



SHANGHAI TURBO ENTERPRISES LTD.

上海动力发展有限公司

Investor Presentation

29 April 2015

Stock code: X27, Bloomberg ticker: SHTE SP



Investment Summary

- Shanghai Turbo is a promising play in the growing global energy sector with exposure to clean energy sector
- A high tech high precision company with state of the art facilities and equipment and a wide range of products to serve growing market segments
- Consistent dividend payouts every calendar year since 2010
- Clean and healthy balance sheet; strong cash generating, debt-free and strong and real cash position
- Rigorous risk management system, and oversight by significant institutional shareholders
- Undemanding valuations



Company Background

- Precision engineering group specialising in the production of precision vane products that are key components of gas turbines, steam turbine power projects and nuclear power plants
- Founded in 1997, based in Changzhou City, Jiangsu, China
- Capable of producing a complete set of vane products for gas and steam combined-cycle system turbine power generators with a generating capacity of up to 600 MW of electricity
 - For individual pieces, able to produce vane products for generators with capacity up to 1,000MW
- Excellent quality and advanced manufacturing technology is our competitive edge, using the latest precision engineering machinery from Korea, Japan, Switzerland, and Germany
- Major shareholders include private equity funds backed by major Japanese institutions
- Listed on mainboard of SGX-ST since January 2006

Board of Directors



➤ Mr Huang Wooi Teik, Non-Executive Chairman and Lead Independent Director



- Appointed Non-Executive Chairman in Feb 2015, has been on the Board since Mar 2009 and Lead Independent Director since Aug 2014
- Currently runs a business and investment advisory firm specialising in China, fund management and capital markets
- Has held senior management and financial roles in regional MNCs and listed cos.

➤ Mr Liu Ming, CEO and Executive Director



- Appointed Executive Chairman in Mar 2010 and CEO in Nov 2009
- Relinquished his appointment as Executive Chairman in Feb 2015

➤ Mr Jack Chia Seng Hee, Independent Director



- Appointed in Feb 2008
- Currently runs his own investment advisory firm after spending 20 years in private and public sector roles, substantially in Japan and China

➤ Mr Aloysius Wee Meng Seng, Non-Executive and Non-Independent Director



- Appointed in May 2014
- Managing Principal of Dacheng Wong Alliance, a Singapore-China joint venture law firm, advising on cross-border M&A joint ventures and transactions



Management

- Mr Liu Ming, Executive Director and CEO
 - Assists the Board in formulating overall business strategies and policies, and is responsible for key decision-making on matters such as capital expenditure
 - Joined the Group's operating subsidiary in 1997 as a quality supervisor, moving up to become GM in 1999
- Mr Jiang Ronglin, General Manager
 - Oversees plant operations including purchasing, QA, production, and warehousing, and is also the sales director
 - A seasoned entrepreneur who founded his own manufacturing company
 - Adept at interacting with people ranging from government officials to co-workers, resulting from his extensive business experience
- Mr Isaac Peh Lin Siah, Financial Controller
 - Singaporean based in China, joined the Group in Dec 2013
 - Formerly the financial controller (China region) for Raffles Education before joining Shanghai Turbo; has 15 years' experience in various capacities in accounting/audit



Corporate Structure





Corporate Governance

- In Feb 2015, the Board separated the roles of Chairman and CEO to ensure an appropriate balance of power, increased accountability, and greater capacity for independent decision making by the Board (in line with guideline 3.1 of the Code of Corporate Governance 2012 (“CG Code”))
- The Board is currently made up of 50% (2 out of 4) independent directors (in line with CG Code guidelines 2.1 and 2.2)
- The independent directors spend a significant amount of time in China, in order to better understand the ground situation and interact directly with the management team

Year	GTI Score	Ranking
2014	25	565
2013	33	373
2012	29	436
2011	29	346
2010	31	395

GTI Ranking:

- Shanghai Turbo’s ranking has fluctuated over the years
- 2014 score was impacted by penalty points due to the departure of management personnel
- The Board will be actively examining ways to improve the Group’s score moving forward

The Governance & Transparency Index (GTI) is an annual ranking of listed companies in Singapore, and is a collaboration between The Business Times and the NUS Centre for Governance, Institutions and Organisations



Shareholding Information

- No of shares: 274.7 million
- Public float: 30.81% or 84.6 million shares
- Top 5 shareholders:
 - 30.00%: Mr Liu Ming
 - 22.81%: Allport Limited (AD Capital is sole general partner)
 - 12.01%: Simon Murray
 - 4.37%: Asuka DBJ Investments (AD Capital is sole general partner)
 - 1.75%: Edwin Tan



