group	Share	Share	Statutory	Translation	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 Jan 2015	55,409	81,527	27,957	(3,331)	160,813	322,375
Total comprehensive income/ (expenses) for the period	-	-	-	(9)	3,385	3,376
Statutory reserves	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
Balance as at 31 Mar 2015	55,409	81,527	27,957	(3,340)	164,198	325,751
<u>Company</u>						
Company	Share	Share	Statutory	Translation	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 Jan 2014	55,409	81,527	-	-	9,010	145,946
Total comprehensive income/ (expenses) for the period	-	-	-	-	3,090	3,090
Statutory reserves	-	-	-	-	(13,734)	(13,734)
Dividend	-	-	-	-	-	-
Balance as at 31 Dec 2014	55,409	81,527	-	-	(1,634)	135,302
<u>Company</u>						
Company	Share	Share	Statutory	Translation	Retained	Total
	Capital	Premium	Reserve	Reserve	Earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 Jan 2015	55,409	81,527	-	-	(1,634)	135,302
Total comprehensive income/ (expenses) for the period	-	-	-	-	(1,423)	(1,423)
Dividend	-	-	-	-	-	-
Balance as at 31 Mar 2015	55,409	81,527	-	-	(3,057)	133,879



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

	Number of shares	Issued share capital USD	Issued share capital RMB
Issued and paid Share Capital as at 31 December 2014 and 31 March 2015	274,684,760	6,867,119	55,409,257

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

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

	Number of shares	
	31 March 2015	31 December 2014
Issued and paid Share Capital	274,684,760	274,684,760

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

Not applicable.

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

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

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

Not applicable.



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

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

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

Not applicable.

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

Earnings per ordinary share for the period based on net profit attributable to shareholders	Group	
	12 months ended	
	31 March 2015	31 March 2014
Basic earnings per share (RMB cents)	1.23	1.57
On a fully diluted basis (RMB cents)	1.23	1.57
Weighted average number of ordinary shares in issue for basic earnings per share	274,684,760	274,684,760

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

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Net asset value per ordinary share based on the issued capital at the end of the financial year (RMB cents)	118.59	117.36	48.74	49.26
Number of shares in calculating net asset value	274,684,760	274,684,760	274,684,760	274,684,760



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

Statement of Comprehensive Income for the period ended 31 March 2015

Compared to previous year, revenue increased 12.0% from RMB 22.4 million in 1Q FY2014 to RMB 25.1 million in 1Q FY2015 reflecting weaker higher-margin orders from overseas market and increased orders from domestic market. Domestic orders contributed 87.55% to 1Q FY2015 revenue, compared to 78.06% in 1Q FY2014. The lower gross profit margin of 33.5% for 1Q FY2015, versus 40.6% margin for 1Q FY2014 was due to Dongqi, our 2nd largest customer; higher proportion of contracts with lower margins and lower selling price for same products.

There was a decrease in selling and distribution expenses from RMB 649 k in 1Q FY2014 to RMB 591k in 1Q FY2015 due to lesser selling expenses during the quarter.

Administrative expenses increased from RMB 3.6 million in 1Q FY2014 to RMB 4.7 million in 1Q FY2015 due to under-accruals for last year and higher expenses for current year. For 1Q FY2015, accruals were made for 2015 CEO incentive package (RMB 341,000), year-end bonus (RMB 325,000) and for professional fees (RMB 167,000) while none was made in 1Q FY2014. The increase was also caused by higher social security contributions (1Q FY2014:RMB 646,000, 1Q FY2015:RMB 716,000) and travelling expenses (1Q FY2014:RMB 106k, 1Q FY2015:RMB 339,000).

There was an Income tax credit of RMB 101,000 in 1Q FY2015 compared to a charge of RMB 648,000 in 1Q FY2014. The Income tax credit consists of a current tax charge of RMB 1.7 million offset by deferred tax credit adjustment of RMB 2.5 million arising from utilisation of deferred tax liability recognised in 1Q FY2015, a timing difference adjustment for accrued revenue recorded in FY2014, offset partially by RMB 700,000 of newly provided deferred tax for unbilled revenue accrued for in 1Q FY2015.

Overall, despite higher revenues, the total comprehensive income attributable to equity shareholders of the company decreased 36% from RMB 5.3 million in 1Q FY2014 to RMB 3.4 million in 1Q FY2015 reflecting lower gross margin rates, increased Administrative expenses and lower foreign exchange gain caused by strong US Dollar offset by deferred tax credits and lower selling expenses.

Statement of Financial Position as at 31 March 2015

Property, plant and equipment (PPE) stood at RMB 113.6 million as at 1Q FY2015, reduced from RMB 115.2 million as at 31 Dec 2014 mainly due to depreciation in the 1st Quarter of FY 2015. Cost of new machines and equipment added in the period was RMB 4.3 million, the



bulk of which were 2 measuring instruments & 3 CNC machine acquired at RMB 4.1 million in FY 2013, but commissioned into service in 1Q FY2015.

