SHANGHAI TURBO ENTERPRISES LTD

上海动力发展有限公司

Overcoming
Challenges
Pursuing
Opportunities

克服挑战 寻求机遇

2017 Annual Report 年度报告

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr Jack Chia Seng Hee
(Non-Executive Independent Chairman and Lead Independent Director)[(1)]

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

Mr Raymond Lim Sian Heong
(Non-Executive Independent Director)

Mr Cheung Hok Fung Alexander
(Non-Executive Independent Director)[(2)]

AUDIT COMMITTEE

Mr Cheung Hok Fung Alexander (Chairman)[(2)]
Mr Jack Chia Seng Hee
Mr Raymond Lim Sian Heong

NOMINATING COMMITTEE

Mr Jack Chia Seng Hee (Chairman)
Mr Raymond Lim Sian Heong[(3)]
Mr Cheung Hok Fung Alexander[(2)]

REMUNERATION COMMITEE

Mr Jack Chia Seng Hee (Chairman)
Mr Raymond Lim Sian Heong
Mr Cheung Hok Fung Alexander[(2)]

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,
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 Goh Sia
Appointed with effect from financial year 2013

INVESTOR AND MEDIA CONTACT

NRA Capital Pte. Ltd.
Ms Anni Kum
Tel: 65 6236 6883
Email: anni.kum@nracapital.com

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(1) *Appointed as Non-Executive Independent Chairman on 1 August 2017*
(2) *Appointed as Non-Executive Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee on 1 May 2017*
(3) *Appointed as a member of the Nominating Committee on 1 May 2017*

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

GROUP **STRUCTURE**

Shanghai Turbo Enterprises Ltd[1]
上海动力发展有限公司

Mr Jack Chia
Non-Executive
Independent Chairman &
Lead Independent Director

Dr Daniel Liu
Non-Executive
Non-Independent Director

Mr Raymond Lim[5]
Non-Executive
Independent Director

Mr Alexander Cheung
Non-Executive
Independent Director

Best Success (Hong Kong) Limited[2]

Mr Jack Chia Director
Mr Alexander Cheung Director
Mr Zhang Rong Director

Changzhou 3D Technological Complete Set Equipment Co., Limited[3]

Mr Zhang Rong
Director,
General Manager &
Chief Executive Officer

Mr Isaac Peh[4]
Director &
Financial Controller

Mr Dai Xiaolong
Director

Mr Henry Lim
Lead Supervisor

Mr Jiang Ronglin
Deputy General Manager
(Sales)

(1) *Incorporated in Cayman Islands. Investment holding company. Audited by Crowe Horwath First Trust LLP.*
(2) *Incorporated in Hong Kong. Investment holding company. Reviewed by Crowe Horwath First Trust LLP for consolidation purpose.*
(3) *Incorporated in People's Republic of China. Operating subsidiary related to manufacture of vane products. Reviewed by Crowe Horwath First Trust LLP for consolidation purpose.*
(4) *Mr Isaac Peh is also the Financial Controller of Shanghai Turbo Enterprises Ltd.*
(5) *Mr Raymond Lim is also the Director of Changzhou 3D Technological Complete Set Equipment Co., Limited.*

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 2017 ("FY2017").

Trials and tribulation

FY2017 proved to be very challenging, as the Group was hit by a double whammy of an ongoing industry restructuring and a five-month long illegal occupation of the Group's operating subsidiary in Changzhou, China, by trespassers, which led to significant losses. I shall elaborate further.

Firstly, we are still grappling with the effects of the industry restructuring outlined during the last financial year. The government policy situation has compounded this; during the first half of FY2017, China's National Energy Administration ("NEA") revealed a five-year plan which emphasises the construction of more renewable energy sources such as wind, solar, and hydropower. In addition, NEA has decided to halt or delay the construction of coal-fired power stations across the country. This has severely impacted the market for coal-fired power generators, for which the Group supplies blades.

Secondly, the illegal occupation of our operating subsidiary, Changzhou 3D Technological Complete Set Equipment Co., Limited ("Changzhou 3D"), by trespassers, has dealt a serious blow to the Group, threatening its survival. For those who attended the Group's previous Annual General Meeting on 15th April 2017, you will recall that a majority of shareholders voted against the re-election of Mr Liu Ming ("Mr Liu"), who was formerly the Group's Chief Executive Officer ("CEO") and Executive Director ("ED"). This unexpected outcome resulted in Mr Liu ceasing to be our CEO and ED, thereby requiring arrangements to be made for a handover of responsibilities to the new management team. The Board offered Mr Liu a role as an Advisor to help facilitate a smooth transition to the new management. However, Mr Liu rejected the offer.