Our Business

- We manufacture precision vane products mostly for thermal power plants, gas and steam power projects, and a small number for nuclear power plants.
- Our Products:
 - A. 50MW~1000MW rotor blades and stator blades of steam turbine
 - B. 400MW rotor blades and stator blades of gas turbine
- Sales market: turbine manufacturers in heavy industries in China, Korea, Japan, Europe, and USA
- Changzhou 3D uses advanced machinery, including:
 - 21 sets of 5-axis machining center; 4-axis machining center 55 sets; 1 set of 6-axis CNC abrasive belt grinding machine; 2 sets of 4-axis CNC grinding machine
 - In 2011, Changzhou 3D imported 2 sets of highly advanced 5-axis machining center from Switzerland; 1 set of IBS 6-axis CNC abrasive belt grinding machine; 3 sets of Mori Seiki horizontal machining center from Japan
- 16 patents granted from 2011-2015, with 4 more currently being reviewed for approval



Our Production Capability



We have:

- Three (3) CNC Workshops
- One (1) Regular Workshops
- One (1) Polishing Workshop
- One (1) Wire-electrode Cutting Workshop

CNC facilities:

5-Axis Machining Center: 21 sets

4-Axis Machining Center: 55 sets

Germany IBS 6-Axis CNC abrasive belt grinding machine: 1set

Germany ELB Compact Master: 1 set





Forging Facilities (Outsourced)



22000T forging machine used by 南车集团, one of the Group's main suppliers

Forging Facilities (Outsourced)

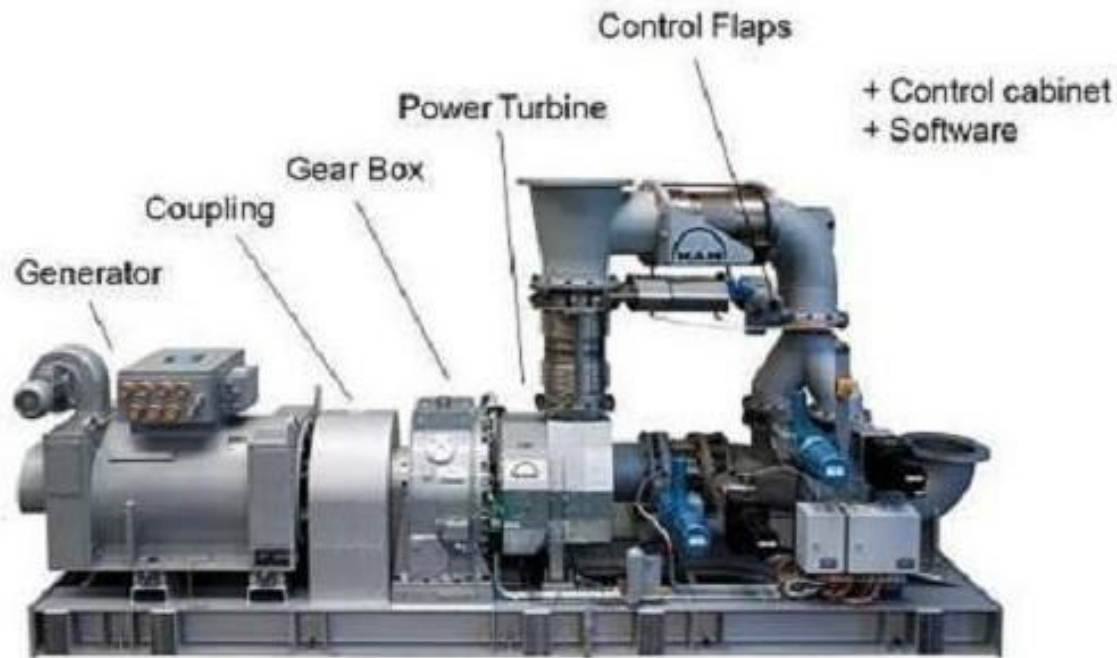


Pit- type Furnace used by 华州锻造
For heat treatment of forged blank.
 $\pm 5^{\circ}\text{C}$ of variance in temperate control



Our Range of Products

Picture of a turbine



Market Segments: thermal power generators, gas and steam combined cycle system turbine power generators and nuclear power generators.

