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SHANGHAI TURBO ENTERPRISES LTD

Securities
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SG190415OTHRQ4H9

Submitted By (Co./ Ind. Name)
Leng Yew Chee Philip

Designation
Non-Executive Director & AC Chairman

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)
Please refer to the attached Annual Report 2018

Additional Details

Period Ended
31/12/2018

Attachments

[STurbo%20AR%20FY2018.pdf]

Total size =1063K MB

ANNUAL REPORT
2018

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

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Wee Liang Hiam
(Lead Independent Director) [(1)]

Dr Daniel Liu Danjun
(Non-Executive Non-Independent Director)

Mr Leng Yew Chee Philip
(Non-Executive Independent Director) [(2)]

Mr Ong Sing Huat
(Non-Executive Independent Director) [(3)]

Mr Seet Chong Tong
(Non-Executive Independent Director) [(4)]

AUDIT COMMITTEE
Mr Leng Yew Chee Philip (Chairman) [(2)]
Mr Wee Liang Hiam [(1)]
Mr Ong Sing Huat [(3)]

NOMINATING COMMITTEE
Mr Ong Sing Huat (Chairman) [(3)]
Mr Wee Liang Hiam [(1)]
Mr Leng Yew Chee Philip [(2)]

REMUNERATION COMMITEE
Mr Wee Liang Hiam (Chairman) [(1)]
Mr Leng Yew Chee Philip [(2)]
Mr Ong Sing Huat [(3)]

COMPANY SECRETARY
Ms Wong Yoen Har

REGISTERED OFFICE
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

BUSINESS OFFICE
No. 9, Yinghua Road,
Zhonglou Economic Development Zone,
Changzhou City, Jiangsu Province, 213016
The People's Republic of China

CAYMAN ISLANDS SHARE REGISTRAR
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

SHARE TRANSFER AGENT
Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place,
#32-01 Singapore Land Tower
Singapore 048623
Tel: 65 6536 5355
Fax: 65 6536 1360

EXTERNAL AUDITORS
Crowe Horwath First Trust LLP
8 Shenton Way
#05-01 AXA Tower
Singapore 068811
Audit Partner-In-Charge
Mr Alfred Cheong Keng Chuan
Appointed with effect from financial year 2018

INTERNAL AUDITORS
BDO China Shu Lun Pan Certified Public Accounts LLP
No. 61 Nanjing Dong Road, Shanghai New Huangpu
Financial Tower, 4th Floor 200002
Tel: 86-21-6339116
Fax: 86-21-63299117
Audit Partner-In-Charge
Mr Scott Gao
Appointed with effect from financial year 2013

INVESTOR AND MEDIA CONTACT
Shanghai Turbo Enterprises Ltd.
Ms Elaine Leow
Tel: 65 8683 8678 & 86 15861880855
Email: elaine@cz-3d.com

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(1) *Appointed as Lead Independent Director, Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit Committee on 1 October 2018*
(2) *Appointed as Non-Executive Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee on 1 October 2018*
(3) *Appointed as Non-Executive Independent Director, Chairman of the Nominating Commitee and a member of the Audit Comittee and Remuneration Committee on 1 October 2018*
(4) *Appointed as Non-Executive Independent Director on 1 October 2018*

CORPORATE PROFILE

Shanghai Turbo is a precision engineering group that specialises in the production of precision vane products, mainly 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.

CONTENTS

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors ("**Board**"), I hereby present the results of Shanghai Turbo Enterprises Limited (the "Company", and together with its subsidiaries, the "Group") for the financial year ended 31 December 2018 ("FY2018").

Changes to the Board

The Board underwent a major change on 1 October 2018.

I was appointed as the Lead Independent, Non-Executive Director and Chairman of Remuneration Committee together with my fellow directors, Mr. Philip Leng Yew Chee (appointed as Chairman of Audit Committee and Independent, Non-Executive Director), Mr. Ong Sing Huat (appointed as Chairman of Nominating Committee and Independent, Non-Executive Director) and Mr. Seet Chong Tong (Independent, Non-Executive Director). (the "New Independent Directors")

Mr. Jack Chia Sing Hee (Independent, Non-Executive Chairman and Lead Independent Director, Chairman of Remuneration and Nominating Committees), Mr. Cheung Hok Fung Alexander (Chairman of Audit Committee), Mr. Raymond Lim Sian Heong (Independent, Non-Executive Director) resigned on the same date.

The new board comprises of the four New Independent Directors and the sole remaining member of the previous board, Mr. Liu Danjun Daniel (Non-Independent and Non-Executive Director).

BUSINESS CHALLENGES

Since FY2016, the industry outlook continues to worsen due largely to the initiative led by China's National Energy Administration ("**NEA**") to reduce the country's reliance on traditional power stations and which emphasized the construction of more renewable clean energy power plants that rely on wind, solar and hydro power. New construction of coal-fired power stations were also delayed due to this governmental initiative.

The effects of this initiative continue to be felt by the Company in FY2018, resulting in the loss of some customers as their existing businesses were also impacted and declined. There were also loss of customers' orders due to these customers having excess capacities at their end and thus not needing to outsource their orders to us.

ONGOING LEGAL PROCEEDINGS

As an update to our shareholders, a narrative of the legal proceedings for FY2018 with respect to the on-going claim against Mr. Liu Ming ("**Mr. Liu**") and requisitions made by two other shareholders of the Company, namely Mr. Lin Chuanjun ("**Mr. Lin**") and Ms Zhang Ping ("**Ms. Zhang**") is set out below.

ONGOING LEGAL PROCEEDINGS

On 4th January 2018, Mr. Lin and Ms. Zhang lodged a Requisition Notice for an Extraordinary General Meeting ("**EGM**") to consider the proposals to remove the then-existing Directors namely Mr. Jack Chia Seng Hee ("**Mr. Chia**"), Mr. Raymond Lim Sian Heong ("**Mr. Lim**"), Mr Cheung Hok Fung Alexander ("**Mr. Cheung**") and Dr. Daniel Liu Danjun ("**Dr. Liu**") and to replace them with Mr. Lin, Mr. Koh Wee Kiang ("**Mr. Koh**") and **Mr. Zhang** Wen Jun ("Mr. Zhang") as new Directors (the "**Second Requisition Notice**").

In January 2018, the Company applied for and obtained an injunction against Mr Liu from requisitioning general meetings of the Company, proposing resolutions and voting on resolutions at the Company's meetings until further order of court or until the Company's application in heard in full ("**SUM 155**" and/or the "**Voting Injunction**").

The Singapore High Court ordered that:

(i) the Company's former Executive Director and Chief Executive Officer, Mr. Liu Ming (who owns 29.99% of shares in the Company), be restrained from requisitioning or holding any extraordinary general meeting, or any other meetings to remove the directors of the Board and appoint any new persons on the Board, (ii) voting for or proposing any resolutions at extraordinary general meetings, annual general meetings and/or any other meetings (the "Voting Injunction"); and

(ii) Mr. Lin and Ms Zhang be restrained from requisitioning or holding any extraordinary general meeting, or any other meetings to remove the Board and appoint any new persons as directors of the Company (the "**Voting Injunction against the Requisitioning Shareholders**"),

(collectively referred to as the "**Injunctions**").

On 9 March 2018, Mr. Lin and Ms. Zhang filed an application to the Court to vary the injunction to prohibit the Company from doing anything that may affect the 2nd Requisition Notice or the chances of the resolutions in the 2nd Requisition Notice from being passed, and especially to enjoining the Company from proceeding with Resolution 5 i.e. (a mandate from shareholders for the Board to allot and issue shares) :-

(a) until the further hearing of Mr. Lin and Ms. Zhang's Application on 23 March 2018 or any further order of Court, the Company be restrained from issuing any shares, rights or other securities;

(b) Liu Ming, Mr. Lin and Ms. Zhang are to provide undertakings as to the Company's damages in respect of Lin and Zhang's Application; and

(c) the Company may proceed with Resolution 5 at the AGM.

On 20 March 2018, Mr. Liu's filed a jurisdictional challenge to set aside the legal proceedings against him. The matter was heard on 14 May 2018, whereby the Court decided that the suit should be heard by the Chinese Courts and allowed the jurisdictional challenge. On the same date, the Company filed an appeal with the Court of Appeal against the court's decision.

On 18 May 2018, Mr. Lin and Mr. Zhang file an application to restrain the company from issuing shares until the EGM pursuant to the 2nd Requisition Notice is convened ("**OS 591**").

On 14 June 2018, it was ordered that OS 591 and the Company's application to join Mr. Liu as a defendant to the Company's counterclaim in OS 591 be adjourned to 20 February 2019 ("SUM 2748") and the Company undertook that it would not issue shares until the EGM pursuant to the 2nd Requisition Notice is held.

On the 11 September 2018, the Company received another Requisition Letter from Mr. Lin and Ms. Zhang requiring the Board requesting to convene another extraordinary general to appoint one Mr. Loh Kai Keong as a new director of the Company. ("**3rd Requisition Notice**")

The Company's appeal was finally heard on 27 September and the Voting Injunction against Mr. Liu was restored and the EGM was scheduled to be held on 12 February 2019.

On 7 February 2019, the Court ordered that Voting Injunction against Mr. Liu ("**SUM 155**") be dismissed and and the Voting Injunction was discharged upon undertakings provided by Mr Liu undertook to the Court:

(a) Not to, directly or indirectly, either personally, or through nominees, requisition any AGM, EGM or any other meeting whatsoever for the purpose of delaying, discontinuing, disrupting or otherwise preventing the timely conclusion of the legal suit against himself until the final disposal of the action; and

(b) Not to cause, or seek to cause, the Company's board of directors to delay, discontinue, disrupt or otherwise prevent the timely conclusion of the action against himself until the final disposal of the legal suit.

As a result of this order, Mr. Liu will be able to vote on all the resolutions tabled at the upcoming Annual General Meeting.

On 8 February 2019, the Company applied for leave to appeal against the Court's decision in SUM 155, for this appeal to be heard on an expedited basis, and for a stay of orders made on 7 February 2019 (by adjourning the EGM to be held on 12 February 2019 to a date after the Company's appeal). On 11 February 2019, the Company was granted leave to appeal and filed its notice of appeal. The appeal is expected to be heard in September 2019.

On 12 February 2019, the EGM was held pursuant to the 2nd and 3rd Requisition Notices and none of the resolutions were passed. Mr. Lin and Ms. Zhang's challenge to change the composition of the board of the Company did not succeed.

On 13 March 2019, the Company filed its counterclaim against Mr. Lin and Ms. Zhang for conspiracy to injure the Company. This is a separate action from the claim against Mr. Liu for breach of his Service Agreement.

Moving on

Notwithstanding the headwinds faced by the industry and the continuing legal disputes, the Board is comforted that management had made efforts to try to re-establish contacts with key customers and had been working on getting new contracts for the Company. We believe that with the support of our shareholders, we can continue to strive to move the business forward.

Appreciation

The Board would like to express our deepest gratitude to our shareholders, management and staff, and all our corporate advisors. We are thankful that you have continued to keep faith with us. We would also like to take this opportunity to thank the previous board of the Company for their efforts in the first 9 months of QFY2018.

Wee Liang Hiam

Lead Independent and Non-Executive Director
For and on behalf of Board of Directors
Shanghai Turbo Enterprises Limited

CEO'S STATEMENT

Dear Shareholders,

My team and I had multiple challenges uncertainties that we had to manage in FY2018 due to both internal restructuring external environment.

FY2018 proved to be another challenging year for the Group, as we continue to deal with the industry restructuring situation previously outlined.

As at May 2018, CZ3D was able to secure customer orders and tender awards in excess of RMB 40 million, which amounted to approximately 50% of the sales forecasted for the year. However, due to quality issues with the products, and the adverse perception arising from the ongoing litigation between the Company and Mr. Liu Ming, the unfulfilled orders that CZ3D received were cancelled and it also lost its approved supplier status from 26 July 2018 onwards. This created anxieties and concerns about the business of the Group amongst the employees of CZ3D and resulting in low morale and a serious decline in its production efficiency.

As a result of the reasons stated, since June 2018, the company's production and sales figures reached a low point, and the company was compelled to take on orders with low margins and smaller orders in order to sustain its production operations. Working cash flow was also strained by payment pressures from suppliers.

In October 2018, as a means to alleviate the working capital pressures, the Company commenced litigation proceedings against its largest customer in efforts to recover outstanding receivables in excess of RMB 43 million. CZ3D has obtained an injunction against the bank account of this customer as part of the legal proceedings and parties are in the process of negotiating a means of resolving the dispute. Appropriate updates on the status of the legal proceedings will be made in due course.

In January 2019, CZ3D obtained re-certification status from a key customer and was invited to participate in new tenders, regaining confidence from its key customers.

Sales and production levels have also gradually improved due to this. CZ3D had also ventured into new OEM markets and are working towards increasing its new customer base under this initiative. The Group will continue its efforts made in 2018 in the coming year.

The Group had explored various options to increase its cash holdings, which precludes the discounting of commercial bills receivables to realize cash, increased efforts on collections, legal avenues against delinquent debtors and reassessment of its operating assets. The efforts to enhance its cash position will also continue in the coming year.

Zhang Rong
Chief Executive Officer
Changzhou 3D Technological Complete
Set Equipment Co., Ltd.

OPERATIONAL AND FINANCIAL REVIEW

Statement of Comprehensive Income

Group revenue decreased by 19% from RMB 36.9 million in FY2017 to RMB 29.8 million in FY2018 mainly due to the effects of the instability in 2017 was perpetuated in 2018. In order to ensure that the production capacity continues to be utilized, the Management had reduced prices to meet the competition in the environment and to maintain the order for year 2018. As mentioned in our last quarter's announcement, the Group continues to face depletion of our order books. The Group was unable to tender for new orders for a major customer due to the disqualification of the Group as an approved vendor from 26 July 2018. The disqualification was mainly due the customer's dual concerns of the on-going legal suits and quality control issues arising in 2Q FY 2018. The Group had since been in the process of applying for re-qualifications as approved vendor. The customer has restored the Group as an approved vendor in January 2019. The Group had immediately bided in the latest round of tender. In the same month of January 2019, the Group had successfully won a tender for RMB0.55 million.

Cost of sales increased by 22% from RMB 38.0 million in FY2017 to RMB 46.4 million in FY2018 mainly due to a reduction in revenue for the financial year. Cost of sales exceeded revenue due to higher production costs arising from the higher volume being produced, abet with lower price due to intense competition.

Selling and distribution expenses increased from RMB 5.0 million in FY 2017 to RMB 6.7 million in FY2018 due to an increase in entertainment expenses incurred for intensified sales activities.

Administrative expenses increased from RMB 41.3 million in FY2017 to RMB 42.9 million in FY2018. The increase was mainly due to the depreciation increased by RMB 5.75 million which is reclassified from production cost.

Other operating expenses decreased from RMB 44.2 million in FY2017 to RMB 1.2 million in FY2018 mainly due to reversals in 2018 for impairment loss of inventory previously made in 2017 amounting to RMB 31 million.

The Group ended FY2018 with a net loss of RMB 8.5 million, compared to RMB 160.7 million net loss in FY2017.

Statement of Financial Position

As at 31 December 2018, the Group's non-current assets stood at RMB 97.3 million, a decrease from RMB 112.7 million, mainly due to the depreciation of Property, plant and equipment (PPE).

Over the same period, current assets increased from RMB 88.3 million to RMB 101.0 million, mainly due to reversal of impairments made to trade receivables, amounting to RMB 30 million.

The Group's total liabilities increased from RMB 43.0 million as at 31 December 2017 to RMB 48.8 million as at 31 December 2018, as trade payables decreased to RMB 17.7 million from RMB 28.9 million in FY2017 mainly due payments has made to various suppliers.

Statement of Cash Flows

The Group's net cash outflow from operating activities amounted to RMB 28.0 million arising from loss before income tax adjusted for non-cash effects items, RMB 58.1 million offset by cash generated from working capital RMB 30.7 million.