The Company announced on 6th June 2017 that there would be a temporary work stoppage at Changzhou 3D because of the handover of responsibilities. However, a series of unexpected events unfolded because of Mr Liu's unwillingness to relinquish his leadership position, leading to a blockade and illegal occupation of Changzhou 3D by trespassers as well as loyal supporters of Mr Liu. The blockade and illegal occupation halted normal business operations.

Attempts to remove the trespassers from the factory with the help of the local government and the industrial park management committee failed to result in a positive outcome. The Board also approached the Singapore Consulate-General in Shanghai for intervention but little could be done as the illegal occupation was perceived to be a commercial dispute which would be more appropriately handled by the local authorities. This situation turned into an impasse which was to last a little more than five months and was to cause severe disruptions to the revenue stream of the Group for the financial year. It was also discovered that Mr Liu had diverted business away from the Company during this period of illegal occupation with the help of his accomplice and the Company's supplier, Mr Chen Jianbo.

Law suit against Mr Liu

I am saddened as Mr Liu was still acting like the Company's CEO and ED, and his actions displayed an outright disregard for the other shareholders of the Company. I met him in person in July 2017 to persuade him to stop the illegal occupation of Changzhou 3D and to end all unlawful actions. However, my advice to Mr Liu fell on deaf ears.

To protect the Group's interests, the Company commenced a law suit in the Singapore High Court against Mr Liu, on grounds of breach of his service agreement, failing to effect a smooth handover, and getting his accomplice and supplier Mr Chen Jianbo to divert business away from the Company during the period of illegal occupation. Mr Liu had been evading service of court documents. On 15th September 2017, the Singapore High Court ordered an injunction of SGD 30 million, restricting Mr Liu from the disposal of his assets in Singapore.

LETTER TO **SHAREHOLDERS**

Regaining physical control of Changzhou 3D

Operating from temporary premises, the Board and the new management team stood in unity to forge a renewed sense of belonging and loyalty among employees who chose to stay with the Company. The plan of regaining possession of Changzhou 3D was executed during a forceful entry into the factory led by Mr Zhang Rong ("Mr Zhang"), Chief Executive Officer of Changzhou 3D and Mr Raymond Lim Sian Heong ("Mr Lim"), Independent Non-Executive Director of the Company and three of their assistants. Unfortunately, they were all assaulted with plastic batons during the entry, resulting in physical injuries ranging from bruises on faces and limbs, bleeding on the head, to bone fractures of the limbs. With the help of the riot police, local authorities then intervened to evict the trespassers from Changzhou 3D. Several of the trespassers were arrested by the police.

Wasting no time, the Group conducted an assessment to ascertain the extent of the damage caused by the impasse. The production machinery was found to be damaged and repairs were quickly carried out. A new crisis of confidence has evolved as we needed to regain the confidence of our key customers, who have since looked to alternative sources of suppliers to fulfil their needs.

Corporate attacks on the current Board

Unwilling to give up, Mr Liu purportedly sent a letter on 20th October 2017 to requisition an Extraordinary General Meeting ("EGM") to remove the present Board and to replace them with three ex-directors of the Company, Mr Huang Wooi Teik, Mr Kelvin Tan, Mr Liu, and Ms Pan Haiya, who was Mr Liu's assistant, citing "worrying performance of the Company" as reason for the Board's removal. The so-called "worrying performance" was caused by none other than Mr Liu himself. The Company, with the controlling shareholders, Mercuria Investments, our legal counsel, then met up with the Singapore Exchange on 25th October 2017 for guidance and updated the situation. Our legal counsel later confirmed the requisition letter to be invalid.

On 26th October 2017, Mr Lin Chuanjun ("Mr Lin") emerged as a new substantial shareholder of the Company. The unusual appearance of a new substantial shareholder caused our Company's share price to soar to an unprecedented level of $2.24 on 3rd November 2017. The Company then received a second requisition letter on 4th January 2018 from Mr Lin and yet another new substantial shareholder, Ms Zhang Ping ("Ms Zhang"), again calling for an EGM to remove the present board and to appoint Mr Lin himself and two other persons to the Board. Both Mr Lin and Ms Zhang provided no reason for requisitioning an EGM to remove the Board. Ms Zhang has since ceased to become a substantial shareholder of the Company, but still has 4.99% shares in the Company which include shares held under nominees as at 5th February 2018.