Products Assembling in the turbine rotor



Our Products Assembling in the turbine rotor

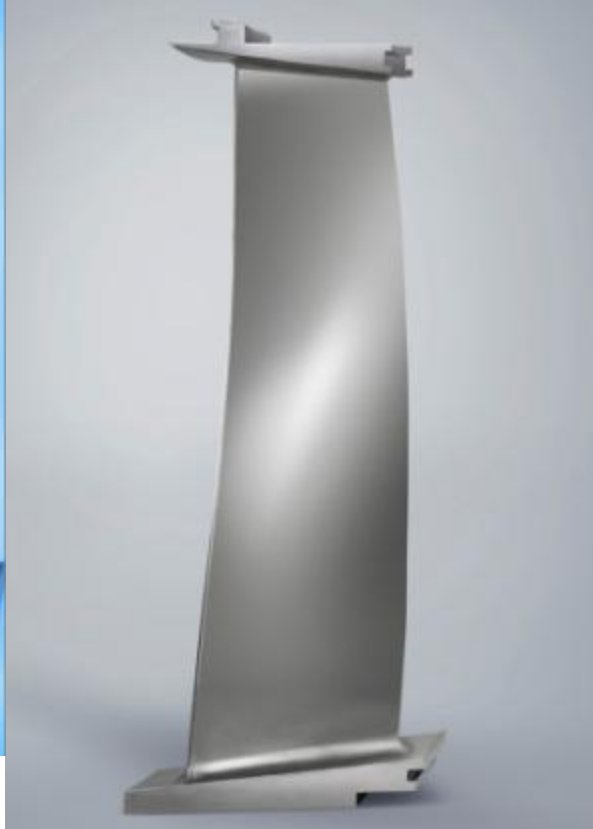




Our Products Assembling in the Gas Turbine Rotor



Blades for Mitsubishi Heavy Industries



Blades for Mitsubishi Hitachi Power Systems



Products



Nuclear power generator Blades
(TOSHIBA、ALSTOM)



Products



Turbine Blades for Thermal Power Plant (TOSHIBA、SIEMENS)