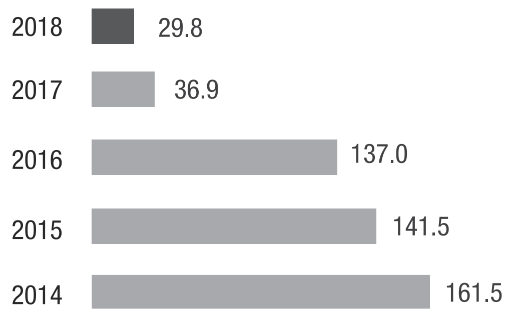
The Group's net cash used in investing activities amounting to RMB 1.5 million mainly due to acquisition of new plant and machinery in factory for RMB 0.9 million and intangible assets for RMB 1.3 million offset by proceeds from disposal of property, plant and equipment, RMB 0.6 million.

The Group's net cash inflow from financing activities amounted to RMB 16.4 million arising from bank loans of RMB 16.0 million and withdrawal of pledged deposit of RMB 1.3 million, offset by payment of bank interest of RMB 0.9 million.

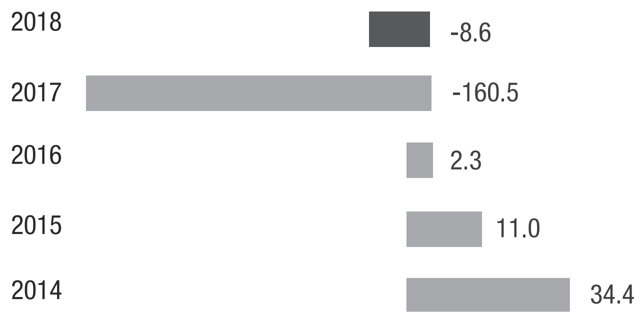
In view of the above, there was a net decrease in cash and cash equivalents of about RMB 13.1 million in FY2018, compared to a net decrease of RMB 20.6 million in FY2017.

FINANCIAL HIGHLIGHTS

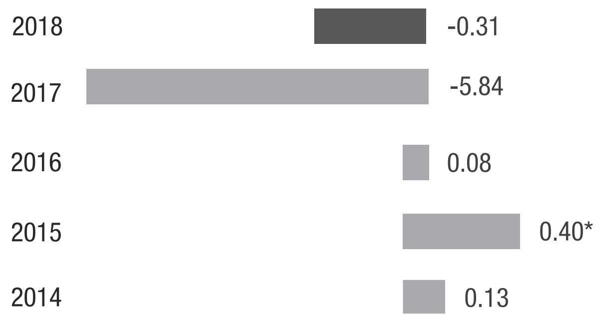
Revenue (RMB million)



Net Profit After Tax (RMB million)

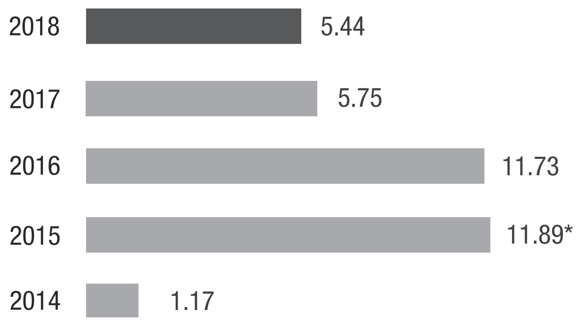


Earnings Per Share* (RMB)



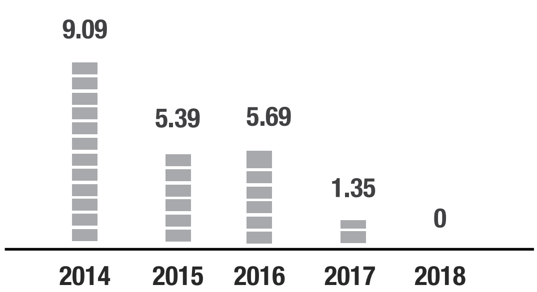
* A 10 to 1 share consolidation was completed on 15 May 2015.

Net Asset Value Per Share* (RMB)



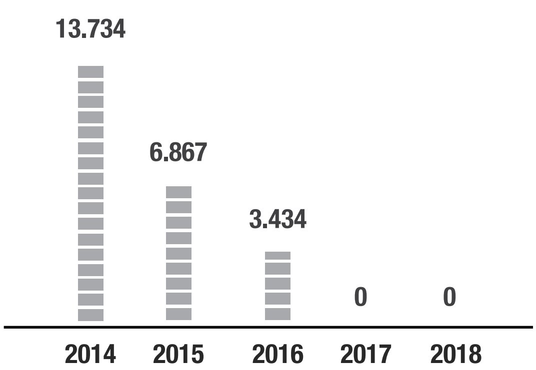
* A 10 to 1 share consolidation was completed on 15 May 2015.

Dividend Yield Chart** (%)



Shareholders started receiving dividends from 2010

Dividend Payment Quantum (RMB'000)



Started paying dividends from FY2009

Source: Bloomberg

** Dividend paid in Singapore Dollar is converted using a yearly average SGD/CNY exchange rate. Dividend yield is computed using the adjusted closing share price on the last traded day in the calendar year.

FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018
Income Statement (in RMB'000)					
Revenue	161,495	141,475	136,997	36,875	29,845
Gross profit/loss	63,708	39,935	30,644	-1,160	-16,518
Profit/loss before tax	43,056	18,097	4,987	-160,420	-9,915
Net profit/loss after tax	34,434	11,024	2,293	-160,478	-8,578
Balance Sheet (in RMB'000)					
Property, plant and equipment	115,192	101,846	126,332	103,506	87,628
Inventories	40,508	30,218	33,582	1,629	1,983
Trade receivables	166,580	168,314	164,045	54,407	81,435
Cash and bank balances	53,775	67,557	50,402	28,612	14,285
Trade payables	60,923	46,254	52,409	28,928	17,660
Other payables and accruals	5,291	11,169	4,765	5,731	9,104
Provision	-	-	-	4,373	4,373
Bank loan	-	-	7,000	-	16,000
Shareholders' equity	322,375	326,491	322,082	157,963	149,427
Total assets	390,666	388,431	389,112	201,010	198,255
Total liabilities	68,291	61,940	67,030	43,047	48,828
Cash Flow (in RMB'000)					
Operating activities	-4,979	-31,189	14,105	-12,877	-27,996
Investing activities	-20,215	-11,125	-32,254	2,108	-1,480
Financing activities	-13,664	-2,404	3,948	-9,840	16,405
Net movement	-38,858	17,660	-14,201	-20,609	-13,071
Financial Ratios					
Earnings per share (RMB)	0.13	0.40	0.08	-5.84	-0.31
Net asset value per share (RMB)	1.17	11.89	11.73	5.75	5.44
Dividend yield (%)	9.09	5.39	5.69	1.35	-
Dividend payment quantum (RMB'000)	13,734	6,867	3,434	-	-

BOARD OF DIRECTORS

MR WEE LIANG HIAM, AGE 56

Non-Executive Independent Director and Lead Independent Director

Master of Business Administration (Accountancy) from Nanyang Technological University
Bachelor of Business Administration (Honours) from National University of Singapore
Diploma in Education from Institute of Education, National University of Singapore
Graduate Diploma in Personnel Management from Singapore Institute of Management
Advance Certificate in Training and Assessment from the Workforce Development Agency Singapore
Fellow Chartered Accountant (SINGAPORE)
ASEAN Chartered Professional Accountant

Date of appointment as Non-Executive Director & Lead Independent Director: 1 October 2018
Length of service: 7 months (as at 30 April 2019)

Served on the following Board Committees
- Audit Committee – Member
- Nominating Committee – Member
- Remuneration Committee – Chairman

Present directorships in other listed companies Listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- Business Advisor and Chief Financial Officer

Directorships in other listed companies held over the preceding three years (2016-2018)
- TMC Education Corporation Limited, Lead Independent Director, (Chairman, AC)
- PSL Holdings Limited, Independent Director, (Chairman NC)
- Sincap Group Limited, Lead Independent Director, (Chairman, AC)

Background and experience
Mr. Wee has more than 26 years of accounting and finance experience, having been involved at both operational and strategic levels. He has wide experience in corporate governance having served on the boards of other Singapore listed companies as independent director. Mr Wee has extensive management experience in various industries and business environments, having held top finance and operations positions in various public listed companies in Singapore. He has been involved in successful mergers and acquisitions from evaluation to the integration of the merged entities, leading companies to successful listings and reverse takeover on both the Main Board and Catalist board of the Singapore Exchange. Mr Wee holds a Bachelor of Business Administration (Honours) and a Diploma in Education from National University of Singapore, a Master of Business Administration (Accountancy) from Nanyang Technological University and a Post Graduate Diploma in Personnel Management from Singapore Institute of Management. He is a fellow of the Institute of Singapore Chartered Accountants, a member of Singapore Institute of Management and also a member of the Singapore Institute of Directors.

DR DANIEL LIU DANJUN, AGE 50

Non-Executive Non-Independent Director

Harbin Institute of Technology, Ph.D in Electrical Engineering and Automation

Date of appointment as Non-Executive Non-Independent Director: 1 May 2016
Date of last re-election as Non-Executive Non-Independent Director: 15 April 2017
Length of service: 3 years (as at 30 April 2019)

Served on the following Board Committees
- NIL

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- NIL

Directorships in other listed companies held over the preceding three years (2016-2018)
- NIL

Background and experience
Dr Daniel Liu Danjun started his career as a Research Associate Professor at Beijing University of Technology's Department of Automation, before moving to Intel's China Research Centre as a Senior Researcher for Human-Computer Interaction Technology. Thereafter, he held technical and sales positions at electronics and technology companies, and various industry groups, as well as being Chairman for a number of technology companies. Dr Liu has a Ph.D in Electrical Engineering and Automation, as well as Master's and Bachelor's degrees in Material Science and Engineering, from the Harbin Institute of Technology.

BOARD OF DIRECTORS

MR ONG SING HUAT, AGE 47

Non-Executive Independent Director

Bachelor of Laws (Honours) from University of Leicester

Date of appointment as Non-Executive Director : 1 October 2018
Length of service: 7 months (as at 30 April 2019)

Served on the following Board Committees
- Audit Committee – Member
- Nominating Committee – Chairman
- Remuneration Committee – Member

Present directorships in other listed companies
- Magnus Energy Group Limited

Present principal commitments
(other than directorships in other listed companies)
- NIL

Directorships in other listed companies held over the preceding three years (2015-2018)
- Magnus Energy Group Limited (Non-Executive Non-Independent Director)

Background and experience
Mr Ong is currently a Partner and Head of the Business Practice Group at Robert Wang & Woo LLP. He started his legal career as a civil litigator dealing with a wide variety of practice areas such as contractual and shareholder disputes, matrimonial proceedings, insurance, shipping and construction law before finding his passion and niche in corporate and commercial work. His areas of practice encompass corporate commercial, employment and immigration, intellectual property & information technology, and mergers and acquisitions. He has been actively involved in capital markets and corporate advisory work, fund raising exercises, crossborder corporate transactions for acquisition in fields such as renewable energy, mining and resources, shipping and other types of business assets. These acquisitions span countries such as Australia, Bolivia, China, Ghana, Malaysia and Indonesia. Mr Ong also advises on corporate matters such as the setting up of joint ventures and the structuring of commercial ventures, intellectual property matters including trademarks and copyrights, as well as supervises the setting-up of companies and businesses, routine corporate compliance and secretariat matters. He was a legal counsel for a SGX-listed group with varied business interests, ranging from property and hotel development and management to hospitality and specialty restaurants. Mr Ong graduated with a Bachelor of Laws (Honours) from University of Leicester in 1996. He was called to the Bar at the Middle Temple, United Kingdom in 1999 and was admitted to the Roll of Advocates & Solicitor, Supreme Court of Singapore in 2001. Mr Ong is also a member of the Law Society of Singapore and a member of the Singapore Academy of Law.

BOARD OF DIRECTORS

MR LENG YEW CHEE PHILIP, AGE 67

Non-Executive Independent Director and AC Chairman

ISCA (Singapore)
CIMA (United Kingdom)

Date of appointment as Non-Executive Independent Director and AC Chairman : 1 October 2018
Length of service: 7 months (as at 30 April 2019)

Served on the following Board Committees
- Audit Committee – Chairman
- Nominating Committee – Member
- Remuneration Committee – Member

Present directorships in other listed companies
- Executive Director, Innopac Holdings Pte Limited

Present principal commitments
(other than directorships in other listed companies)
- NIL

Directorships in other listed companies held over the preceding three years (2016-2018)
- Independent Non-Executive Director & AC Chairman, Innopac Holdings Pte Limited

Background and experience
Mr Leng has more than 40 years of accounting and finance experience, having been involved at both operational and strategic levels. He has wide experience in corporate governance having served on the boards of other Singapore listed companies as independent director. Mr Leng is a professional director, specialising in corporate governance matters and risk assessment management. He is a member of Institute of Chartered Accountants Singapore and Chartered Institute of Management Accountants, United Kingdom.

BOARD OF DIRECTORS

MR SEET CHONG TONG, AGE 62

Non-Executive Independent Director

Diploma in Electronics and Telecommunication
Diploma in Finance Management
Executive Certificate in Directorship

Date of appointment as Non-Executive Independent Director: 1 October 2018
Length of service: 7 months (as at 30 April 2019)

Served on the following Board Committees
- NIL

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- Rainbow Electronics Co., Limited

Directorships in other listed companies held over the preceding three years (2016-2018)
- Independent Director, Pulse Electronics (S) Pte Ltd, Pulse Electronics, Shenzhen, China, Pulse Electronics Taiwan

Background and experience
Mr Seet has more than 30 years' sales experience in Asia electronics industry. Mr Seet has spent the last 18 years in China and his area of expertise are in sales and marketing in the Asia region. Mr Seet has professional memberships in Singapore Institute of Directors and Business China Singapore.

KEY MANAGEMENT

MR ZHANG RONG, AGE 43

President, General Manager and Chief Executive Officer
Changzhou 3D Technological Complete Set Equipment Co., Ltd

Diplom-Ingenieur of Inorganic Silicate from Clausathal University of Technology of Germany
Bachelor of Material Science & Engineering from Hefei University of Technology

Date of appointment: April 2017
Length of service: 2 years 1 month (as at 30 April 2019)

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- General Manager, J & R (Beijing) Consulting Co. Ltd. - Corporate Representative
- Consultant, Ducatt NV
- Consultant, Renolit Belgium NV

Directorships in other listed companies held over the preceding three years (2016-2018)
- NIL

Background and experience
Mr Zhang has served in various German-listed companies for about 10 years, assuming many roles including assistant to technical director, quality manager and general manager of the Chinese affiliate among others, where he acquired diverse experience and knowledge in the manufacturing industry. In 2014, he established his own consultancy company, mainly offering technical and strategic consulting services to the European companies which were keen to develop their businesses in the Greater China.

KEY MANAGEMENT

MS LEOW SIEW PHAIK, AGE 46

Financial Controller, Shanghai Turbo Enterprises Ltd.

ACCA (United Kingdom)
MIA (Malaysia)
CMIIA (Malaysia)
Certified Company Secretary (Malaysia)

Date of appointment: 16 January 2019
Length of service: 4 months (as at 30 April 2019)

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- NIL

Directorships in other listed companies held over the preceding three years (2016-2018)
- NIL

Background and experience
Ms Leow has more than 22 years working experience in accounting, corporate finance, internal audit and risk assessment management. She is responsible for preparing the financial statement and all the compliance procedures in the Group. She is a fellow member of The Association of Chartered Certified Accountants (ACCA), a member of Malaysia Institute of Accountants (MIA), a professional member of The Institute Of Internal Auditors Malaysia (CMIIA) and certified companies secretary registered under Companies Commission Of Malaysia.

MR DAI XIAOLONG, AGE 43

Director,
Changzhou 3D Technological Complete Set Equipment Co., Ltd

Bachelor's degree in Law from People's University of China

Date of appointment: April 2017
Length of service: 2 years 1 month (as at 30 April 2019)

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- Senior Partner, Beijing Dacheng Law Offices, LLP (Shanghai)

Directorships in other listed companies held over the preceding three years (2016-2018)
- NIL

Background and experience
Mr Dai graduated from the People's University of China in 1997 with a bachelor's degree in law. He is currently a senior partner of Beijing Dacheng Law Offices, LLP (Shanghai), and concurrently serves as an arbitrator of the Suzhou Arbitration Commission.

