



Shanghai Turbo FY2015 profit declines amid tough operating conditions; maintains RMB 0.25 dividend per share

Y/E 31 Dec (RMB million)	FY2015	FY2014	Change %
Revenue	141.5	161.5	(12)
Cost of sales	(100.9)	(97.8)	3
Gross Profit	40.6	63.7	(36)
Other operating income	3.2	1.3	144
Other operating expense	(0.9)	(1.2)	(25)
Selling and distribution expenses	(2.9)	(2.4)	22
Administrative expenses	(21.8)	(18.4)	19
Profit before income tax	18.1	43.1	(58)
Income tax	(7.1)	(8.6)	(18)
Net profit after tax	11.0	34.4	(68)
EPS* (RMB)	0.40	0.13	
NAV per share*(RMB)	11.89	1.17	

* Based on average weighted number of 27,468,476 shares (FY2014: 274,684,760 shares, adjusted for 10-to-1 consolidation with effect from 15 May 2015)

29 February 2016 - SGX Mainboard-listed **Shanghai Turbo Enterprises Ltd.** (“Shanghai Turbo”, and together with its subsidiaries, the “Group”) 上海动力发展有限公司, a leading manufacturer of precision vane products for steam turbine power generators in China, has reported revenue of RMB 141.5 million and net profit after tax of RMB 11.0 million for the twelve months ended 31 December 2015 (“FY2015”), compared to revenue of RMB 161.5 million and net profit of RMB 34.4 million in FY2014. The dip in financial performance comes amid challenging market conditions, as the Group faced lower domestic demand and took in orders with less favourable margins and pricing.

“The business climate is challenging, given the broad slowdown both in China and the global markets, and compounded by changes in the Chinese energy sector. Nonetheless, in spite of the negative factors the Group is still profitable and maintained a positive cash flow. We are proposing that the dividend to our loyal shareholders be maintained at RMB 0.25 per post-consolidation share.”

- **Mr Liu Ming**
Chief Executive Officer and Executive Director

FY2015 Financial Performance

Revenue from customers in overseas markets, namely Japan and Korea, saw a slight growth from RMB 21.2 million in FY2014 to RMB 22.6 million in FY2015. Domestic orders, however, decreased from RMB 140.3 million to RMB 118.6 million over the same period, reflecting

lower demand from a key state-owned enterprise (SOE) customer in China. The Group's gross profit margin was also affected, declining from 39.4% in FY2014 to 28.7% in FY2015, as a result of increasingly competitive pricing and the taking of less lucrative orders which required higher materials usage. Additionally, the Group's cost of sales in 4Q2015 included an adjustment of RMB 1.6 million for consumables from prior years (prior years' results were not restated as the adjustment figure was below the level of materiality required).

The Group's other operating income increased by RMB 1.9 million primarily due to an exchange gain as the USD appreciated against the RMB, as well as a reversal of doubtful debt provision. Selling and distribution expenses increased by RMB 0.5 million due to increased customer visits and expenses incurred in sourcing for new potential customers. Administrative expenses increased by RMB 3.4 million mainly due to higher professional fees incurred. Furthermore, FY2014 administrative expenses were lowered due to the reversal of an accrual for a CEO incentive payment and reclassification of staff costs.

Income tax expense was RMB 7.1 million in FY2015, compared to RMB 8.6 million in FY2014. The higher effective tax rate in FY2015 reflected the inclusion of a RMB 3.2 million deferred tax provision – starting this financial year - relating to undistributed retained earnings of the Group's main operating subsidiary. This is to factor in the possibility that dividends may be paid out on the said earnings pending management's future decision.

Financial Position

The Group had RMB 67.6 million in cash and cash equivalents as at 31 December 2015, an increase of RMB 13.8 million compared to 31 December 2014. The increase resulted from a boost in the amount of cash generated from operating activities, mainly due to a reduction in inventories and trade payables, as well as a reduction of net cash used in financing activities due to the release of pledged deposits.

The Group's trade receivables increased by RMB 1.7 million to RMB 168.3 million. However, the ageing had improved over the course of FY2015, as 49% of the accounts receivable were due as at 31 December 2015, as compared to 74% due as at 31 December 2014.

Outlook

The Group's business outlook continues to be very challenging, both in China and in the global markets. Within China, the turbine blade industry faces additional pressure due to production overcapacity, whilst having to navigate a difficult transition period due to Government efforts to reduce CO2 emissions. The Group will explore both local and export opportunities, while also managing business risks, paying particular attention to the trade receivables and customer mix.

The Group is also in the process of replacing and upgrading its machinery in order to maintain its competitiveness and technological edge. This will enable the Group to compete for higher-value work which commands higher margins.

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.

Founded in 1997, Shanghai Turbo is based in Changzhou City, Jiangsu, China. Its manufacturing facilities are equipped with the latest advanced precision engineering machinery from Korea, Japan, Switzerland, and Germany. Shanghai Turbo is capable of providing a complete set of vane products for steam turbine power generators each with a generating capacity of up to 600 MW of electricity. For single products, Shanghai Turbo is capable of producing for steam turbine generators with generating capacity of up to 1,000 MW of electricity.

Shanghai Turbo was listed on the Singapore Exchange on 16 January 2006. For more information, please visit <http://shanghaiturbo.com>.

Media/IR Contacts:

Evan Ong, NRA Capital

Tel: 6236 6895 / 9756 9798

Email: evan.ong@nracapital.com

Eruwin Sudirman, NRA Capital

Tel: 6236 6883 / 9101 5404

Email: eruwin.sudirman@nracapital.com