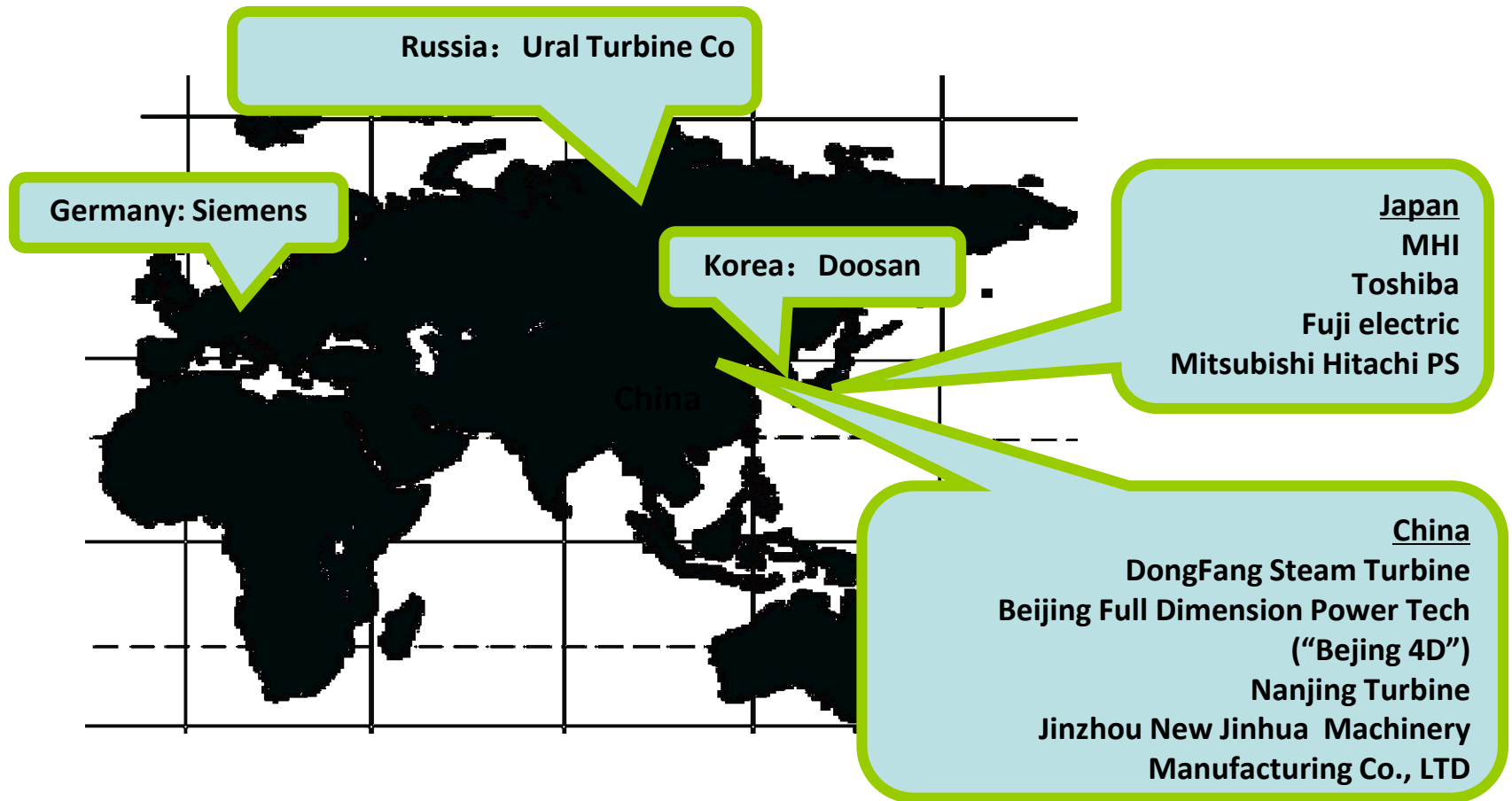
Products



The Last Stage Moving Blade of Supercritical, Ultra Supercritical Steam Turbine (HITACHI, Beijing Full Dimension Power Tech (“Beijing 4D”))



Our Customers



* Orders for customers in Europe and USA currently in process/under negotiation



Competitive Advantages

- A unique player in PRC capable of producing complete vane products for different type of turbine generators
- Strong customer base
- Track record of zero-rejection rate from customers
- Offers advanced manufacturing technology and control systems to meet customers' requirement for higher efficiency and higher reliability
- Barriers to entry
 - Due to industry technology constantly being updated, more powerful equipment are needed to enhance production capability;
 - Strict quality system and qualification audit from customers;
 - R&D engineering team for manufacturing, and applying new industry technology/techniques to our products



Patents

- To date, 16 patents granted and 4 more pending approval. Examples of patents granted include:
 - Machining technique for last stage turbine blades
 - Machining technique for control stage triplet rotor turbine blades
 - Machining technique for twin rotor turbine blades
 - Machining fixture for pin hole of fork type turbine blades
 - Measuring tools for turbine blades
 - Measuring device for the root of fir type blades



Domestic Market Projections

- Targets for China's power-generating capacity, based on the government's 2011-2015 five-year plan:

Type of power	2010	2015 (projected)	CAGR
Total	970 GW	1,490 GW	9.0%
Coal-fired	660 GW	960 GW	7.8%
Gas-fired	26.4 GW	56.0 GW	16.2%