He has served as legal adviser to the Management Committee of Suzhou High-tech Zone and Huqiu District People's Government in Suzhou. He has extensive legal knowledge in corporate governance and investments (particularly in mergers and acquisitions), and has nearly 20 years of commercial law experience. He serves a number of multinational companies (including global top 500 enterprises) as legal counsel on Chinese law, and is a long-term legal advisor to numerous foreign-funded enterprises in the Eastern China region. He has acted for many prominent multinational companies conducting transactions in China such as mergers and acquisitions, restructuring, joint ventures, and various other investment projects.

KEY MANAGEMENT

MR JIANG RONGLIN, AGE 49

Deputy General Manager (Sales),
Changzhou 3D Technological Complete Set Equipment Co., Ltd

Date of appointment: October 2013
Length of service: 5 years 6 months (as at 30 April 2019)

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- NIL

Directorships in other listed companies held over the preceding three years (2016-2018)
- NIL

Background and experience
Mr Jiang started his career in a state-owned corporation as a section chief in 1987. In 1995, he decided to set up his own business and subsequently founded Changzhou Jinyang Paper Products Co., Ltd in 1997. He assumed the role of Executive Director and General Manager of the Company, overseeing the overall operations of the Company. Under his leadership, the Company achieved growth and rapid developments. In 2013, he left in search of new challenges. He then joined Changzhou 3D Technological Complete Set Equipment Co., Ltd.

MR SHI LINBIN, AGE 43

Deputy General Manager (Production),
Changzhou 3D Technological Complete Set Equipment Co., Ltd

Date of appointment: November 2018
Length of service: 6 months (as at 30 April 2019)

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- NIL

Directorships in other listed companies held over the preceding three years (2016-2018)
- NIL

Background and experience
Mr Shi started his career in 1998 with a state-owned enterprise. He has joined Changzhou 3D Technological Complete Set Equipment Co., Ltd since 2003. He has served as CNC Workshop & Production Director. He has more than 21 years working experience in the machinery industry and he has promoted as Deputy General Manager on November 2018.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

Shanghai Turbo Enterprises Ltd. (the "**Company**") and its 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 Company and its subsidiaries (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**").

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Effective Board to lead and control the Company

The principal functions of the Board are:

1. sets the overall strategy of the Group, supervises and works with the management to make objective decisions in the interest of the Group including establishing goals and priorities for the management, and reviews the management's performance by monitoring the achievement of these goals;

2. 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;

3. sets objective performance criterion to evaluate the Board's performance and succession planning process;

4. reviews the adequacy and effectiveness of the Group's risk management and internal controls framework including financial, operational, compliance and information technology controls and establishing risk appetite and parameters to safeguard shareholders' interests and the Company's assets;

5. reviews and approves key operational and business initiatives, major funding proposals and other corporate actions, significant investment and divestment proposals, including determining the Group's operating and financial performance, the Group's annual budgets and capital expenditure, release of the Group's half-year and full-year financial results and other strategic initiatives proposed by Management;

6. approves all Board appointments/re-appointments and appointment of Key Management Personnel[1], evaluates their performance and reviews their remuneration packages;

7. identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation;

8. sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and

9. considers sustainability issues (where applicable), e.g. environmental and social factors, as part of its strategic formulation.

[1] Key Management Personnel: the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company

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. All Board Committees are chaired by an Independent Director and a majority of the members are Independent Directors.

The Board and its committees met regularly and as warranted by particular circumstances to discharge their duties. An annual schedule of Board and Board Committee meeting dates are set by the directors in advance. Ad-hoc meetings are convened when required to address any significant issues that may arise in-between the scheduled meetings. Where physical meetings are not possible, timely communication with members of the Board and Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company's Articles of Association ("**Articles**") provide that the directors may conduct meetings by means of telephone or video conference or other methods of simultaneous communication.

To enable members of the Board and its committees to prepare for the meetings, agendas were circulated in advance. Members of the management are invited to attend the meetings to present information and/or render clarification when required. Directors are welcome to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from the management. When required, Board members meet to exchange views outside the formal environment of Board meetings. 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 for the financial year ended 31 December 2018 are as follows:-

	Board	Audit Committee ("AC")	Nominating Committee ("NC")	Remuneration Committee ("RC")
Number of meetings	5	4	1	1
Name of directors				
Non-Executive Independent Directors:				
(1)Mr Jack Chia Seng Hee (Non-Executive Independent Chairman and Lead Independent Director)	4	3	1	1
(1)Mr Raymond Lim Sian Heong	4	3	1	1
(1)Mr Cheung Hok Fung Alexander	4	3	1	1
(2)Mr Wee Liang Hiam (Lead Independent Director)	1	1	–	–
(2)Mr Leng Yew Chee Philip	1	1	–	–
(2)Mr Ong Sing Huat	1	1	–	–
(2)Mr Seet Chong Tong	1	1	–	–
Non-Executive Non-Independent Director:				
Dr Daniel Liu Danjun	4	3	–	–

(1) Resigned as Directors of the Company on 1 October 2018.

(2) Appointed as Directors of the Company on 1 October 2018.

The Board recognises that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board.

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.

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.

To keep pace with a fast-changing regulatory environment, the Company and the Board works closely with the Company Secretary 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.

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.

Directors and the management are encouraged to attend courses to keep abreast of changes in the law and governance matters that may affect the Company. The Company has a budget for them to receive further relevant training of their choice in connection with their duties.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the Board

Presently, the Board comprises five directors, all of whom are non-executive, of which four are independent and one is non-independent.

Non-Executive Independent
& Lead Independent Director

[#] Mr Wee Liang Hiam

Non-Executive Non-Independent Director

Dr Daniel Liu Danjun

Non-Executive Independent Directors

[#] Mr Leng Yew Chee Philip
[#] Mr Ong Sing Huat
[#] Mr Seet Chong Tong

Appointed as Directors of the Company on 1 October 2018.

As at date of this Report, four out of five members of the Board are Independent Directors including the Lead Independent Director, there is a strong independent element on the Board.

Individual directors' profiles are shown in the "Board of Directors" section of this Annual Report as set on pages 08 to 12.

Mr Zhang Rong, Chief Executive Officer of the operating subsidiary, Changzhou 3D Technological Complete Set Equipment Co, Ltd ("**Changzhou 3D**"), was appointed on 8 May 2017. The board of the operating subsidiary meets quarterly to discuss the operational issues in depth, before surfacing the issues to the Company, whose audit committee and board meeting meet the following day. As at date of this Report, Ms Leow Siew Phaik has been appointed as Financial Controller in place of Mr Isaac Peh since 16 January 2019.

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 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 and objective judgement during Board deliberations or when challenging Management's proposals or decisions constructively on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business.

During the year, the Non-Executive Directors helped develop both the Group's short-term and long-term business strategies, corporate governance compliance and played an important role in tightening the internal control processes risk and compliance monitoring. They also communicated among themselves without the presence of management as and when the need arises. 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

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

The position of the Chairman and Chief Executive Officer ("**CEO**") are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

As at the date of this Report, Mr Wee Liang Hiam, being the Non-Executive Independent Director and Lead Independent Director ("LID") since 1 October 2018, leads the Board meetings and sets the Board meeting agenda in consultation with the Company Secretary and ensures that Board members are provided with complete, adequate and timely information. The LID is also responsible for ensuring that adequate time is available for discussion of all agenda items, particularly for strategic issues, and promoting high standards of corporate governance. Besides ensuring effective communication with shareholders, the LID also acts as facilitator to the Non-Executive Directors for them to effectively contribute to the Group.

The LID is also the principal liaison to address shareholders' concerns, for which direct contact through normal channels of the CEO or Financial Controller has failed to resolve or for which such contact is inappropriate. He also facilitates periodic meetings with the other Independent Directors on board matters, when necessary and provides his feedback to the CEO after such meetings.

The other specific roles as LID are as follows:

a) acts as liaison between the Non-Executive Directors and the Executive Directors of Changzhou 3D to provide non-executive perspectives; and

b) assists the Board and Company officers in better ensuring compliance with and implementation of corporate governance.

During the year, the Company's Non-Executive Directors have communicated between themselves, without the presence of the management as and when the need arises.

BOARD MEMBERSHIP

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

Presently, the NC comprises 3 members, all of whom (including the Chairman) are Independent Directors:-

Mr Ong Sing Huat	(Chairman)
Mr Wee Liang Hiam	(Member)
Mr Leng Yew Chee Philip	(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 reviews annually the independence of each director based on the definition and criteria set out in the Code for independence. Each Non-Executive Director is required to complete a Confirmation of Independence form drawn up based on the Principle 2 of the Code for the NC's review and recommendation to the Board.

Taking into consideration the foregoing, the NC is of the view that Mr Ong Sing Huat, Mr Wee Liang Hiam, Mr Leng Yew Chee Philip and Mr Seet Chong Tong are deemed to be independent. Each of these directors has also confirmed their independence. Dr Daniel Liu Danjun is not independent by virtue of him representing the interests of his 27.18% shareholders (as defined under the Code) of the Company.

As at the date of this Report, none of the Directors have served on the Board for more than nine years from the date of his first appointment.

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.

The Company's Articles provide for the retirement and re-election of directors at every Annual General Meeting ("**AGM**").

Article 86(1) & (2) of the Company's Articles of Association require that every director on the Board shall retire at least once every three (3) years. A retiring director shall be eligible to offer himself for re-election. Pursuant to Article 85(6) of the Company's Articles of Association, any new director appointed during the year shall retire at the next AGM of the Company and shall then be eligible for re- election. The NC is responsible for the nomination of retiring Directors for re-election.

In reviewing the nomination of the retiring directors, the NC considered the composition and progressive renewal of the Board, and the competency, performance and contribution of each of the retiring directors, having regard not only to their attendance, preparedness and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs, especially their operational and technical contributions. Where appropriate, the NC will also consider the director's independence.

The Board has accepted the NC's recommendation on the nominations of Mr Wee Liang Hiam, Mr Leng Yew Chee Philip, Mr Ong Sing Huat and Mr Seet Chong Tong, who are retiring pursuant to Article 85(6), to be put forward for re-elections at the forthcoming AGM.

Mr Wee Liang Hiam will, upon re-election as a director of the Company, remain as Lead Independent Director, Chairman of the RC and a member of the AC and NC and will be considered independent.

Mr Leng Yew Chee Philip will, upon re-election as a director of the Company, remain as Chairman of the AC and a member of the NC and RC and will be considered independent.

Mr Ong Sing Huat will, upon re-election as a director of the Company, remain as Chairman of the NC and a member of the AC and RC and will be considered independent.

Mr Seet Chong Tong will, upon re-election as a director of the Company, remain as Independent Director.

Mr Wee Liang Hiam, Mr Leng Yew Chee Philip, Mr Ong Sing Huat and Mr Seet Chong Tong have abstained from deliberation and voting in respect of their own re-elections at the respective NC and Board meetings.

Where a director has multiple board representations, the NC will determine if the director has been able to devote sufficient time and attention to the Company's affairs and if he has been adequately carrying out his duties as a director. The recommendation of the NC is then made to the Board accordingly. The Board will review this recommendation. The NC is of the view that the number of directorships a director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary. The NC will review the number of listed company board representations which each director holds on an annual basis or from time to time when the need arises. In this respect, the NC believes that it would not be necessary to prescribe a maximum number of listed company board representations a director may hold. The Board affirms and supports this view.

Currently, no alternate directors have been appointed in respect of any of the Directors.

During the year, the NC had reviewed the directorships and principal commitments disclosed by each Director and was of the view that the existing directorships and principal commitments of the respective Directors have not affected their abilities to discharge their duties. The Board concurred with the NC.

None of the Directors are related and do not have any relationship with the Company or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgements.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 relating to the above Directors to be put forward for re-election at the forthcoming Annual General Meeting is disclosed below:,

Name of retiring Director	**Wee Liang Hiam**	**Leng Yew Chee Philip**	**Ong Sing Huat**	**Seet Chong Tong**
Date of appointment	1 October 2018	1 October 2018	1 October 2018	1 October 2018
Date of last re-appointment	N.A.	N.A.	N.A.	N.A.
Age	56	67	47	62
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has reviewed the credential of Mr Wee Liang Hiam and has approved the Nominating Committee's recommendation of the appointment of Mr Wee Liang Hiam as Non-Executive Independent Director and Lead Independent Director	The Board has reviewed the credential of Leng Yew Chee Philip and has approved the Nominating Committee's recommendation of the appointment of Mr Leng Yew Chee Philip as Non-Executive Independent Director	The Board has reviewed the credential of Mr Ong Sing Huat and has approved the Nominating Committee's recommendation of the appointment of Mr Ong Sing Huat as Non-Executive Independent Director	The Board has reviewed the credential of Mr Seet Chong Tong and has approved the Nominating Committee's recommendation of the appointment of Mr Seet Chong Tong as Non-Executive Independent Director
Whether appointment is executive, and if so, the area of responsibility	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee	Chairman of Audit Committee, Member of Nominating Committee and Remuneration Committee	Chairman of Nominating Committee, Member of Audit Committee and Remuneration Committee	Non-Executive Independent Director
Professional qualifications	MBA, BBA (Hons), Dip. Ed. GDPM, ACTA, FCA (Singapore), ASEAN CPA	ISCA CIMA	LLB (Hons) Advocate & Solicitor, Singapore	Dipl in Electronics and Telecommunication Dipl in Finance Management Executive Certificate in Directorship

Name of retiring Director	Wee Liang Hiam	Leng Yew Chee Philip	Ong Sing Huat	Seet Chong Tong
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None	None
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)	Yes	Yes	Yes	Yes
Working experience and occupation(s) during the past 10 years	2007 – Current – GG Capital – Business Consultant 2016 - Current - Olive Tree Estates Limited - Chief Financial Officer 2011 - 2012 - Starland Holdings Limited - Chief Financial Officer 2009 – 2011 – Friven & Co Ltd – Chief Financial Officer / Executive Director 2008 – 2009 – AGVA Corporation Limited - Chief Financial Officer	2018 – Independent Director and Chairman of Audit Cmmittee of Innopac Holdings Pte Ltd 2017 – Finance Director of Pegasus Global Consultancy Ltd 2014 – Consultant of Truevine Group of companies 2011 – 2013 – Financal Services Consultnt of American International Assurance Company Ltd, (AIA) 2011 – 2012 – Financial Advisor of Kinderworld Group 2007 – 2010 – Regional Vice President (Finance) of Changi Airports International Pte. Ltd.	2013 – Present - Robert Wang & Woo LLP 2007 – 2012 - Robert Wang & Woo LLC	2016 – Present – Rainbow Electronics, Dongguan, Corporate Director 2015 – 2016 – Pulse Electronics, Shenzhen, Independent Director 2015 – Present – Regional Sales Director cum Company Director

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

Name of retiring Director	Wee Liang Hiam	Leng Yew Chee Philip	Ong Sing Huat	Seet Chong Tong
Shareholding interest in the listed issuer and its subsidiaries	None	None	None	None
Shareholding details	N.A.	N.A.	N.A.	N.A.
Other Principal Commitments Including Directorships				
Past (for the last 5 years)	2016 – 2018 – TMC Education Corporation, Lead Independent Director and Chairman of Audit Committee 2016 – 2017 – PSL Holdings Ltd, Independent Director and Chairman of Nominating Committee 2015 – 2016 – Sincap Group Limited, Lead Independent Director and Chairman of Audit Committee 2009 – 2015 – Hu An Cable Holdings Ltd, Lead Independent Director and Chairman of Audit Committee and Nominating Committee	2018 – Independent Director and Chairman of Audit Committee of Innopac Holdings Pte Ltd	Nil	2015 – 2016 – Pulse Electronics, Shenzhen, Independent Director

Name of retiring Director	Wee Liang Hiam	Leng Yew Chee Philip	Ong Sing Huat	Seet Chong Tong
Present	2018 – Present - Shanghai Turbo Enterprises Ltd., Lead Independent Director, Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee	2018 – Present - Innopac Holdings Pte Ltd, Executive Director 2018 – Present - Shanghai Turbo Enterprises Ltd., Independent Director, Chairman of Audit Committee, Member of Nominating Committee and Remuneration Committee	Non-Independent Non Executive Director, Magnus Energy Group Ltd 2018 – Present - Shanghai Turbo Enterprises Ltd., Independent Director, Chairman of Nominating Committee, Member of Audit Committee and Remuneration Committee	2018 – Present - Shanghai Turbo Enterprises Ltd., Independent Director
Information Required Pursuant to Listing Rule 704(7)				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No

Name of retiring Director	Wee Liang Hiam	Leng Yew Chee Philip	Ong Sing Huat	Seet Chong Tong
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

Name of retiring Director	Wee Liang Hiam	Leng Yew Chee Philip	Ong Sing Huat	Seet Chong Tong
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No

Name of retiring Director	Wee Liang Hiam	Leng Yew Chee Philip	Ong Sing Huat	Seet Chong Tong
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi (“RMB’000”)

Name of retiring Director	Wee Liang Hiam	Leng Yew Chee Philip	Ong Sing Huat	Seet Chong Tong
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-				
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No

Name of retiring Director	Wee Liang Hiam	Leng Yew Chee Philip	Ong Sing Huat	Seet Chong Tong
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No

Name of retiring Director	Wee Liang Hiam	Leng Yew Chee Philip	Ong Sing Huat	Seet Chong Tong
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No
Disclosure Applicable to the Appointment of Director Only				
Any prior experience as a director of an issuer listed on the Exchange? If Yes, please provide details of prior experience. If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	N.A.	N.A.	N.A.	N.A.