On 17th January 2018, the Company secured an injunction from the Singapore High Court against Mr Lin and Ms Zhang Ping, restricting them from convening this EGM to remove the Board until the next court hearing scheduled for a date, to be determined later. Represented by Withers Khattar Wong, Mr Lin and Ms Zhang have yet to provide the shareholders their rationale for removing the present board, while Mr Lin, who proposed himself to be a director, did not outline his plans for the Company.

Moving on towards restoration

I am thankful that we have overcome the various crises together as a family and we are ready to move on to focus on restoring our business. Since regaining physical control of Changzhou 3D, the management have started to re-establish contacts with our key customers and had been working on getting new contracts for the Company.

Appreciation

We have indeed weathered a tough year and will continue to protect the Company's interests in court with our law suit against Mr Liu for the damage to the Company. At the same time, the Company will work very hard to restore customers' confidence and put the business back on track. Nevertheless, all these will take time.

On behalf of my fellow Board members, I would like to express our deepest gratitude to our shareholders, management and staff, and all our corporate advisors. We are grateful that you have continued to keep faith with us. I would also like to thank my fellow directors for their commitment, wisdom and counsel. Special thanks to Mr Zhang, CEO of Changzhou 3D, his three assistants and, Mr Lim, our fellow independent director, who braved the assault during the forceful entry into Changzhou 3D and sustained bodily hurt on 20th September 2017. Despite these extenuating circumstances, we will endeavour to do our best for your investment in our Group.

Jack Chia Seng Hee

Non-Executive Independent Chairman &
Lead Independent Director

CEO'S STATEMENT

DEAR SHAREHOLDERS,

This time of the year, I set out what we needed to deliver for Changzhou 3D Technological Complete Set Equipment Co., Ltd ("Changzhou 3D"), the operating subsidiary of Shanghai Turbo, to achieve a turnaround in profits. 2017 proved to be a stern test for Changzhou 3D as the Board and management fought a difficult corporate battle with the previous management to protect the interests of shareholders. In the meantime, the deteriorating business environment of the steam turbine industry is challenging the downstream power generator components manufacturers like Shanghai Turbo to stay nimble and compete to fill our order books. Since taking back physical possession of the factory on 20th September 2017, Changzhou 3D has made good progress in rebuilding the confidence of our customers. As of January 2018, our status as a qualified manufacturer with one of our key customers has been restored and we secured new orders to keep us busy until the second quarter of FY2018.

Moving forward, we propose five immediate remedies, three new initiatives, a three-year and longer-term plans as follow:

Five immediate remedies

Firstly, we will strengthen our position in the domestic market by introducing temporary price reductions during contract tenders to achieve our sales target this year. With higher capacity utilization, we aim to restore our pricing power soon. Secondly, we will continue to maintain our strong relationship with our key customers. There are currently some indications of new orders for gas turbine blades and the prospects with our key customers are bright. Thirdly, we will strive to achieve system certification from leading upstream manufacturers, such as General Electric. Fourthly, we will open up new market channels in Shaanxi Province such as blower blades used in the aviation industry and lastly, we will expand quickly into the international markets.

3 New initiatives - diversification, downstream & upstream business expansions

We will actively diversify our product lines to include products such as the cylinder head, which is used in the sample of new energy vehicles, and the impending imperial turbine impeller. We will endeavour to accept all orders as long as our equipment can process. Our sales feedback had been encouraging so far.

We are now conducting due diligence of a potential downstream acquisition of a company in Sichuan Province. At the same time, we are looking to expand our business upstream to be in a better bargaining position. In recent years, the change in the procurement method of turbine engine manufacturers has put the Original Equipment Manufacturers, like us, in a disadvantage, as our profit margins are being squeezed due to fierce competition. By the upward expansion of our business, we could reduce both material wastage and processing time drastically. This, in turn, will increase our profit margin significantly in the long run.

Three-year plan

Within the next three years, we will maintain our core business of vane production while expanding our business both upstream and downstream through acquisitions, mergers and independent investments. At the same time, we will also strive towards transformation and diversification by becoming a qualified supplier of aviation blades and military products. Our target is to transition from a 100% single vane processing structure, to 50% or less.

Longer-term plan

In the longer term, we intend to dispose some of our non-performing assets to become an asset-light enterprise in order to achieve a fixed assets-to-sales revenue ratio of 1:5. We will consider relocating our factory to areas where tax incentives and exemption are available as our entitlements had expired and also to capitalize on the value appreciation of our land which we had invested in over the last 10 years.