Source: China State Council Notice (2013), Bloomberg Industries

- Projections from the China Development Bank

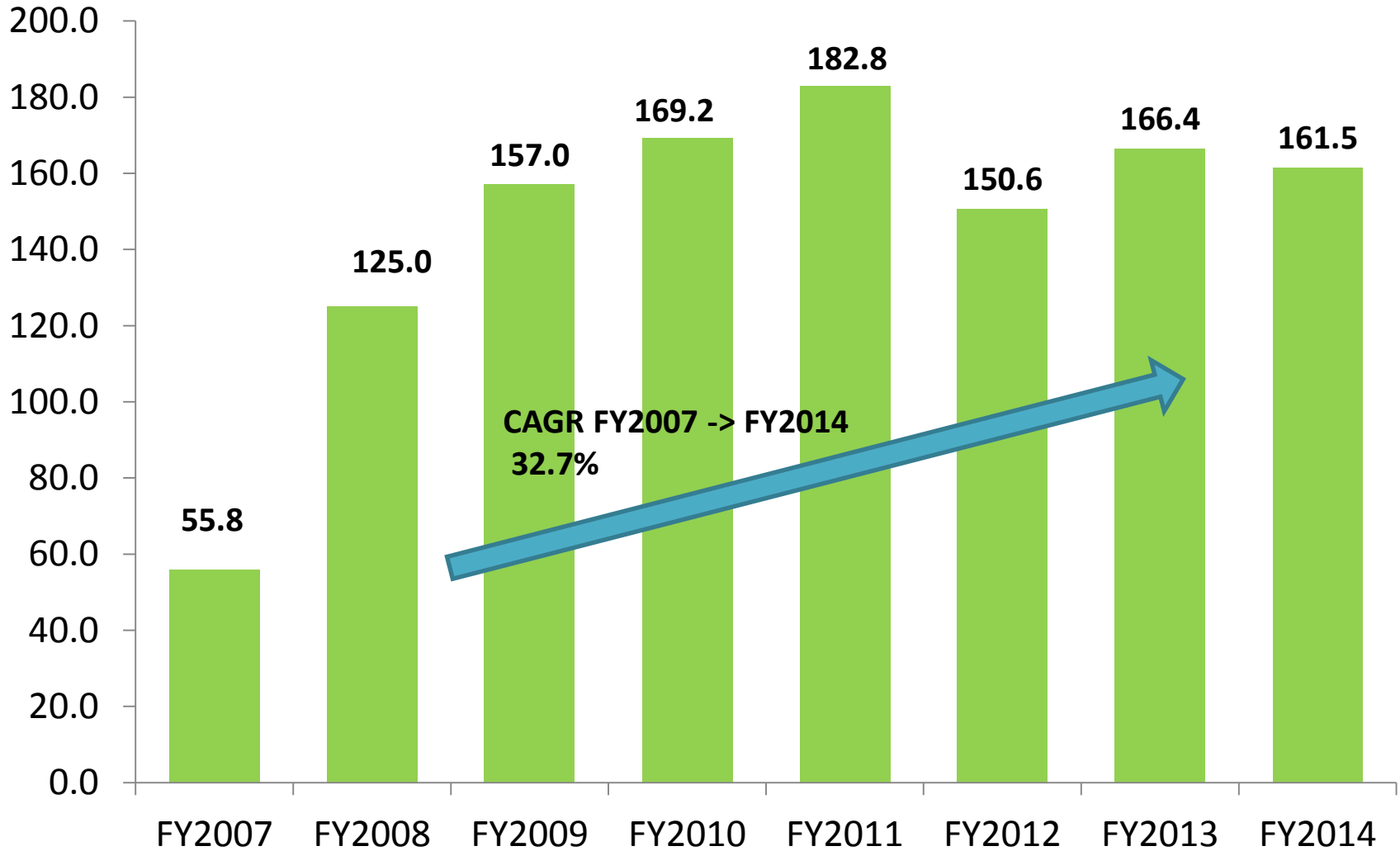
Type of power	2015 (estimated)	2020 (estimated)	2050 (estimated)
Thermal power	1,012 GW	1,247 GW	1,547 GW
Coal-fired	956 GW	1,167 GW	1,327 GW
Gas-fired	56 GW	80 GW	220 GW