Note:

N.A. - Not Application

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.

To ensure confidentiality, the evaluation forms completed by directors were submitted to the Company Secretary 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 and the Board had 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.

The NC has conducted a board performance evaluation exercise to assess the effectiveness of directors as a whole for FY2018 and is satisfied that sufficient time and attention has been given by the directors to the affairs of the Group. The NC is generally satisfied with the results of the Board performance for FY2018, which indicated areas of strengths and those that could be improved further. No significant problems were identified. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further. The NC would continue to evaluate the process for such review and its effectiveness from time to time.

The NC had put in place a formal process for short listing, evaluating and nominating candidates for appointment as new directors.

The NC, in consultation with Management and the Board, determines the qualifications and expertise required or expected of a new board member taking into account the current board size, structure, composition and progressive renewal of the board. Prospective candidates are sourced through recommendations from board members, business associates, advisors, professional bodies and other industry players. These candidates are reviewed by the NC. The criteria for assessing the suitability of any nominee or candidate are determined by the NC.

The NC, in evaluating the suitability of the nominee or candidate, will take into account his qualifications, business and related experience and ability to contribute effectively to the board. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other board appointments and principal commitments, and if he is independent.

The evaluation process will also involve an interview or meeting with the nominee or candidate. Appropriate background checks and confidential searches will also be made. Recommendations of the NC are then put to the board for consideration.

The Company may appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment involves specific skill sets or industry specialisation.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

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

The Board has separate and independent access to the senior management of the Company, the Company Secretary 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 periodic business forecasts 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, and the corresponding period of the previous year, 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 Company Secretary attends all Board and Board Committee meetings and administers, attends and prepares minutes of Board and Board Committee meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's Articles of Association, so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The Company Secretary's role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as board policies and procedures are complied with.

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

Should directors require professional advice, whether as a group or individually, 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 3 members, all of whom (including the Chairman) are Independent Directors:-

Mr Wee Liang Hiam	(Chairman)
Mr Leng Yew Chee Philip	(Member)
Mr Ong Sing Huat	(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 packages 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.

No remuneration consultants were engaged in FY2018.

LEVEL AND MIX OF REMUNERATION

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

The Executive Directors of Changzhou 3D do not receive directors' fees. The Executive Directors 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 Directors 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 Executive Directors of Changzhou 3D 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 RC sets and reviews remuneration linked to the key performance indexes for the CEO for every financial year and assesses his performance. Key performance indices are not only tied to corporate performance but also linked with certain risk control measurements. For FY2018, the CEO has not met the key performance indices set by the RC.

The Company does not have a share option scheme or performance share plan. The RC is considering the viability of such schemes/plans and is looking into other long-term incentive schemes to supplement the Group's current compensation framework. The RC intends to extend the same to other Key Management Personnel[1].

Non-Executive 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 its Executive Director/CEO, but not its key management personnel in China, in exceptional circumstances of mis-statement of financial results, or of misconduct resulting in financial loss to the Company. The RC has obtained legal advice on the unenforceability of such provisions on key management personnel 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 RMB1,625,000 for FY2019 for the Non-Executive Directors.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

The Board concurred with the RC's recommendation. The Non-Executive Directors have abstained from deliberation and voting in respect of their own fees at the respective RC (where applicable) and Board meetings. Accordingly, shareholders' approval will be sought at the forthcoming AGM.

Remuneration for the directors for FY2018 is as follows:

Remuneration Bands & Salary	Salary %	Bonus %	Other Remuneration %	Directors Fees %	Total %
	100	–	–	–	100
Non-Executive Directors					
Below S$250,000					
Mr Jack Chia Seng Hee*	–	–	–	100	100
Mr Raymond Lim Sian Heong*	–	–	–	100	100
Mr Cheung Hok Fung Alexander*	–	–	–	100	100
Dr Daniel Liu Danjun	–	–	–	100	100
Mr Wee Liang Hiam**	–	–	–	100	100
Mr Leng Yew Chee Philip**	–	–	–	100	100
Mr Ong Sing Huat**	–	–	–	100	100
Mr Seet Chong Tong**	–	–	–	100	100

* Resigned on 1 October 2018

** Appointed on 1 October 2018

For confidentiality reasons, the Company is not disclosing the remuneration of each individual Director to the nearest thousand dollars. However, disclosure had been provided in bands of S$250,000 instead, with a breakdown in percentage of the remuneration earned through fees, salary, fixed component, variable component, benefits in kind, and/or other long term incentives.

Remuneration for the top four Key Management Personnel[1] (who are not a director of the Company) for FY2018 is as follows:

	Salary %	Bonus %	Other Remuneration %	Total %
Below S$250,000				
Mr Zhang Rong	100	–	–	100
Mr Isaac Peh Lin Siah	100	–	–	100
Mr Jiang Ronglin	91.77	8.23	–	100
Mr Shi LinBin	78.95	21.05	–	100

The Group currently has only four Key Management Personnel.

The aggregate of the total remuneration paid to the top four Key Management Personnel[1] of the Group (who are not directors of the Company) is RMB1,443,000.

There were no termination, retirement and post-employment benefits granted to Directors, the CEO or the top Key Management Personnel of the Group in FY2018.

For confidentiality reasons and given the competitive hiring pressures and disadvantages that this might bring, the Company is not disclosing the aggregate total remuneration and each individual's remuneration. However, disclosure had been provided in bands of S$250,000, with a breakdown in percentage of the remuneration earned through salary, fixed component, variable component, benefits in kind, and/or other long term incentives.

The remuneration packages of the Executive Directors and the Key Management Personnel of the Company and its subsidiaries comprise base salaries and bonuses.

There are no immediate family members of directors or CEO in employment with the Group whose remuneration exceeds S$50,000 during FY2018.

The Company does not have any share scheme.

ACCOUNTABILITY

Principle 10: The 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 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.

An internal audit review was commissioned to assess the operating and internal control protocols of the Company's subsidiary, Changzhou 3D. The afore-mentioned review was conducted by BDO China Shu Lun Pan Certified Public Accounts LLP and completed in accordance with the objectives as outlined in the latter's engagement letter. The external auditors, during the course of their audit, also reported on matters relating to internal controls. Any material non-compliance and recommendation for improvement had in the past been and will in future be reported to the AC. Nonetheless, the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Based on both the internal and external auditors' reports, the actions taken by the Management, the on-going review and continuing efforts in improving internal controls and processes, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls that has been maintained by the Management throughout the financial year being reported on is adequate and effective to meet the needs of the Group, and addresses the financial, operational and compliance risks.

The Board has received written assurance from the Chief Executive Officer of Changzhou 3D ("**CEO**") and the current Financial Controller ("**FC**") that:

(a) The financial records of the Group have been properly maintained and financial statements for the financial year ended 31 December 2018 give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks. Business continuity measures are in place to ensure that corporate functions will remain active in the event of any disruption to factory operations.

AUDIT COMMITTEE

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

Presently, the Audit Committee ("**AC**") comprises 3 members, all of whom (including the Chairman) are Independent Directors are:-

Mr Leng Yew Chee Philip	(Chairman)
Mr Wee Liang Hiam	(Member)
Mr Ong Sing Huat	(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 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 considers 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 the Company's 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 Audit reports 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 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 FY2018. The audit service fees for the financial year ended 31 December 2018 amounted to RMB918,000.

Pursuant to Rule 716 of the SGX-ST Listing Manual, the AC and the Board are satisfied that the appointment of Changzhou Xinhuarui CPAs, a firm of Certified Public Accountants, registered in the PRC to audit the statutory financial statements of Changzhou 3D would not compromise the standard and effectiveness of the audit of the Company.

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 Board concurred with the AC's recommendation.

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. Any employee can can write to elaine@cz-3d.com anonymously, and this email is only accessible by members of the Audit Committee. The details of the whistle-blowing policies and arrangements have been made available to all employees.

There were no whistle-blowing letters received in FY2018.

In addition to the activities undertaken to fulfil its responsibilities, the AC is kept abreast by the management and 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: Internal Audit

The AC has the responsibility to establish an independent internal audit function, review the internal audit program and ensure co-ordination between internal auditors, external auditors and the Management, and ensure that the internal auditor meets or exceeds the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors

The Company outsourced the internal audit function to BDO China Shu Lun Pan Certified Public Accounts LLP. The internal auditor is to report directly to the AC Chairman on internal audit matters and to the Management on administrative matters. To ensure the adequacy of the internal audit function, the AC will review and approve, on an annual basis, the internal audit plans and the resources required to adequately perform this function.

During the financial year being reported on, the Company has reviewed BDO China Shu Lun Pan Certified Public Accounts LLP's internal control report on the Group and will progressively implement BDO China Shu Lun Pan Certified Public Accounts LLP's recommendations to strengthen the Group's processes and protocols.

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 a 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 released to the public through the Company's announcements via the SGXNET.

General meetings have been and still are 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 welcomes shareholders to visit the factory of operating subsidiary located in Changzhou, to gain a better understanding of its operations.

The Company does not have a concrete dividend policy at present. The Company has consistently declared dividends in each calendar year since 2009 except for 2017 and 2018. 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 macroeconomic and internal factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

As the result of the series of unfortunate events in 2017, which perpetuate to 2018, the Company has sustained massive losses and hence is not in a position to pay any dividends for FY2018.

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 receiving a circular or letter explaining the purpose of the EGM and notice of EGM.

The Chairmen of the AC, RC and NC 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 Company's Articles of Association allows a member of the Company to appoint not more than two proxies to attend and vote in place of the member. A member or the Company entitled to attend and vote at the AGM and who holds two or more shares is entitled to appoint one (1) or two (2) proxies to attend and vote.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions.

Pursuant to the Company's Articles of Association and Cayman Companies Law, the members of the Company have no general right to inspect or obtain copies of the corporate records or the minutes of the general meetings.

The Board noted that the SGX-ST had introduced new listing rules to promote greater transparency in general meetings and support listed companies in enhancing their shareholders' engagement. The Company would be required to conduct its voting at general meetings by poll with effect from 1 August 2015 where shareholders are accorded rights proportionate to the shareholding and all votes are counted and the voting results of the general meetings are released via SGXNet on the same day. The Board believes that the new rule will enhance transparency of the voting process and encourage greater shareholder participation. Accordingly, the Company would be conducting its voting at the upcoming AGM by poll.

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.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

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' STATEMENT

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

The directors present their statement 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 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 51 to 109 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and of the financial performance, 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.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are as follows:

Daniel Liu Danjun	
Wee Liang Hiam	(Appointed on 1 October 2018)
Leng Yew Chee Philip	(Appointed on 1 October 2018)
Seet Chong Tong	(Appointed on 1 October 2018)
Ong Sing Huat	(Appointed on 1 October 2018)

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.

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.

Share options

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

Audit committee

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

Leng Yew Chee Philip (Chairman)	Non-Executive Independent Director
Wee Liang Hiam	Non-Executive Independent Director and Lead Independent Director
Ong Sing Huat	Non-Executive Independent Director

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 for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

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

In appointing the external auditors for the Company and subsidiaries, we have 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 Report on Corporate Governance.

DIRECTORS' STATEMENT (Continued)

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

WEE LIANG HIAM	**LENG YEW CHEE PHILIP**
Director	Director

12 April 2019

Crowe

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TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Shanghai Turbo Enterprises Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 109, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Going concern assumption

For the current financial year, the Group reported loss after tax and negative operating cash flows of RMB 8,578,000 and RMB 27,996,000 respectively. In addition, the Group has incurred a gross loss of RMB 16,518,000 or a gross loss margin of 55%. These conditions, and the operational uncertainties as described in Note 2 (i) to (iii) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concern.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2 to the financial statements. However, based on the information available to us, we have not been able to satisfy ourselves as to the appropriateness of those assumptions on which the going concern basis is premised for the preparation of the financial statements. The operational uncertainties may also have further impact on the financial statements in addition to those matters described below.

2. Impairment testing on property, plant and equipment

As at 31 December 2018, the carrying amount of the Group's property, plant and equipment ("PPE") amounted to RMB 87,628,000, which is stated after impairment loss of RMB 4,803,000. In view of the facts and circumstances described in matter 1 above, the Group performed an impairment test and did not recognise additional impairment loss for the current year. As disclosed in Note 9 to the financial statements, the Group has estimated the recoverable amount of the cash generating unit ("CGU") containing the PPE based on value in use calculation. However, we were unable to obtain sufficient appropriate audit evidence regarding the reasonableness of the key assumptions applied to arrive at the value in use of the CGU containing the PPE. Consequently, we were unable to determine whether any adjustments to the carrying amount of PPE as at 31 December 2018 were necessary. Any additional impairment loss would have decreased the carrying amount of PPE and increased the loss for the year.

Crowe

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TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD. (CONTINUED)

Basis for Disclaimer of Opinion (Continued)

3. Recoverability of trade receivables

As disclosed in Note 33 (iii) to the financial statements, the Group recognised an income arising from write back of expected credit loss ("ECL") on trade receivables totalling RMB 58,393,000 during the current year, out of which RMB 40,950,000 relate to a former major customer. The Group has collected RMB 24,425,000 from the customer during the year, which has resulted in part of the write back of ECL. In November 2018, the Group initiated legal proceeding against the customer to recover remaining sums amounting to approximately RMB 43,765,000. Notwithstanding this, management believes that RMB 30,000,000 can be recovered in 2019. However, we were not able to obtain sufficient appropriate audit evidence to support management's view in this regard. Consequently, we were unable to determine whether any adjustments to the write back and the carrying amount of RMB 30,000,000 were appropriate. Any reduction of the write back and hence the carrying amount would have increased the loss for the current year.