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 74% from RMB 137.0 million in FY2016 to RMB 35.2 million in FY2017, mainly due to the disruption caused to our business as a result of the factory premises being illegally occupied from 15th April 2017 to 20th September 2017 ("siege period") by supporters of the previous management headed by ex- CEO Mr Liu Ming ("Mr Liu"), as well as the decision by China's National Energy Administration to halt or delay the construction of coal fired power stations across the country, which was announced in the 1st half of the year.

Cost of sales decreased by 66% from RMB 106.3 million in FY2016 to RMB 35.9 million in FY2017, mainly due to a reduction in revenue for the financial year. However, cost of sales exceeded revenue for FY2017, resulting in a gross loss for the financial year. Cost of sales exceeded revenue due to a combination of falling margins and higher production costs per unit being incurred due to production costs being absorbed into fewer units of production.

Selling and distribution expenses increased from RMB 2.9 million in FY2016 to RMB 5.0 million in FY2017 due to higher expenses incurred in customer visits, both local and overseas since the management regained control of the plant on 20th September 2017 as part of the efforts to normalize relationships with customers, as well as to explore new opportunities.

Administrative expenses for FY2017 doubled from RMB 20.7 million in FY2016 to RMB 41.3 million in FY2017 as a result of legal and professional advice during the siege period, the costs of setting up a temporary office and fees for hiring security guards. During the siege period, regular non-operating expenses continued to be incurred. There was also a reclassification of all production overhead costs of RMB 11.9 million as administrative expenses as no production work was performed during the siege period.

Other operating expenses for FY2017 increased by more than 20-fold from RMB 4.7 million in FY2016 to RMB 109.9 million in FY2017. This is primarily due to the impairment of RMB 69.6 million made to trade receivables, RMB 31.0 million to inventories and RMB 4.8 million to fixed assets based on prospects of new orders from customers and collectability of overdue accounts.

The Group ended FY2017 with a net loss of RMB 156.1 million, compared to RMB 2.3 million net profit in FY2016.

Statement of Financial Position

As at 31 December 2017, the Group's non-current assets stood at RMB 112.7 million, a decrease from RMB 136.1 million, mainly due to the depreciation of Property, plant and equipment (PPE) and impairment to fixed assets.

Over the same period, current assets decreased from RMB 253.0 million to RMB 86.7 million, mainly due to impairments made to inventories and trade receivables, caused by the disruption to our business operations during the siege period.

The Group's total liabilities decreased from RMB 67.0 million as at 31 December 2016 to RMB 37.0 million as at 31 December 2017, as trade payables decreased to RMB 27.2 million from RMB 52.4 million in FY2016 mainly due payments to suppliers, as well as a reduction in bank loan after the repayment of RMB 7.0 million.

Statement of Cash Flows

Net cash generated from operating activities reversed from RMB 14.1 million in FY2016 to net cash used of RMB 12.9 million in FY2017 mainly due to a loss before taxation of RMB 156.0 million in FY2017, compared to a profit before taxation of RMB 5.0 million in FY2016.

Net cash generated from investing activities for FY2017 was RMB 2.1 million, compared to net cash used of RMB 32.3 million in FY2016.

Net cash generated from financing activities reversed from RMB 3.9 million in FY2016 to net cash used of RMB 9.8 million in FY2017 mainly due to the repayment of RMB 7.0 million in bank loan.

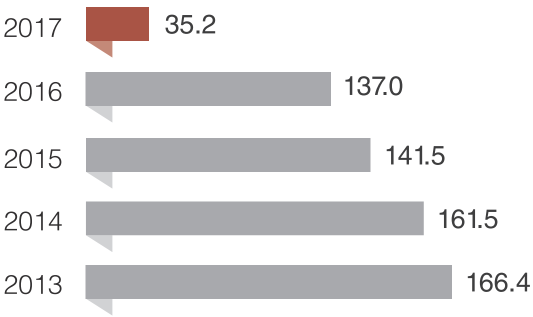
In view of the above, there was a net decrease in cash and cash equivalents of about RMB 20.6 million in FY2017, compared to a net decrease of RMB 14.2 million in FY2016.