Source: http://paper.people.com.cn/zgnyb/html/2013-08/05/content_1279629.htm



Revenue

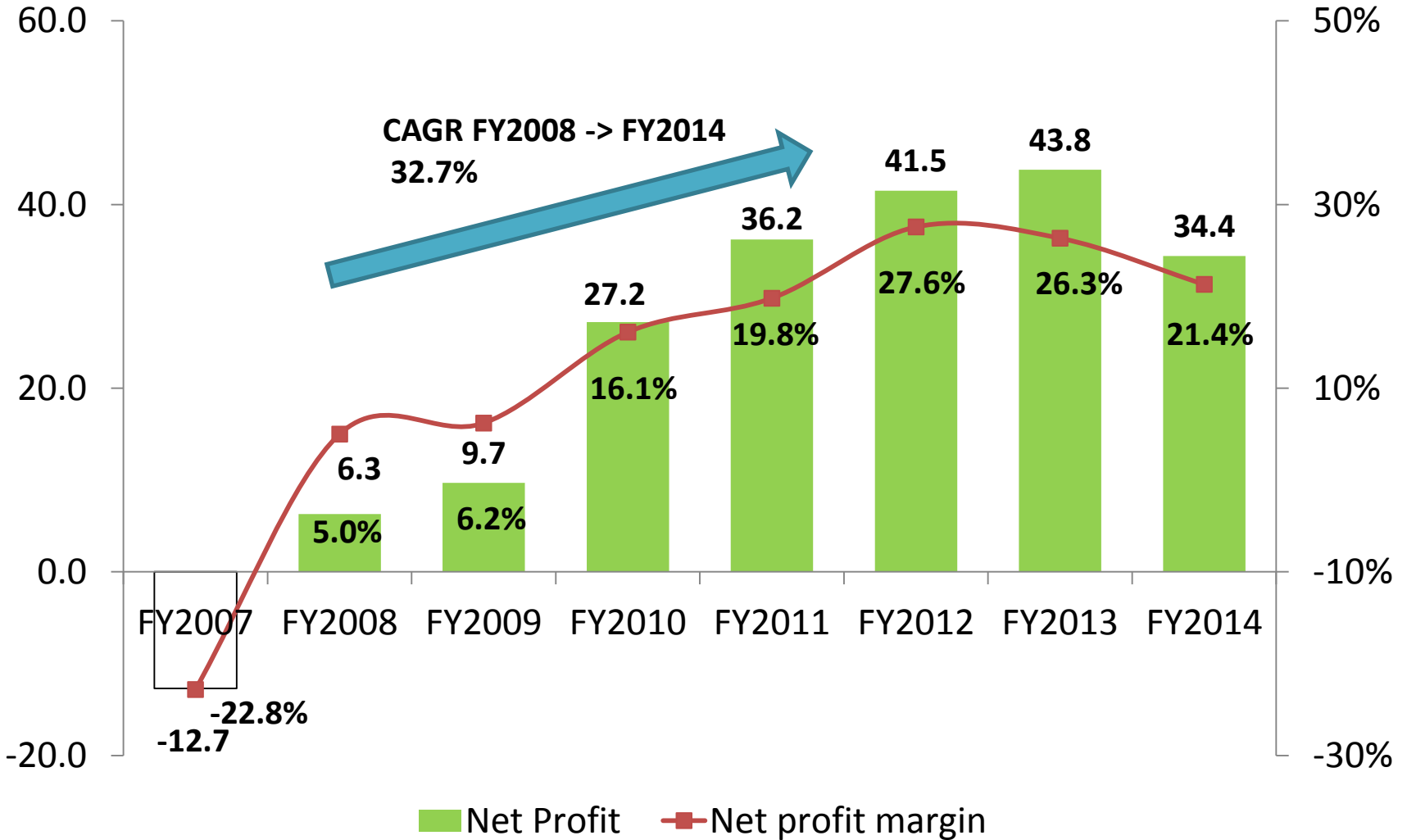
RMB million





Net Profit & Margins