4. Impairment of investment in subsidiaries

As at 31 December 2018, the carrying amount of the Company's investment in subsidiaries was RMB 156,236,000. In view of the facts and circumstances described in matter 1 above, the Company performed an impairment test and did not recognise any impairment loss for the current year. As disclosed in Note 10 to the financial statements, the Company has estimated the recoverable amount of the investment in subsidiaries based on value in use calculation. However, similar to the matter 2 above, we were unable to obtain sufficient appropriate audit evidence regarding the reasonableness of the key assumptions applied to arrive at the value in use of the investment in subsidiaries. Consequently, we were unable to determine whether any adjustments to the carrying amount of the investment in subsidiaries as at 31 December 2018 were necessary. Any impairment loss would have decreased the carrying amount of investment in subsidiaries and increased the accumulated loss of the Company as at that date.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the IFRSs, 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 transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

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TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD. (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Alfred Cheong Keng Chuan.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

12 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	Group		Company	
		2018 RMB'000	2017 RMB'000 (Restated) (Note 35)	2018 RMB'000	2017 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	4	55,409	55,409	55,409	55,409
Share premium	5	78,470	78,470	78,470	78,470
		133,879	133,879	133,879	133,879
Other reserves					
Statutory reserve	6	30,526	30,526	-	-
Translation deficit	7	(3,372)	(3,414)	-	-
		27,154	27,112	-	-
Accumulated losses	8	(11,606)	(3,028)	(3,180)	(453)
TOTAL EQUITY		149,427	157,963	130,699	133,426
ASSETS					
Non-current assets					
Property, plant and equipment	9	87,628	103,506	-	-
Subsidiaries	10	-	-	156,236	156,236
Intangible assets	11	9,658	9,167	-	-
Current assets					
Inventories	12	1,983	1,629	-	-
Trade receivables	13	81,435	54,407	-	-
Other receivables, deposits and prepayments	14	2,377	3,438	-	-
Intangible assets	11	889	251	-	-
Cash and cash equivalents	15	14,285	28,612	1,149	2,858
		100,969	88,337	1,149	2,858
TOTAL ASSETS		198,255	201,010	157,385	159,094

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	Group		Company	
		2018 RMB'000	2017 RMB'000 (Restated) (Note 35)	2018 RMB'000	2017 RMB'000
LIABILITIES					
Current liabilities					
Trade payables	16	17,660	28,928	-	-
Other payables and accruals	17	9,014	5,731	1,902	1,190
Provision	31	4,373	4,373	-	-
Bank term loans	19	16,000	-	-	-
Due to subsidiaries (non-trade)	20	-	-	24,784	24,478
Income tax payable		-	602	-	-
		47,047	39,634	26,686	25,668
Non-current liabilities					
Deferred government grants	18	1,781	2,003	-	-
Deferred tax liability	21	-	1,410	-	-
		1,781	3,413	-	-
TOTAL LIABILITIES		48,828	43,047	26,686	25,668
NET ASSETS		149,427	157,963	130,699	133,426

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2018 RMB'000	2017 RMB'000 (Restated) (Note 35)
Revenue	22	29,845	36,875
Cost of sales		(46,363)	(38,035)
Gross (loss) / profit		(16,518)	(1,160)
Other operating income	23	1,466	1,004
Selling and distribution expenses		(6,662)	(5,011)
Administrative expenses		(42,897)	(41,308)
Other operating expenses	24	(1,186)	(44,243)
Finance costs		(911)	(98)
Impairment loss on financial assets written back / (made), net	33 (iii)	56,793	(69,604)
Loss before income tax	26	(9,915)	(160,420)
Income tax credit / (expenses)	27	1,337	(58)
Loss for the year		(8,578)	(160,478)
Other comprehensive income / (loss)			
Item that may be reclassified subsequently to profit or loss:			
- Currency translation differences arising from consolidation	7	42	(207)
Total comprehensive loss for the year, representing loss attributable to equity holders of the Company		(8,536)	(160,685)
Loss per share (cents)			
Basic and diluted	28	(31.23)	(584.23)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

	Attributable to equity holders of the Company					
	Share capital	Share premium	Statutory reserve	Translation deficit	Retained earnings/ (Accumulated losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 4)	(Note 5)	(Note 6)	(Note 7)		
Balance at 1 January 2017	55,409	78,470	30,526	(3,207)	160,884	322,082
Loss for the year	-	-	-	-	(156,070)	(156,070)
Other comprehensive loss, net of tax						
Currency translation differences arising from consolidation	-	-	-	(207)	-	(207)
Total comprehensive loss for the year	-	-	-	(207)	(156,070)	(156,277)
Dividends, representing total contributions by and distributions to owners	-	-	-	-	(3,434)	(3,434)
Balance at 31 December 2017 (As previously reported)	55,409	78,470	30,526	(3,414)	1,380	162,371
Prior year adjustments (Note 35)	-	-	-	-	(4,408)	(4,408)
Balance at 31 December 2017 (Restated)	55,409	78,470	30,526	(3,414)	(3,028)	157,963
Balance at 1 January 2018 (Restated)	55,409	78,470	30,526	(3,414)	(3,028)	157,963
Loss for the year	-	-	-	-	(8,578)	(8,578)
Other comprehensive income, net of tax						
Currency translation differences arising from consolidation	-	-	-	42	-	42
Total comprehensive loss for the year	-	-	-	42	(8,578)	(8,536)
Balance at 31 December 2018	55,409	78,470	30,526	(3,372)	(11,606)	149,427

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2018 RMB'000	2017 RMB'000 (Restated) (Note 35)
Cash flows from operating activities			
Loss before income tax		(9,915)	(160,420)
Adjustments:			
Impairment loss on financial assets (written back) / made		(56,793)	69,604
Impairment loss on property, plant and equipment	9	-	4,803
Depreciation of property, plant and equipment	9	16,372	17,644
Amortisation of intangible assets	11	517	251
Gain on disposal of property, plant and equipment	23	(291)	-
Allowance for inventory obsolescence written back	12	(10,788)	-
Interest income	23	(54)	(67)
Impairment loss on intangible assets written back	23	(369)	-
Impairment loss on intangible assets	24	-	369
Allowance for inventory obsolescence	24	-	30,984
Inventory written off	12	2,204	3,522
Written off of advances to suppliers	24	301	-
Property, plant and equipment written off		-	497
Exchange differences		(18)	282
Interest expenses		911	98
Transfer from deferred capital grant	18	(222)	(223)
Operating loss before working capital changes		(58,145)	(32,656)
Inventories		8,230	(2,552)
Trade and other receivables		30,525	41,309
Trade and other payables		(7,985)	(18,143)
Cash used in operations		(27,375)	(12,042)
Interest income received		54	67
Income taxes paid		(675)	(902)
Net cash used in operating activities		(27,996)	(12,877)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		642	-
Purchase of property, plant and equipment		(845)	(118)
Purchase of intangible assets		(1,277)	-
Receipt of capital grant from government for purchase of plant and equipment		-	2,226
Net cash (used in) / generated from investing activities		(1,480)	2,108

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

	Note	2018 RMB'000	2017 RMB'000 (Restated) (Note 35)
Cash flows from financing activities			
Dividends paid	29	-	(3,434)
Placement of pledged deposits	15	-	(7,093)
Withdrawal of pledged deposits	15	1,316	7,785
Proceeds from / (Repayment of) bank term loans		16,000	(7,000)
Interest expenses paid		(911)	(98)
Net cash generated from / (used in) financing activities		16,405	(9,840)
Net decrease in cash and cash equivalents		(13,071)	(20,609)
Cash and cash equivalents at beginning of year		24,563	45,661
Effects of exchange rate changes in cash and cash equivalents		60	(489)
Cash and cash equivalents at end of year	15	11,552	24,563

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 liability 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 located at No.9, Yinghua Road, Zhonglou Economic Development Zone, Changzhou City, Jiangsu Province, 213016 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 10.

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 12 April 2019.

2. FUNDAMENTAL ACCOUNTING CONCEPT

For the current financial year, the Group reported loss after tax and negative operating cash flows of RMB 8,578,000 and RMB 27,996,000 (2017: RMB 160,477,000 and RMB 12,877,000) respectively. In addition, the Group has incurred a gross loss of RMB 16,518,000 (2017: RMB 1,160,000) or a gross loss margin of 55% (2017: 3%). These facts and circumstances indicate the existence of material uncertainties that may cast significant doubts over the ability of the Group and of the Company to continue as a going concern.

Notwithstanding the above, the accompanying financial statements have been prepared on a going concern basis. Management's assessment of the Group and the Company's ability to continue as a going concern includes the following key assumptions that the Group's subsidiary in China, Changzhou 3D Technological Complete Set Equipment Co., Limited ("Changzhou 3D") is able to:

(i) obtain sufficient sales orders from a major customer (including maintaining the status of an authorised supplier to the customer) and secure other customers and expand product line, in order to optimise its production capacity and cover fixed operational expenditures, thereby restore gross profit margin, and significantly improve its financial performance by meeting the budgets as set out in key assumptions of the impairment testing in Note 9 and Note 10;

(ii) operate continuously and without material and adverse interruptions despite the multiple legal proceedings in Singapore, as regularly announced by the Company up to the date of this report;

(iii) successfully collect its receivables, including collection of RMB 30,000,000 in 2019 due from a former major customer as disclosed in Note 33 (iii);

(iv) not to be imposed fine with immediate repayment by government and/or ordered to perform rectification works due to non-compliance of laws and regulations relating to its properties (Note 31); and

(v) successfully roll-over its short-term bank loans of RMB 16,000,000 which are due for repayment in June and July 2019 (Note 19).

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

2. FUNDAMENTAL ACCOUNTING CONCEPT (Continued)

If the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities to current assets and liabilities respectively and to provide for further liabilities which may arise. The financial statements do not include any adjustment which may arise from these uncertainties.

3. 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, unless otherwise stated.

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

Adoption of new and revised standards

On 1 January 2018, the Group adopted the new or amended IFRS and Interpretations of IFRS ("IFRIC") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC. The adoption of these new or amended IFRS and IFRIC 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 in Note 36.

Standards issued but not yet effective

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

Descriptions	Effective for annual periods beginning on or after
IFRS 16: *Leases*	1 January 2019
IFRIC 23: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to IFRS 9: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
Annual Improvements to IFRS Standards 2015 - 2017	
- *Amendments* to IFRS 3 *Business Combinations*	1 January 2019
- Amendments to IFRS 11 *Joint Arrangements*	1 January 2019
- Amendments to IAS 12 *Income Taxes*	1 January 2019
- Amendments to IAS 23 *Borrowing Costs*	1 January 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Descriptions	Effective for annual periods beginning on or after
Amendments to IFRS 3: *Definition of a Business*	1 January 2020
Amendments to IAS 1 and IAS 8: *Definition of Material*	1 January 2020
IFRS 17: *Insurance Contracts*	1 January 2021
Amendments to IAS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the new or amended standards and interpretations above will have no material impact on the financial statements in the period of initial application.

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
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (Continued)

(a) Basis of consolidation (Continued)

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 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 any 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 IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(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.

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 IFRS 9 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.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (Continued)

(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 a 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 statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

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 reporting 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 reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(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 reporting 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.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Construction in progress includes all cost of construction and other direct costs. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

Construction in progress are not depreciated. All other 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	5 to 20	10
Plant and machinery	2 to 10	10
Office equipment	2 to 5	10
Motor vehicles	4 to 5	10
Renovation	3	-

The residual value, estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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)".

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and are recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Acquired computer software licences

Computer software licences was acquired separately and is amortised on a straight line basis over its finite useful life of 2 years.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 written back 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 write back is recognised in the profit or loss.

Financial assets and liabilities (From 1 January 2018 onwards)

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables without financing component is initially measured at the transaction price in accordance with IFRS 15. Other financial assets or financial liabilities are initially recognised at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

(ii) Classification and subsequent measurement

Financial assets

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 January 2018 onwards) (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

Financial assets at amortised costs

Unless designated at FVPL, financial assets are measured at amortised costs if:
- It is held within a business model with an objective to hold the assets to collect contractual cash flows; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets, mainly trade and other receivables including amount due from related parties, pledged bank deposits, cash and cash equivalents, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

Unless designated at FVPL, a debt investment is measured at FVOCI if:

- It is held within a business model with objectives of both collecting contractual cash flows and selling financial assets; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognised in profit or loss. Other net gains and losses (including changes in fair value) are recognised in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition. The Group does not hold such financial assets as at 31 December 2018 and 1 January 2018.

Equity investments at FVOCI

Unless held-for-trading, the Group may irrevocably elect on initial recognition, on an investment-by-investment basis, to present subsequent changes of fair value of the equity investments in OCI.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses (including changes in fair value) are recognised in OCI which will never be reclassified to profit or loss.

Financial assets at FVPL

All financial assets not at amortised cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be measured at FVPL, if doing so eliminates or significantly reduce accounting mismatch that would otherwise arise.

Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis would be mandatorily measured at FVPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 January 2018 onwards) (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Financial assets at FVPL (Continued)

These assets are subsequently measured at fair value. Net gains or losses, including any interest income or dividend income are recognised in profit or loss.

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortised cost.

Financial liabilities

Financial liabilities are subsequently measured at amortised costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised in profit or loss. These financial liabilities mainly comprise trade and other payables including amount due to related parties, and loans and borrowings.

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

As at the reporting date, the Group does not have other categories of financial liabilities except for financial liabilities at amortised cost.

(iii) Derecognition

Financial assets

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 or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 January 2018 onwards) (Continued)

(iii) Derecognition (Continued)

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognise a financial liabilities when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets (From 1 January 2018 onwards)

The Group applies impairment model in IFRS 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

- Financial assets at amortised costs (including trade and other receivables and pledged bank deposits)
- Contract assets (determined in accordance with IFRS 15)
- Debt investments at FVOCI
- Intragroup financial guarantee contracts

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortised costs.

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

Simplified approach

The Group applies simplified approach to all trade receivables. Impairment loss allowance is measured at life time ECL, which represents ECLs that result from all possible default events over the expected life of a financial instrument ('life-time ECL'). In view that the Group only deals with small number of customers, the Group perform ECL assessment on an individual basis. The Group uses qualitative and quantitative information like profile of customers, historical credit loss experience, payment trends, trading history, taking into account industrial norm and whether there is any dispute with customer, and adjust for forward-looking information specific to the customers, in measuring the ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (From 1 January 2018 onwards) (Continued)

General approach

The Group applies general approach on all other financial instruments, mainly deposits, and recognise a 12-month ECL on initial recognition. 12-months ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter.

Impairment loss allowance or write back are recognised in profit or loss. Loss allowance on financial assets at amortised cost and contract assets are deducted from the gross carrying amount of those asset.

<u>Credit-impaired</u>
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties.

<u>Significant increase in credit risk (Stage 2)</u>
For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment loss allowance is measured at life-time ECL. When a financial asset is determined to have a low credit risk at reporting date, the Group assumes that there has been no significant increase in credit risk since initial recognition. For other cases, the Group uses reasonable and supportable forward-looking information available without undue cost or effort to determine, at each reporting date, whether there is significant increase in credit risk since initial recognition. In assessing whether there has been significant increase in credit risks, the Group takes into account factors such as:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations
- actual or expected significant adverse change in the regulatory, economic, or technological environment that are expected to cause a significant change in the debtor's ability to meet its debt obligations
- an actual or expected significant change in the operating results of the debtors

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

If credit risk has not increased significantly since initial recognition or if the credit quality improves such that there is no longer significant increase in credit risk since initial recognition, loss allowance is measured at 12-month ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (From 1 January 2018 onwards) (Continued)

Definition of default
The Group considers a financial asset to be in default when the counterparties are unlikely to pay its credit obligation in full, without recourse by the Group.

The Group considers a contract asset to be in default when the customer is unlikely to pay the contractual obligations to the Group in full without recourse by the Group.

Write-off policy
The Group write off the gross carrying amount of a financial assets to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

Financial assets (Before 1 January 2018)

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position 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 plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(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 31 December 2017, the Group has financial assets in the category of loans and receivables only.

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 reporting date which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents, pledged bank deposits as well as trade and other receivables, including amounts due from related companies, but exclude advances to suppliers, prepayments and VAT receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Before 1 January 2018) (Continued)

(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.

Impairment of financial assets (Before 1 January 2018)

The Group assesses at each reporting 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 written back to the extent that the carrying amount of the asset does not exceed its amortised cost at the write back date. The amount of write back is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Before 1 January 2018)

(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 31 December 2017, 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.

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.

Where necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 for the Group to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting 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 written back. 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 from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

When contracts contains multiple performance obligations such as freight and insurance, the Group allocates the transaction price to the performance obligations in proportion of the relative stand-alone selling price:

- Revenue from sale of goods is recognised upon transfer of control to the customers, usually being when the goods have been delivered to customers and the acceptance criteria is met (either the customer has accepted the goods in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.) The Group normally invoices the customers upon customers' acceptance of the goods with 90 days credit term.

- Revenue from subcontracting services is recognised over time based on output of finished products to date as a proportion of the total contracted output. The Group normally invoices the customers upon customers' acceptance of the processed subcontracting products with 90 days credit term.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits

(i) Retirement benefits

The subsidiary, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under the 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 reporting date.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

(i) Income tax

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

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

(i) Income tax (Continued)

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. 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.