Inventories increased from RMB 40.5 million as at 31 Dec 2014 to RMB 47.5 million in 1Q FY 2015, mainly due to the buildup in finished goods, caused by urgent reprioritizing of production orders by a major local customer.

Trade receivables decreased from RMB 166.6 million as at 31 Dec 2014 to RMB 141.6 million at 1Q FY2015 due to conversion of bills receivables into cash upon maturity. These trade receivables included bills receivables amounting to RMB 23.5 million (FY2014: RMB 50.5 million) received from customers for the settlement of outstanding balances. Of the RMB 23.5 million bills receivable, 30 % are bank-guaranteed bills (31 Dec 2014 55.4%) with remaining notes from an SOE customer. Of the RMB 23.5 million bills receivable, about RMB 15.4 million is due for settlement by end of June 2015, the rest is due by Sep 2015. The company sales team will intensify the practice of visiting the SOE customer on a regular basis to press for faster settlement.

Other receivables, deposits and prepayments decreased from RMB 4.1 million as at 31 Dec 2014 to RMB 1.1 million in 1Q FY2014, mainly due to the machine commissioned into service, causing them to be reclassified as PPE.

Details of trade receivables aging as at 31 March 2015 are tabled as follows:

RMB'000	Balance	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	>1 year
Account Receivable	123,421	14,346	12,815	18,853	29,546	47,862	-
Provision for Doubtful Debts	(5,283)	-	-	-	-	(5,283)	-
Net Account Receivable	118,138	14,346	12,815	18,853	29,546	42,579	-
Bills Receivable	23,475	2,105	2,000	11,275	8,095	-	-
Total Trade Receivables @ March'15	141,613	16,450	14,814	30,129	37,641	42,579	-
	100%	12%	10%	21%	27%	30%	0%

In comparison with FY2014, the ageing of the trade receivables as at 31 March 2015 has worsened as 78% of the receivables are aged 61 days and above, compared to 58% in FY 2014. A doubtful debt policy review is currently being undertaken with our auditors.

The management is considering engaging debt collection agencies or banks to perform factoring (both recourse and non-recourse) to reduce the amount of trade receivables with possible recovery of incremental cost from customers.

Trade payables experienced little change, reducing from RMB 60.9 million as at 31 Dec 2014 to RMB 58.4 million at 31 March 2015.

Other payables and accruals decreased to RMB 3.3 million at 31 March 2015, from RMB 5.3 million in FY2014, mainly due to settlement of such payables and reclassification to trade payables.



Statement of Cash Flows for the period ended 31 March 2015

Net cash generated from operating activities was RMB 23.6 million at 1Q FY2015, compared to net cash generated of only RMB 73k in 1Q FY2014 caused by large amounts of bills receivables collected in 1Q FY2015.

Net cash used in investing activities in FY2014 was RMB 2.7 million at 1Q FY2015, compared to RMB 12.7 million used in 1Q FY2014.

Net cash generated from financing activities was RMB 1.1 million in 1Q FY2015 compared to net cash used of RMB 2.4 million in 1Q FY2014 due to reduced amount of pledged deposits used for bills payables facility in 1Q FY2015.

As a result of the above, there was a net increase in cash and cash equivalents of about RMB 22.0 million in 1Q FY2015, compared to a net decrease of RMB 15.1 million in 1Q FY2014.

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

Not applicable.

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

The business outlook continues to be challenging in China, amid deflationary pressure and declining export orders, with PBOC cutting deposit and lending rates by 25 basis points each. Key lending rate has come down to 5.1% on 10th May 2015, second time in 2015 and the third since November 2014, by PBOC in an effort to boost the economy. Nonetheless, the Company continues to work hard on local and export opportunities.

Management is working on the high trade receivables and reviewing its mix of customers. It is looking into options of reducing the trade receivables such as factoring, bills discounting and collections via debt collection agencies.

- 11. Dividend**

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.



(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared.

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

No IPT mandate has been obtained.

14. Confirmation of interim Financial Statements (First Quarter) for the period ended 31 March 2015 ("1QFY2015")

Pursuant to SGX-ST Listing Rule 705(5), the directors of Shanghai Turbo Enterprises Limited do hereby confirm that to the best of their knowledge, nothing has come to the attention of the board of directors which may render the 1QFY2015 interim financial results to be materially false or misleading. This confirmation has been made without an audit of these financial statements.



Shanghai Turbo

SHANGHAI TURBO ENTERPRISES LTD.

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BY ORDER OF THE BOARD

Liu Ming
CEO cum Executive Director
13 May 2015