RMB million

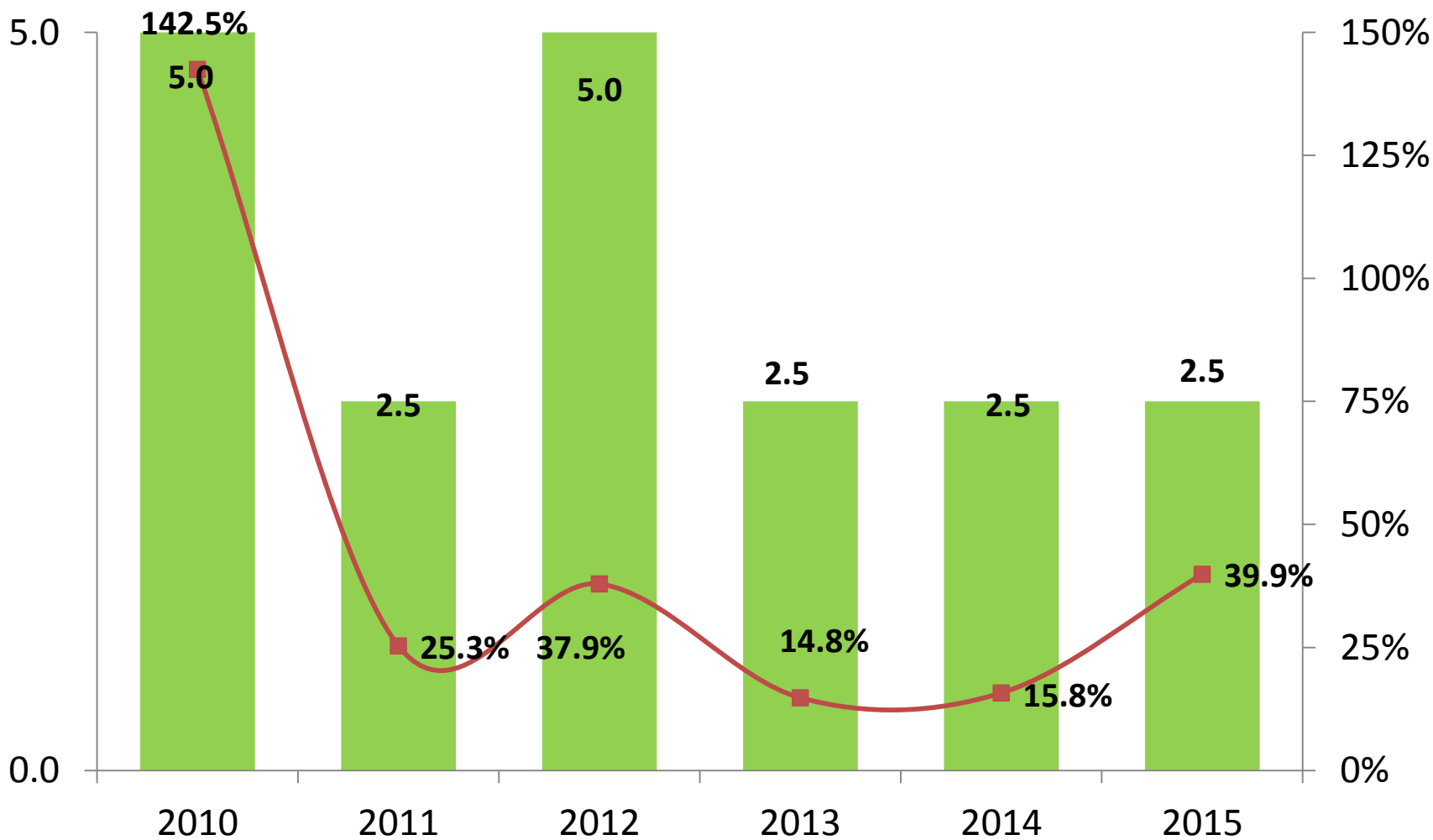




Dividend Track Record

RMB cents per share

Dividend payout ratio



(based on actual timing of dividend payout)