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

The carrying amount of deferred tax assets is reviewed at each reporting 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 reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting 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 subjected to VAT at the applicable rate of 16% from 1 May 2018 onwards (before 1 May 2018: 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 statement of financial position. The Group's export sales are not subjected to VAT.

Government grants and deferred capital grant

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 statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A related party is defined as follows:

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

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

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

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements

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.

(i) Critical accounting estimates and assumptions

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) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 9 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. In estimating the future cash flows, management has taken into account past and recent performance, macroeconomic analysis and the Group's marketing plan. The recoverable amount is most sensitive to the discount rate used for the discounted cash flows model, profit margin, revenue level and growth rates.

The carrying amounts and further details of the key assumptions for the impairment assessment of property, plant and equipment and land use right are disclosed in Notes 9 and 11 to the financial statements.

(b) Impairment on investment in subsidiaries

When there is an indication that a subsidiary has suffered an impairment loss, for example the subsidiary is in capital deficit and has suffered operating losses; an assessment is made as to whether the investment in the subsidiary has suffered any impairment, in accordance with the stated accounting policy. An estimate is made of the future profitability of the subsidiary, and the financial health of and near-term business outlook for the subsidiary, including factors such as industry and sector performance, and operating cash flows.

The carrying amounts and further details of the key assumptions for the impairment assessment of investment in subsidiaries are disclosed in Note 10 to the financial statements.

(c) Impairment of financial assets

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions, and measures ECL on trade receivables on individual basis, using information such as profile of customers, historical credit loss experience, payment trends, trading history, and adjusting for forward-looking information specific to the customers. In assessing the probability of default, the Group also considers the industry norm, and whether there is any dispute with the customer. As the Group and Company does not hold any collateral to the financial assets, the expected loss rates will be the full amount of the financial assets if there are certain risk of default.

The carrying amounts and further details of the key assumptions for the ECL assessment are disclosed in Note 33 (iii) to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(d) Provision for government fine

As disclosed in Note 31 to the financial statements, Changzhou 3D was served a notice dated in 2017 by local government agency for non-compliance of property regulations which required it to provide building permits in accordance with relevant laws and notification in China. The management estimated and made prior year adjustment (Note 35 (ii)) to restate 2017's accounts and provide for provision of government fine of RMB 4,373,000 which is 10% of the replacement construction cost estimated by a certified construction cost engineer. In accordance with relevant laws and regulations advised by Changzhou 3D's legal counsel, 10% is the upper limit of the fine prescribed, ranging from 5% to 10% of construction cost. If the government agency imposes the lower limit of the fine at 5%, a write back of RMB 2,186,500 will be recognised as "Other Operating Income" in the profit or loss in the year of write back.

(e) 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 and assessed the net realisable value by taking into consideration the status of the sales contracts, the gross loss margins recorded during the year, the historical trend of replacement items sales. This process is subject to estimation uncertainty as it involves estimation of future events. Possible changes in these estimates could result in revisions to the valuation of inventory.

As disclosed in Note 12, the net carrying amount of inventories of the Group as at 31 December 2018 is RMB 1,983,000 (2017: RMB 1,629,000), and the Group recognised a net write back of allowance made, amounting to RMB 8,730,000, mainly arising from the actual sales of the items determined to be zero net realisable value as at 31 December 2017.

(f) 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 2 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 2018 was approximately RMB 73,629,000 (2017: RMB 87,179,000) (Note 9).

(ii) Critical judgements in applying the entity's accounting policies

The management is of the opinion that any instances of judgements, other than those arising from the estimates described above, are not expected to have significant effect on the amounts recognised in the financial statements.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

4. SHARE CAPITAL

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares at US$0.25 each		US$'000	US$'000
Authorised	200,000,000	200,000,000	50,000	50,000
Issued and fully paid				
At beginning and end of the year	27,468,473	27,468,473	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.

5. SHARE PREMIUM

	Note	Group and Company	
		2018	2017
		RMB'000	RMB'000
At beginning and end of the year		78,470	78,470

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.

6. STATUTORY RESERVE

	Percentage of contribution from profit after tax	Group	
		2018	2017
		RMB'000	RMB'000
Statutory reserve fund	10%	30,526	30,526

In accordance with the Foreign Enterprise Law of the PRC, the subsidiary, being a wholly foreign-owned enterprise 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 statutory 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 statutory 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.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

7. TRANSLATION DEFICIT

	Group	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	(3,414)	(3,207)
Currency translation differences arising from consolidation	42	(207)
At end of the year	(3,372)	(3,414)

8. ACCUMULATED LOSSES

	Note	Company	
		2018	2017
		RMB'000	RMB'000
At beginning of the year		(453)	-
(Loss)/profit for the year		(2,727)	2,981
Dividend paid	29	-	(3,434)
At end of the year		(3,180)	(453)

9. 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 1.1.2017	32,580	242,925	4,395	4,412	4,797	289,109
Additions	-	-	118	-	-	118
Written off	-	(3,379)	(1,287)	(327)	-	(4,993)
As at 31.12.2017	32,580	239,546	3,226	4,085	4,797	284,234
As at 1.1.2018	32,580	239,546	3,226	4,085	4,797	284,234
Additions	-	49	745	51	-	845
Disposals	-	(1,907)	(396)	(1,494)	-	(3,797)
As at 31.12.2018	32,580	237,688	3,575	2,642	4,797	281,282

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold buildings	Plant and machinery	Office equipment	Motor vehicles	Renovation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation						
As at 1.1.2017	16,885	136,899	3,462	3,470	2,061	162,777
Charge for the year	1,455	14,220	435	331	1,203	17,644
Written off	-	(2,985)	(1,218)	(293)	-	(4,496)
As at 31.12.2017	18,340	148,134	2,679	3,508	3,264	175,925
As at 1.1.2018	18,340	148,134	2,679	3,508	3,264	175,925
Charge for the year	1,454	13,409	311	176	1,022	16,372
Disposals	-	(1,717)	(384)	(1,345)	-	(3,446)
As at 31.12.2018	19,794	159,826	2,606	2,339	4,286	188,851
Accumulated impairment losses						
As at 1.1.2017	-	-	-	-	-	-
Impairment losses for the year	490	4,233	40	40	-	4,803
As at 31.12.2017	490	4,233	40	40	-	4,803
As at 1.1.2018 and 31.12.2018	490	4,233	40	40	-	4,803
Net carrying amount						
As at 31.12.2018	12,296	73,629	929	263	511	87,628
As at 31.12.2017	13,750	87,179	507	537	1,533	103,506

Machinery with net carrying amount of RMB 28,106,000 (2017: RMB 25,851,000) included in plant and machinery is pledged in connection with a bank facility including both bill payable facilities (Note 16) and bank term loan (Note 19).

Impairment testing of property, plant and equipment

During the year, the Group carried out a review of the recoverable amount of all property, plant and equipment because facts and circumstances described in Note 2 to the financial statements. No additional impairment loss is made in 2018 (2017: RMB 4,803,000), as the Group has estimated the recoverable amount of the property, plant and equipment to be higher than the net carrying amount.

The recoverable amount of the cash generating unit was based on its value in use and the following key assumptions:-

- forecast revenue of RMB 83,300,000 in 2019 (2017: forecast revenue of RMB 85,000,000 in 2018)
- estimated gross profit margin of 22% in 2019 (2017: gross profit margin of 22% in 2018)
- revenue growth rates of 6.5%, constant from 2020 onwards until the end of weighted average remaining useful life of 8 years (2017: 6.2%, constant from 2019 onwards)
- pre-tax discount rate of 7.27% (2017: 7.69%).

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

10. SUBSIDIARIES

	Company	
	2018	2017
	RMB'000	RMB'000
Unquoted equity shares, at cost	156,236	156,236

The details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest	
			2018	2017
			%	%
Held by the Company				
Best Success (Hong Kong) Limited [1] ("Best Success")	Investment holding	Hong Kong	100	100
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 purpose.

(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 registered in the PRC for statutory purpose and by Crowe Horwath First Trust LLP for consolidation purpose.

<u>Impairment testing of investment in subsidiaries</u>

During the year, management performed an impairment test for the investments in Best Success and Changzhou 3D because facts and circumstances described in Note 2 to the financial statements. No impairment loss is made in 2018 and 2017, as the Group has estimated the recoverable amount of the investment in subsidiaries to be higher than the net carrying amount.

The recoverable amount of the cash generating unit was based on its value in use calculation using cash flows projections from 2019 financial budget approved by management (2017: 5-year period) and the following key assumptions:-

- forecast revenue of RMB 83,300,000 in 2019 (2017: forecast revenue of RMB 85,000,000 in 2018)

- estimated gross profit margin of 22% in 2019 (2017: gross profit margin of 22% in 2018)

- revenue growth rates of 6.5%, constant from 2020 to 2027 (2017: 6.2%, constant from 2019 to 2026)

- pre-tax discount rate of 7.27% (2017: 7.69%)

- forecasted growth rate of 3.1% (2017: 3.3%) used to extrapolate cash flow projections from 2028 onwards (2017: 2027 onwards)

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

11. INTANGIBLE ASSETS

Group	Land Use Right	Software	Total
	RMB'000	RMB'000	RMB'000
Cost			
As at 1.1.2017, 31.12.2017 and 1.1.2018	12,547	-	12,547
Additions	-	1,277	1,277
As at 31.12.2018	12,547	1,277	13,824
Accumulated amortisation			
As at 1.1.2017	2,509	-	2,509
Charge for the year	251	-	251
As at 31.12.2017	2,760	-	2,760
As at 1.1.2018	2,760	-	2,760
Charge for the year	251	266	517
As at 31.12.2018	3,011	266	3,277
Accumulated impairment losses			
As at 1.1.2017	-	-	-
Impairment losses for the year	369	-	369
As at 31.12.2017	369	-	369
As at 1.1.2018	369	-	369
Write back of impairment losses	(369)	-	(369)
As at 31.12.2018	-	-	-
Net carrying amount			
As at 31.12.2018	9,536	1,011	10,547
As at 31.12.2017	9,418	-	9,418

	Group	
	2018	2017
	RMB'000	RMB'000
Presentation on statement of financial position, based on amount to be amortised:		
- Not later than one year, current portion	889	251
- Later than one year but not later than five years	1,377	1,004
- Later than five years	8,281	8,163
Non-current portion	9,658	9,167

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

11. INTANGIBLE ASSETS (Continued)

The Group has land use right over a plot of state-owned land in the PRC where the Group's manufacturing and storage facilities reside. The land use right is not transferable and has a remaining tenure of 38 years (2017: 39 years).

Impairment testing of land use right

During the year, the Group carried out a review of the recoverable amount of the land use right, because facts and circumstances described in Note 2 to the financial statements. No impairment loss is made in 2018 (2017: RMB 369,000), as the Group has estimated the recoverable amount of the land use right to be higher than the net carrying amount. Accordingly, in 2018 the Group has fully written back the impairment made in 2017 amounting to RMB 369,000.

The recoverable amount of the land use right was based on its fair value less costs to sell. Valuations are performed by an independent valuer with a recognised and relevant professional qualification and with experience in the location and category of the land use right being valued.

12. INVENTORIES

	Group	
	2018 RMB'000	2017 RMB'000
Statements of Financial Position:		
Raw materials	276	1,029
Work-in-progress	515	600
Finished goods	1,192	-
	1,983	1,629

	Group	
	2018 RMB'000	2017 RMB'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income:		
Inventories recognised as expense in cost of sales, reduced by net write back of allowance	2,357	11,645
Inclusive of following charges:		
- Net write back of allowance included as reduction of cost of sales	(8,730)	-
- Inventory written off included in cost of sales	2,204	1,974
- Allowance for inventory obsolescence included in other operating expenses	-	30,984
- Inventory written off included in other operating expenses	-	1,548

The net write back of allowance above mainly arose from the actual sales of the items determined to be zero net realisable value as at 31 December 2017.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

12. INVENTORIES (Continued)

The movement in allowance for inventory obsolescence is as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	34,325	3,341
Write back of allowance for inventory obsolescence	(8,730)	-
Write back of allowance due to inventory written off	(2,058)	-
Additional allowance provided	-	30,984
At end of the year	23,537	34,325

13. TRADE RECEIVABLES

	Note	Group	
		2018	2017
		RMB'000	RMB'000
			(Restated)
Trade receivables	A	92,103	122,510
Allowance for impairment of trade receivables	33 (iii)	(20,456)	(78,849)
		71,647	43,661
Bills receivable		11,388	10,746
Allowance for impairment of bill receivables	33 (iii)	(1,600)	-
		9,788	10,746
		81,435	54,407

<u>Note A</u>

Included in the Group's trade receivables are unbilled trade receivables arising from revenue recognised on sales of goods and subcontracting services but not invoiced to customers amounting to approximately RMB 7,496,000 and RMB 6,451,000 (2017: RMB 10,478,000 and RMB 567,000) respectively as at 31 December 2018. The directors are of the view that all unbilled receivable as at the reporting date are billable and collectible eventually.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2018	2017
	RMB'000	RMB'000
Advances to suppliers	288	667
Prepayments	69	69
Tender deposits	500	500
Advances to labour union	159	360
VAT receivables	1,279	1,451
Others	82	391
	2,377	3,438

15. CASH AND CASH EQUIVALENTS

	Note	Group	
		2018	2017
		RMB'000	RMB'000
Cash in hand		54	71
Bank balances		14,231	28,541
Cash and bank balances as stated in the statement of financial position		14,285	28,612
Less: Pledged deposits	A	(2,733)	(4,049)
Cash and cash equivalents as stated in the consolidated statement of cash flows		11,552	24,563

As at 31 December 2018, the Group has bank balances placed with banks in the PRC denominated in Chinese Renminbi ("RMB") amounting to RMB 11,941,000 (2017: RMB 15,595,000). The RMB is not freely convertible to 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 authorized to conduct foreign exchange business.

Note A

Bank balances of RMB 2,733,000 (2017: RMB 4,049,000) are pledged in connection with bills payable facilities (Note 16).

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

15. CASH AND CASH EQUIVALENTS (Continued)

The movement in pledged deposits:

	Group	
	2018	2017
	RMB'000	RMB'000
Balance at beginning of the year	4,049	4,741
Placement of pledged deposits	-	7,093
Withdrawal of pledged deposits	(1,316)	(7,785)
Balance at end of the year	2,733	4,049

16. TRADE PAYABLES

	Note	Group	
		2018	2017
		RMB'000	RMB'000
Trade payables		12,093	22,549
Bills payable	A	5,567	6,379
		17,660	28,928

Note A

Machinery with net carrying amount of RMB 28,106,000 (2017: RMB 25,851,000) (Note 9) included in the plant and machinery and bank balance of RMB 2,733,000 (2017: RMB 4,049,000) (Note 15) are pledged in connection with bills payable facilities granted by banks for the year ended 31 December 2018.

17. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Accrued operating expenses	1,673	1,191	1,051	1,190
Accrued outsourced charges	1,676	62	-	-
Accrued employee benefits	2,543	1,763	550	-
Security fee payable	-	587	-	-
Legal and professional fee payable	1,991	250	301	-
Electricity bill payable	187	140	-	-
Labour union expenditure payable	78	137	-	-
Other taxes payable	241	689	-	-
Others	625	912	-	-
	9,014	5,731	1,902	1,190

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

18. DEFERRED GOVERNMENT GRANTS

	Group	
	2018	2017
	RMB'000	RMB'000
Balance at the beginning of financial year	2,003	2,226
Transfer to profit or loss	(222)	(223)
Balance at the end of financial year	1,781	2,003

This relates to import subsidies received from government for purchase of plant and machinery.

19. BANK TERM LOANS

	Group	
	2018	2017
	RMB'000	RMB'000
Secured borrowings	16,000	-

These borrowings are secured by a pledge of the Group's machinery with net carrying amount of approximately RMB 28,106,000 (Note 9) as at 31 December 2018 (2017: Nil).

Interest on secured bank loans were charged at the rate of 6.6% (2017: Nil) per annum. RMB 6,000,000 and RMB 10,000,000 are repayable in June and July 2019 respectively.

Reconciliation of liabilities arising from financing activities

	As at 1 January 2018	Financing cash flows	As at 31 December 2018
	RMB'000	RMB'000	RMB'000
Bank term loans			
- current	-	16,000	16,000

20. DUE TO SUBSIDIARIES (NON-TRADE)

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

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

21. DEFERRED TAX LIABILITY

	Note	Group	
		2018 RMB'000	2017 RMB'000
At beginning of the year		1,410	2,765
Written back in the profit or loss	27	(1,410)	(1,355)
At end of the year		-	1,410
Presented after appropriate offsetting as follows:			
Deferred tax assets		(2,092)	(247)
Deferred tax liabilities		2,092	1,657
Deferred tax liabilities, net		-	1,410

The components and movement of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group	Unbilled revenue RMB'000
2018	
At beginning of year	1,657
Recognised in the profit or loss	435
At end of year	2,092
2017	
At beginning of year	1,686
Recognised in the profit or loss	(29)
At end of year	1,657

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

21. DEFERRED TAX LIABILITY (Continued)

Deferred tax assets of the Group	Accrued bonus	Accrued outsourcing charges and purchases	Allowance for impairment of trade receivables	Allowance for inventories obsolescence	Unutilised tax losses	Others	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
2018							
At beginning of year	-	-	-	-	(247)	-	(247)
Recognised in the profit or loss	-	-	-	-	(1,845)	-	(1,845)
At end of year	-	-	-	-	(2,092)	-	(2,092)
2017							
At beginning of year	(248)	(910)	(879)	(405)	-	(25)	(2,467)
Recognised in the profit or loss	248	910	879	405	(247)	25	2,220
At end of year	-	-	-	-	(247)	-	(247)

Others pertain to cost of sales related to unbilled revenue.

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

		Group	
	Timing of recognition	2018 RMB'000	2017 RMB'000 (Restated)
Sale of goods	Point in time	16,018	29,923
Subcontracting services	Over time	13,827	6,952
		29,845	36,875
<u>Geographical markets</u>			
China		29,845	33,629
Japan		-	3,246
		29,845	36,875

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

23. OTHER OPERATING INCOME

	Note	Group	
		2018	2017
		RMB'000	RMB'000
Gain on disposal of property, plant and equipment		291	-
Gain on sale of scrap materials		528	240
Government grants		-	369
Transfer from deferred capital grants	18	222	223
Interest income		54	67
Impairment loss on intangible assets written back		369	-
Others		2	105
		1,466	1,004

24. OTHER OPERATING EXPENSES

	Note	Group	
		2018	2017
		RMB'000	RMB'000
Impairment loss on property, plant and equipment		-	4,803
Impairment loss on intangible assets		-	369
Advances to supplier written off		301	-
Allowance for inventory obsolescence		-	30,984
Foreign exchange loss, net		264	899
Inventory written off		-	1,548
Government fine	31	-	4,373
Other expenses		621	1,267
		1,186	44,243

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25. PERSONNEL EXPENSES

	Group	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses *	20,953	24,589
Other personnel expenses	1,613	1,358
Short-term employees' benefits	22,566	25,947
Contributions to defined contribution plans	3,372	3,546
Termination benefits	4,067	5,301
	30,005	34,794

* This includes directors' remuneration as disclosed in Note 26 and 30.

26. LOSS BEFORE INCOME TAX

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

	Note	Group	
		2018	2017
		RMB'000	RMB'000
(Write back)/Allowance for inventory obsolescence		(8,643)	30,984
Inventory written off		2,204	3,522
Amortisation of intangible assets		517	251
Impairment loss on intangible assets written back		(369)	-
Impairment loss on intangible assets		-	369
Audit fees			
- auditors of the Company		918	1,183
- other auditors		114	188
Depreciation of property, plant and equipment		16,372	17,644
Impairment loss on property, plant and equipment		-	4,803
Gain on disposal of property, plant and equipment		(291)	-
Property, plant and equipment written off		-	497
Directors' fees			
- directors of holding company		1,800	1,802
- directors of subsidiaries		-	360
Directors' remuneration			
- directors of the Company		-	220
- directors of subsidiaries		-	383
Foreign exchange loss, net		264	899
Impairment loss on bill receivables		1,600	-
Impairment loss on trade receivables		-	69,604
Impairment loss on trade receivables written back		(55,647)	-
Personnel expenses	25*	30,005	34,794
Legal and professional fee		6,541	2,019

* Includes directors' remuneration as disclosed in this note.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

27. INCOME TAX CREDIT / (EXPENSES)

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

	Note	Group	
		2018	2017
		RMB'000	RMB'000
Current tax			
- Current year		-	-
- (Over) / under provision in prior year		(591)	324
- Withholding tax on dividend income		664	1,089
		73	1,413
Deferred tax	21		
- (Origination) / write back of temporary differences		(1,410)	907
- Over provision in prior year		-	(2,262)
		(1,410)	(1,355)
		(1,337)	58

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

	Group	
	2018	2017
	RMB'000	RMB'000
Loss before income tax	(9,915)	(160,420)
Tax at the PRC statutory tax rate of 25% (2017: 25%)	(2,479)	(40,105)
Tax effects of:		
- income not subject to tax	(17,387)	-
- expenses not deductible for tax purpose	1,349	27,198
- expenses incurred in tax-free jurisdictions	2,009	2,213
- deferred tax asset not recognised	15,098	11,601
	(1,410)	907
Over provision of deferred tax in prior year	-	(2,262)
(Over) / under provision of current year income tax in prior years	(591)	324
Withholding tax on dividend income	664	1,089
Income tax	(1,337)	58

At the reporting date, the Group has unrecognised tax losses of approximately RMB 106,796,000 (2017: RMB 46,403,000) that are available to carry forward. These losses, comprise of RMB 46,403,000 and RMB 60,393,000 (2017: RMB 46,403,000), relate to a subsidiary in PRC that have history of losses, will expire in 2027 and 2028 (2017: 2027) respectively, and may not be used to offset taxable income elsewhere in the Group. The subsidiary have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group had been able to recognise all unrecognised deferred tax assets, loss for the financial year would have decreased by approximately RMB 26,699,000 (2017: RMB 11,601,000).

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

27. INCOME TAX EXPENSE (Continued)

The Company:

The Company is operating in a tax-free jurisdiction. The dividend received which is eliminated has no tax consequences; and the corporate expenses incurred are included in the "expenses incurred in tax-free jurisdiction" line item in the tax reconciliation above.

Subsidiaries:

(i) Best Success, which is subject to Hong Kong tax rate of 16.5% (2017: 16.5%), does not have taxable profit since its incorporation on 23 April 2005. The dividend received from Changzhou 3D is subject to 10% withholding tax.

(ii) In accordance with the Income Tax Law of the PRC 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 it expires in December 2021. This benefit was disclosed under the tax incentive in the tax reconciliation during the year.

28. LOSS 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	
	2018	2017 (Restated)
Net loss attributable to equity holders of the Company (RMB'000)	(8,578)	(160,478)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	27,468,473	27,468,473
Basic and diluted loss per share (RMB cents per share)	(31.23)	(584.23)

Diluted loss per share is the same as the basic loss 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.

29. DIVIDENDS

	Group and Company	
	2018 RMB'000	2017 RMB'000
Final exempt (one-tier) paid in respect of previous financial year of Nil per ordinary share (2017: RMB 0.125 per ordinary share)	-	3,434

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

30. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 3) 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:

	Note	Group	
		2018	2017
		RMB'000	RMB'000
Key management personnel compensation			
Directors of the Group:			
- Salaries and bonus		-	1,101
- Contributions to defined contribution plans		-	13
- Over provision of director's incentives in prior years		-	(49)
- Directors' fee	26	1,800	1,802
		1,800	2,867
Other key management personnel			
- Salaries and bonus		1,738	1,048
- Contributions to defined contribution plans		15	8
		3,553	3,923
Total compensation comprises:			
Short-term employee benefits		3,538	3,902
Contributions to defined contributions plans		15	21
		3,553	3,923

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

31. PROVISION FOR GOVERNMENT FINE AND CONTINGENT LIABILITIES

Changzhou 3D was served a notice dated 2017 by local government agency for non-compliance of property regulations which required the subsidiary to provide compliance documents relating to its leasehold buildings in accordance with relevant laws and regulations in China ("the Notice"). The buildings were constructed in 2003 without obtaining relevant permits from government.

Notwithstanding the above, the management estimated that it provides for government fine of RMB 4,373,000 which is 10% of the replacement construction cost estimated by a certified construction cost engineer. In accordance with relevant laws and regulations as advised by Changzhou 3D's legal counsel, 10% is the upper limit of the fine prescribed, ranging from 5% to 10% of construction cost. Prior year adjustment was made (Note 35 (ii)) to restate 2017's accounts to correct the omission of the provision, as the Notice was not made aware to the management, due to the events during the period of interruption of operations in the previous financial year, described as Siege Period in Note 1 of the annual report 2017 ("Siege Period").

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

31. PROVISION FOR GOVERNMENT FINE AND CONTINGENT LIABILITIES (Continued)

In addition to the fine, in order to apply for building permit of the relevant properties, it would be necessary to incur costs to rectify non-compliances of relevant properties ("rectification costs"), if any. However, these rectification costs cannot be reliably measured by management as at date of this report, mainly because the nature of the non-compliance of the building is not easily determinable.

The management has obtained legal opinion from the subsidiary's legal counsel stating that the Notice indicates the local government has commenced administrative enforcement procedures for relevant properties. It is still at the stage of investigation and evidence collection, and has yet to reach the stage to file "letter of statement of averment", nor represents final administrative conclusive document. The legal counsel advised that Changzhou 3D shall actively apply for and complete the necessary legal procedures for the relevant properties and, if the government agency continues to conduct investigations, the subsidiary can explain to the government on the progress of the legal procedures of the relevant properties and strive for understanding. Since 2017 and up to the date of this report, the management confirms the government agency has not provided the Group with any further information relating to the investigation.

The movement in provision for government fine is as follows:

	Group	
	2018 RMB'000	2017 RMB'000
At beginning of the year	4,373	-
Additional allowance provided	-	4,373
At end of the year	4,373	4,373

32. SEGMENT INFORMATION

The Group operates in only one operating segment, i.e. the manufacture and sale of vane products and related subcontracting services. Subcontracting services are not separately reported to the CEO and the management, as it is considered as the same business with manufacturing activities due to shared technology and production processes. The products for which the Group provided subcontracting services are similar to the products that the Group manufactures. The subcontracting services mainly arose due to a major customer's arrangement to source for its own raw material in certain contracts.

The 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.

There is no revenue derived from overseas customers in 2018 (2017: RMB 3,246,000 from Japan). The major customers in the PRC contributing 10% or more to the Group's revenue is disclosed in Note 33 (iii). The Group's entire non-current assets are located in PRC.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are market risks (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

It is the Group's policy not to trade in derivative contracts.

(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 2018	Japanese Yen	Singapore dollars	Chinese Renminbi	United States dollars	Hong Kong dollars	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash and bank balances	25	1,149	11,941	1,008	162	14,285
Trade receivables	-	-	81,435	-	-	81,435
Other receivables	-	-	741	-	-	741
	25	1,149	94,117	1,008	162	96,461
Financial liabilities						
Trade payables	-	-	17,660	-	-	17,660
Other payables and accruals	-	1,352	7,397	-	24	8,773
Bank term loans	-	-	16,000	-	-	16,000
	-	1,352	41,057	-	24	42,433
Net financial assets / (liabilities)	25	(203)	53,060	1,008	138	54,028
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	(52,756)	-	(138)	(52,894)
Foreign currency exposure	25	(203)	304	1,008	-	1,134

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2017	Singapore dollars	Chinese Renminbi	United States dollars	Hong Kong dollars	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and bank balances	2,858	15,665	9,793	296	28,612
Trade receivables	-	54,368	39	-	54,407
Other receivables	-	1,251	-	-	1,251
	2,858	71,284	9,832	296	84,270
Financial liabilities					
Trade payables	-	28,928	-	-	28,928
Other payables and accruals	-	5,042	-	-	5,042
	-	33,970	-	-	33,970
Net financial assets	2,858	37,314	9,832	296	50,300
Less: Net financial assets denominated in the respective entities' functional currencies	-	(37,314)	-	(296)	(37,610)
Foreign currency exposure	2,858	-	9,832	-	12,690

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 2018	Singapore dollars	Chinese Renminbi	Total
	RMB'000	RMB'000	RMB'000
Financial assets			
Cash and bank balances	1,149	-	1,149
Financial liabilities			
Other payables and accruals	1,352	550	1,902
Due to subsidiaries (non-trade)	-	24,784	24,784
	1,352	25,334	26,686
Net financial liabilities	(203)	(25,334)	(25,537)
Less: Net financial liabilities denominated in the Company's functional currency	-	25,334	25,334
Foreign currency exposure	(203)	-	(203)

Company 2017	Singapore dollars	Chinese Renminbi	Total
	RMB'000	RMB'000	RMB'000
Financial assets			
Cash and bank balances	2,858	-	2,858
Financial liabilities			
Other payables and accruals	-	1,190	1,190
Due to subsidiaries (non-trade)	-	24,478	24,478
	-	25,668	25,668
Net financial assets / (liabilities)	2,858	(25,668)	(22,810)
Less: Net financial liabilities denominated in the Company's functional currency	-	25,668	25,668
Foreign currency exposure	2,858	-	2,858

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. 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 5% (2017: 5%) 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.

If the Chinese Renminbi strengthens by 5% (2017: 5%) against the relevant foreign currencies with all the other variables held constant, loss for the year will increase / (decrease) by:

	Chinese renminbi	Singapore dollars	United States dollars	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
2018				
Loss for the year	13	(9)	43	47
2017				
Loss for the year	-	121	418	539
Company				
2018				
Loss for the year	-	(9)	-	(9)
2017				
Loss for the year	-	121	-	121

A weakening Chinese Renminbi against the above foreign currencies at 31 December would have had the equal but opposite effect on the above foreign 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 including intragroup balances. The Group's net investment in Hong Kong is not hedged as currency position in Hong Kong Dollar is considered to be long-term in nature.

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

The Group obtains additional financing through bank borrowings.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 31 December 2018, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The Group's total comprehensive income / loss is not affected by changes in interest rates as the interest-bearing term loans carry fixed interest (Note 19) and are measured at amortised cost. As such, sensitivity analysis is not provided.

(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. The Group actively manages its operating cash flows so as to finance the Group's operations. As part of its overall prudent liquidity management, the Group minimises liquidity risk by ensuring availability of funding through an adequate amount of committed credit facilities from a PRC bank and maintains sufficient level of cash to meet its working capital requirements.

All the financial liabilities of the Group as at 31 December 2018 and 2017 are repayable on demand or due within 1 year from the reporting date. The carrying amount recorded represents the contractual cash flows of these financial liabilities.

(iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's major class of financial assets are cash and cash equivalents, pledged deposits and trade and other receivables. Cash and cash equivalents and pledged deposits are placed with state-owned financial institutions in the PRC and a Singapore-based reputable bank. Bills receivables (Note 13) are mainly redeemable from government controlled commercial banks in the PRC. Therefore, credit risk arises mainly from the inability of its customers to make payments when due.

For trade receivables, the Group mainly deals with long time customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. 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. The average credit period on sales of goods and subcontracting services is 90 days (2017: 90 days). No interest is imposed on overdue trade receivables.

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 statement of financial position. The amounts presented in the statement of financial position are net of allowances for impairment of trade receivables, estimated by management based on prior experience and the current economic environment.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
Carrying amount	2018	2017
	RMB'000	RMB'000
By geographical areas		
- People's Republic of China	71,647	43,622
- Japan	-	39
	71,647	43,661
By types of customers		
Non-related parties		
- Government linked companies	39,649	38,376
- Private companies	31,998	5,285
	71,647	43,661

The Group's major customers are located in the PRC and principally engaged in development and manufacture of power equipment. Revenue, carrying amount of trade receivables and net impairment loss on financial assets written back / (made) of major customers are disclosed as follows.