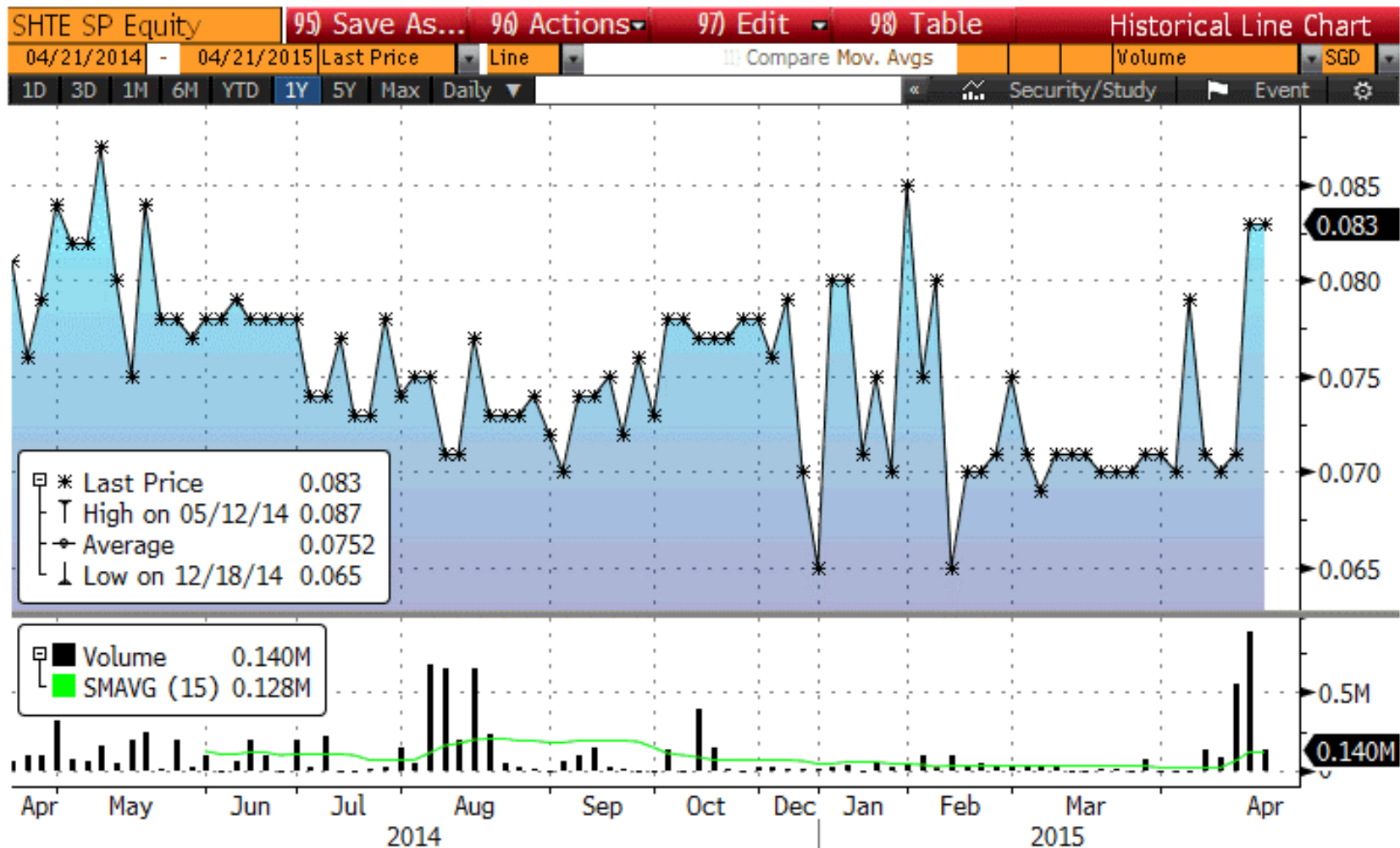
Financial Health

	As at 31 Dec 2014 (RMB 'million)	As at 31 Dec 2013 (RMB 'million)
Current Assets	265.2	231.3
Current Liabilities	66.3	60.8
Total Assets	390.7	356.0
Total Liabilities	68.3	61.3
Shareholder Equity	322.4	294.6
Gearing	0%	0%
Cash and cash equivalents	53.8	85.8
ROE	11.2%	15.9%
ROA	8.9%	13.0%

Share Price Performance



C



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
 SN 536602 HKT GMT+8:00 G358-3036-0 21-Apr-2015 12:50:00



Undemanding Valuations

- Share Price as at 20 April 2015: S\$0.083
- Hist. PER: 3.0X
- Price-to-Sales: 0.13X
- Price-to-Book: 0.33X
- Cash per share: RMB \$0.196 (~S\$0.04)



Addressing the Valuations

- China A-shares index has doubled in the last 12 months (trading at ~24x earnings), H-share index up around 48% (~12x earnings)
- S-chips tend to trade at a deep discount in valuation relative to both their Northern counterparts and the rest of the Singapore market
 - Discount stems from incidents of corporate irregularities/fraud concerning certain S-chips
 - This discount can narrow only for S-chips which have strong fundamentals but are also able to demonstrate greater transparency and/or better governance
 - Some arbitrage opportunities exist for stocks with dual listings, eg. Midas has gained 30% in 2015 in tandem with its HK listing
- The Board will be examining these factors in greater detail, to find the best solution(s) to address Shanghai Turbo's valuation



Future Prospects

- **Domestic Market is Sizeable and Still Growing**
 - China is the largest global power consumer and producer of electrical power
 - Current Five-year Plan targets a 9% growth for power generation
- **Ongoing R&D for new products and further improvements to existing product lines**
 - Gas and gas-steam hybrid generators are a promising area
- **Business development**
 - Maintaining existing business relationships and exploring additional opportunities to grow
 - New Russian customer, Ural Turbine Co.



Safe Harbour Statement

This presentation may contain forward looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on this presentation and the information contain therein, which are based on current view of management on future events.

Without prejudice to or derogating from the generality of the foregoing, no representation or assurance is given by Shanghai Turbo Enterprises Ltd. that this presentation contains all information that an investor may require. To the extent permitted by applicable law, Shanghai Turbo or its related persons (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) arising from the reliance or use of the information contain in this presentation.

Investors are advised to make their own independent evaluation from this presentation, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as the legal, business, financial, tax and other aspects as investors may regard as relevant.



THANK YOU

Investor and Media Contact:

NRA CAPITAL

Evan Ong

Tel: 6236 6895

Email: evan.ong@nracapital.com

Shanghai Turbo Enterprises Ltd.

Stock code: X27, Bloomberg ticker: SHTE SP