Group		Trade receivables			Write back / (additional)
	Revenue	Gross	ECL	Net	ECL
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2018					
Customer A	17,442	39,337	(3,500)	35,837	2,182
Customer B	6,976	43,765	(13,765)	30,000	40,950
Customer C	-	4,428	(717)	3,711	13,894
Others	5,427	4,573	(2,474)	2,099	1,367
At end of year	29,845	92,103	(20,456)	71,647	58,393

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Group		Trade receivables			Write back / (additional)
	Revenue	Gross	ECL	Net	ECL
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2017					
Customer A	13,056	41,979	(5,682)	36,297	(5,682)
Customer B	13,128	59,715	(54,715)	5,000	(50,166)
Customer C	5,406	16,690	(14,611)	2,079	(12,608)
Others	5,285	4,126	(3,841)	285	(1,148)
At end of year	36,875	122,510	(78,849)	43,661	(69,604)

Customer A

The Group collected RMB 5,682,000 from this customer during the year, and recognised write back of ECL of the same amount accordingly. Out of the carrying amount of RMB 35,837,000 as at 31 December 2018, an amount of RMB 14,460,000 has been collected subsequent to the reporting date.

The management computes ECL of the remaining net credit exposure using probability of default taking into account historical credit loss experience, payment trend and industry norm, resulting in an ECL of RMB 3,500,000 as at 31 December 2018.

Customer B

In 2018, a total collection of RMB 24,425,000 was recovered from this customer, against a net carrying amount of RMB 5,000,000 as at 31 December 2017. In November 2018, Changzhou 3D initiated legal proceeding against the customer to recover remaining sums amounting to approximately RMB 43,765,000, the outcome of which is still uncertain as at the date of this report. The management believes that RMB 30,000,000 can be recovered from this customer in 2019 and has accordingly written back the same amount in the current financial year.

Customer C

In 2018, a total collection of RMB 12,600,000 was recovered from this customer, against a net carrying amount of RMB 2,079,000 as at 31 December 2017. As a result, the Group has also written back the ECL for the remaining sum of RMB 3,373,000 due to the reduced probability of default. This has resulted in a write back of RMB 13,894,000 during the financial year.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses

The Group manages credit loss based on Expected Credit Losses (ECL) model. The Group and Company have the following financial assets subject to life time ECL under Simplified Approach:

Group	Trade receivables RMB'000 (Note 13)	Bill receivables RMB'000 (Note 13)	Total RMB'000
Gross amount of financial assets subject to ECL	92,103	11,388	103,491
Movement of life-time ECL:			
Balance at 31 December 2017 using IAS 39 / Balance at 1 January 2018, at initial adoption of IFRS 9	78,849	-	78,849
ECL recognised during the year – new assets originated	13,232	1,600 (Note (i))	14,832
ECL written back during the year			
– due to recovery in cash and bills receivable	(40,331)	-	(40,331)
– Customer B (other than those recovered in cash and bills receivables)	(30,000)	-	(30,000)
– Customer C (other than those recovered in cash and bills receivables)	(1,294)	-	(1,294)
	(58,393)	1,600	(56,793)
Balance at 31 December 2018	20,456	1,600	22,056
Carrying amounts of financial assets, representing net exposure as at reporting date	71,647	9,788	81,435

Note (i)

In 2018, ECL of RMB 1,600,000 is provided on bill receivables (2017: Nil) as the Group is unable to redeem this commercial bill receivable upon maturity in January 2019, due to an ongoing dispute with a customer. The management is of the view that the maximum exposure to this dispute is limited to this commercial bill receivable. The Group has successfully redeemed all remaining commercial bill receivables totaling RMB 2,200,000 matured subsequently at the date of this report.

The Group considers the above ECL to be Stage 3 ECL (credit impaired) considering that:

- Trade receivables which are unlikely to pay its credit obligation in full, without recourse by the Group
- Commercial bill receivables which are under dispute with customer
- Historical credit loss experience, payment trend and past due status.

The management assesses that there are no material ECL on other receivables (Note 14), bank balances and pledged deposits (Note 15).

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Credit risk concentration

As at 31 December 2018, other than as disclosed above and elsewhere, the Group's significant credit risk exposure to single counterparty or group of counterparties having similar characteristics, are mainly cash and cash equivalents amounting to RMB 11,650,220 (2017: RMB 28,520,340) (Note 15) including pledged deposits (Note 15) which are placed with government controlled commercial banks in the PRC.

The carrying amount of financial assets recorded in the consolidated financial statements and the statement of financial position of the Company, represents the Group's and the Company's maximum exposure to credit risk.

Credit risk information for Financial Year 2017 under FRS 39

The age analysis of trade receivables is as follows:

Group	*Note*	*2017* *RMB'000*
Not impaired		
Neither past due nor impaired		*9,165*
Past due but not impaired		
- Past due less than 3 months		*896*
- Past due over 3 months		*33,600*
		34,496
Impaired		
Impaired trade receivables		*78,849*
Less: Allowance for impairment loss		*(78,849)*
		-
Net trade receivables	*13*	*43,661*

Neither past due nor impaired

The amounts that are neither past due nor impaired mainly represents the balances only from the Group's major customers in PRC and Japan, with active or established trading records with the Group and steady collection pattern.

Past due but not impaired

Trade receivables that are past due but not impaired are substantially companies who are customers with long trading history with the Group and have steady collection record. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the amount are still considered fully recoverable.

For the Financial Year Ended 31 December 2018 Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Credit risk information for Financial Year 2017 under FRS 39 (Continued)

Impaired trade receivables

The Group has been severely affected by the Siege Period in 2017 which inevitably increases the credit risk and difficulty of collectability of the Group's trade receivables. The management assessed the impact of the Siege Period on the impairment of trade receivables, based on evaluating the business relationship with each customer and other objective evidences available to the management at point of assessment. The Group has recognised impairment losses on trade receivables which are individually determined as follows:

(a) Impairment loss on a major customer but with significant delay in payment:

Total impairment allowance recognised on such debtor as at 31 December 2017 is as follows:

Group	*2017*
	RMB'000
Representing balances which are:	
Not past due	*968*
Past due less than 1 year	*1,032*
Past due over 1 year	*3,682*
	5,682

(b) Impairment loss on receivables with default in payments and has minimal transactions and/or no collection during the year and up to the date of this report:

Total impairment allowance recognised on such overdue balances as at 31 December 2017 amounted to RMB 73,167,000 which is inclusive of an amount of RMB 50,166,000 during the financial year on one former major customer recognised in profit or loss.

The Group does not hold any collateral over the amounts outstanding as at reporting date, and the management is of the view that from the past historical experience, such balances are not recoverable.

The ageing analysis of the trade receivables individually determined to be impaired and the movement in the related allowance for impairment loss are as follows:

Group	*2017*
	RMB'000
Allowance for impairment loss are made on debts which are:	
Not past due	*13,399*
Past due less than 1 year	*33,219*
Past due over 1 year	*32,231*
	78,849

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Credit risk information for Financial Year 2017 under FRS 39 (Continued)

Impaired trade receivables (Continued)

The movement in allowance for impairment loss is as follows:

Group	*2017*
	RMB'000
Balance at beginning of the year	*9,245*
Allowance made during the year	*69,604*
Balance at end of the year	*78,849*

(iv) Financial instruments by category

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

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost	96,461	-	1,149	-
Loans and receivables (including cash and bank balances)	-	84,270	-	2,858
Financial liabilities				
Financial liabilities at amortised cost	42,433	33,970	26,686	25,668

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 accumulated losses as disclosed in Notes 4 to 8.

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 2017.

For the Financial Year Ended 31 December 2018   Amounts in thousands of Chinese Renminbi ("RMB'000")

33. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives (Continued)

As disclosed in Note 6, 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 2018 and 2017.

34. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair values in 2018 and 2017.

The carrying amounts of cash and cash equivalents, pledged deposits, trade and other receivables, and 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.

35. PRIOR YEAR ADJUSTMENTS

Prior year adjustments relate to:

(i) Omission of revenue and cost of sales of the financial year ended 31 December 2017; and
(ii) Under-provision of government fine of RMB 4,373,000 (Note 31).

In addition, there was the following re-classifications:
(iii) Written off of inventories from other operating expenses to cost of sales
(iv) Re-presentation of impairment loss on financial assets on the face of statement of profit or loss and other comprehensive income, out of 'other operating expenses', amounting to RMB 69,604,000

The impact on consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income are as follows:

	Group			
	2017	2017	2017	2017
	As previously reported	Adjustment	Reclassification	As restated
	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated statement of financial position				
(Accumulated losses) / Retained earnings	1,380	(4,408)	-	(3,028)
Trade receivables	52,761	1,646	-	54,407
Provision for government fine	-	4,373	-	4,373
Consolidated statement of profit or loss and other comprehensive income				
Revenue	35,229	1,646	-	36,875
Cost of sales	35,929	132	1,974	38,035
Other operating expenses	109,899	5,922	(71,578)	44,243
Impairment loss on trade receivables	-	-	69,604	69,604

36. ADOPTION OF NEW STANDARDS

On 1 January 2018, the Group adopted the new or amended IFRS and Interpretations of IFRS ("IFRIC") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC. The adoption of these new or amended IFRSs and IFRICs 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.

Adoption of IFRS 15

IFRS 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The changes in accounting policy are described below:

- Sale of goods

  Revenue is recognised when the control of the goods has transferred to the customers, which is the time when the goods have been delivered to customers and the acceptance criteria is met (either the customer has accepted the goods in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.). This broadly coincides with the transfer of risks and rewards to customers under IAS 18 *Revenue*.

  A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

- Subcontracting services

  Revenue is recognised over time based on output of finished products to date as a proportion of the total contracted output as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs the subcontracting services on the raw material items provided by the customers. This does not result in significant change comparing to IAS 18 *Revenue*.

36. ADOPTION OF NEW STANDARDS (Continued)

Adoption of IFRS 9

IFRS 9 Financial instruments

Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through profit or loss (FVPL)
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments

IFRS 9 eliminates the previous categories of financial assets, namely loans & receivables (L&R), held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets. As allowed by IFRS 9, the Group adopts the classification and measurement categories on 1 January 2018 based on facts and circumstances existed at the date for the determination of the business model, and does not restate comparative information for prior periods. No difference in carrying amounts of financial assets resulting from such classification as at 1 January 2018.

The Group and the Company does not own any equity or debt investment other than investments in a subsidiary. The financial assets of the Group and the Company mainly comprise cash and cash equivalents, pledged deposit, and trade and other receivables. These are previously classified as loans and receivables under IAS 39 and is now classified as financial assets at amortised costs under IFRS 9.

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVPL on 1 January 2018 upon the adoption of IFRS 9.

Impairment of financial assets

The "incurred loss" model in IAS 39 was replaced by the "Expected Credit Losses (ECL)" model in IFRS 9, which applies to financial assets measured at amortised costs, FVOCI (debt investment), contract assets and financial guarantee contracts. Impairment loss for trade receivables are provided using simplified approach at the life-time ECL.

For assets within the scope of IFRS 9 impairment model, impairment losses are generally expected to be provided at a higher amount and earlier than what was provided using IAS 39. However, the management assessed and concluded that there are no material additional impairment resulting from adoption of IFRS 9 to be adjusted to accumulated losses as at 1 January 2018. This is in view that the uncertainty surrounding the recoverability of customers as at 31 December 2017 has already resulted in a significant allowance then, as impacted by the events during the Siege Period.

SHAREHOLDINGS STATISTICS

As at 29 March 2019   Amounts in thousands of Chinese Renminbi ("RMB'000")

Class of equity securities	Number of equity securities	Voting rights
Ordinary	27,468,473	One vote per share

There is no treasury share and subsidiary holding in the issued share capital of the Company.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	18	2.69	919	0.00
100 - 1,000	267	39.85	173,416	0.63
1,001 - 10,000	348	51.94	1,225,699	4.46
10,001 - 1,000,000	30	4.48	2,802,962	10.20
1,000,001 AND ABOVE	7	1.04	23,265,477	84.71
TOTAL	**670**	**100.00**	**27,468,473**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

	NUMBER OF ORDINARY SHARES			
	DIRECT INTEREST	%	DEEMED INTEREST	%
LIU MING	8,240,000	29.98	0	0
ALLPORT LIMITED	7,464,340	27.18	0	0
ASUKA DBJ INVESTMENTS CO., LTD[1]	0	0.00	7,464,340	27.18
MERCURIA INVESTMENTS CO., LTD[2]	0	0.00	7,464,340	27.18
MAMORU TANIYA[3]	0	0.00	7,464,340	27.18
YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN[4]	3,300,000	12.01	0	0
YONEHARA SHINICHI	0	0.00	3,300,000	12.01
LIN CHUANJUN	2,199,150	8.01	0	0

Notes:

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

2 Mercuria Investments Co., Ltd., formerly known as AD Capital Co., Ltd is the general partner of Asuka DBJ Investment LPS.

3 Manoru Taniya is a 37.80% shareholders of Allport Limited. By virtue of Section 4 of the Securities and Future Act, Cap. 289, of Singapore, Mamoru Taniya is deemed to be interested in the shares of the Company held by Allport Limited.

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

SHAREHOLDINGS STATISTICS

As at 29 March 2019   Amounts in thousands of Chinese Renminbi ("RMB'000")

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	7,465,340	27.18
2	CITIBANK NOMINEES SINGAPORE PTE LTD	5,195,683	18.92
3	YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN	3,300,000	12.01
4	LIU MING	3,296,217	12.00
5	LIN CHUANJUN	1,611,650	5.87
6	ZHANG PING	1,309,250	4.77
7	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,087,337	3.96
8	PHILLIP SECURITIES PTE LTD	762,650	2.78
9	TAN ENG CHUA EDWIN	741,400	2.70
10	HSBC (SINGAPORE) NOMINEES PTE LTD	305,500	1.11
11	YONG WOON CHONG	162,200	0.59
12	DBS NOMINEES (PRIVATE) LIMITED	156,322	0.57
13	UOB KAY HIAN PRIVATE LIMITED	87,100	0.32
14	OCBC SECURITIES PRIVATE LIMITED	74,190	0.27
15	BOON KIA IN VINCENT (WEN JIAYIN)	65,000	0.24
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	59,000	0.21
17	KOH TECK YEOW	35,500	0.13
18	CHEW CHIN SING	30,800	0.11
19	LIM SIAN KOK	30,000	0.11
20	LYE SOO MENG	30,000	0.11
	TOTAL	**25,805,139**	**93.96**

PERCENTAGE OF SHAREHOLDING IN HANDS OF PUBLIC

Based on the information available to the Company as at 29 March 2019, approximately 23% 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 OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of SHANGHAI TURBO ENTERPRISES LTD (the "Company") will be held at 137 Cecil Street, Hengda Building, #04+01 Shibuya Room, Singapore 069537, on Tuesday, 30 April 2019 at 9.30 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 85(6) of the Company's Articles of Association:

   Mr Wee Liang Hiam **(Resolution 2)**
   Mr Leng Yew Chee Philip **(Resolution 3)**
   Mr Ong Sing Huat **(Resolution 4)**
   Mr Seet Chong Tong **(Resolution 5)**

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

   Mr Leng Yew Chee Philip will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent.

   Mr Ong Sing Huat will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent.

   Mr Seet Chong Tong will, upon re-election as Director of the Company, remain as Non-Executive Independent Director and will be considered independent.

3. To approve the payment of Directors' Fees of RMB1,625,000 for the financial year ending 31 December 2019 (FY2018: RMB1,800,000). **(Resolution 6)**

4. To re-appoint Messrs. Crowe Horwath First Trust LLP as the Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolution, with or without any modifications:

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 (excluding treasury shares and subsidiary holdings) 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 (excluding treasury shares and subsidiary holdings) 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 (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

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

(c) any subsequent consolidation or subdivision of shares;

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

NOTICE OF ANNUAL GENERAL MEETING

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 8)**

By Order of the Board

Wong Yoen Har
Company Secretary

Singapore, 15 April 2019

Explanatory Note:

(i) The Ordinary Resolution 8 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

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

2. If a Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act) wishes to attend and vote at the Meeting, then he/she/it 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.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company or a Depositor, as the case may be (i) consents to the collection, use and disclosure of the member or Depositor's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member or a Depositor discloses the personal data of the member or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents), the member or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member or Depositor's breach of warranty.

SHANGHAI TURBO ENTERPRISES LTD.
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