FINANCIAL **HIGHLIGHTS**

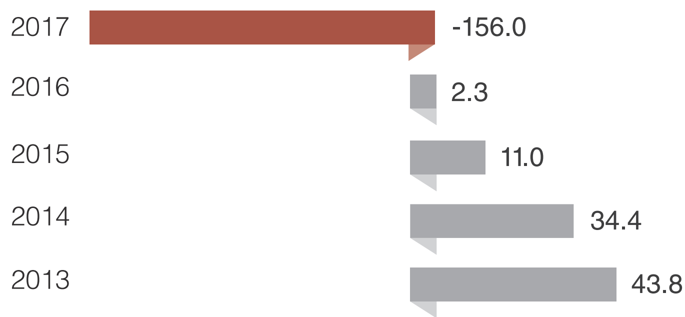
	2013	2014	2015	2016	**2017**
Income Statement (in RMB'000)					
Revenue	166,400	161,495	141,475	136,977	**35,229**
Gross profit/loss	68,039	63,708	39,935	30,644	**-700**
Profit/loss before tax	45,709	43,056	18,097	4,987	**-156,012**
Net profit/loss after tax	43,821	34,434	11,024	2,293	**-156,070**
Balance Sheet (in RMB'000)					
Property, plant and equipment	114,079	115,192	101,846	126,332	**103,506**
Inventories	22,384	40,508	30,218	33,582	**1,629**
Trade receivables	121,569	166,580	168,314	164,045	**52,761**
Cash and bank balances	85,817	53,775	67,557	50,402	**28,612**
Trade payables	41,748	60,923	46,254	52,409	**27,247**
Other payables and accruals	16,436	5,291	11,169	4,765	**5,731**
Bank loan	-	-	-	7,000	**-**
Shareholders' equity	294,616	322,375	326,491	322,082	**162,371**
Total assets	355,959	390,666	388,431	389,112	**199,364**
Total liabilities	61,343	68,291	61,940	67,030	**36,993**
Cash Flow (in RMB'000)					
Operating activities	23,481	-4,979	31,189	14,105	**-12,877**
Investing activities	-6,470	-20,215	-11,125	-32,254	**2,108**
Financing activities	-5	-13,664	-2,404	3,948	**-9,840**
Net movement	17,006	-38,858	17,660	-14,201	**-20,609**
Financial Ratios					
Earnings per share (RMB)	0.16	0.13	0.40	0.08	**-5.68**
Net asset value per share (RMB)	1.07	1.17	11.89	11.73	**5.91**
Dividend yield (%)	7.07	9.09	5.39	5.69	**1.35**
Dividend payment quantum (RMB'000)	-	13,734	6,867	3,434	**-**

FINANCIAL **HIGHLIGHTS**

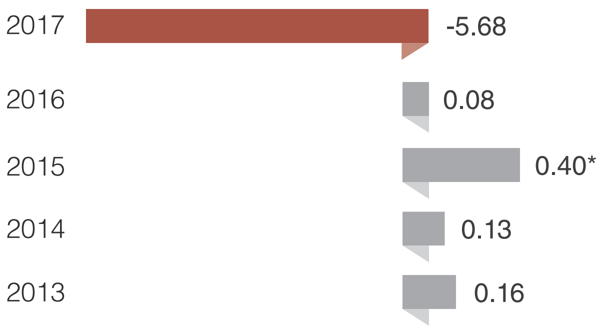
Revenue (RMB million)



Net Profit After Tax (RMB million)

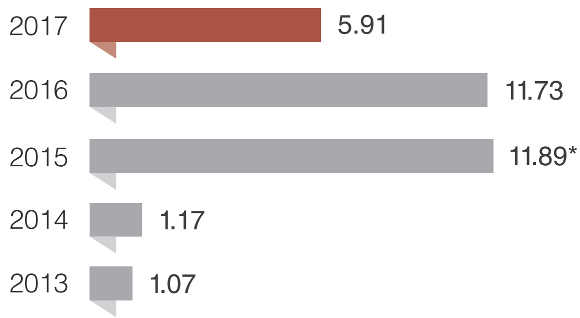


Earnings Per Share* (RMB)



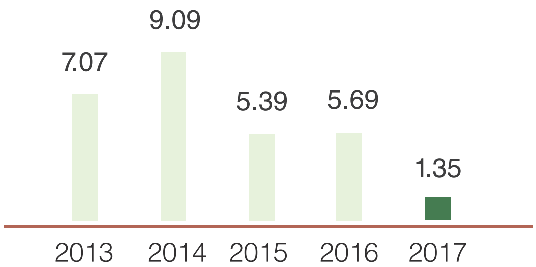
* *A 10 to 1 share consolidation was completed on 15 May 2015.*

Net Asset Value Per Share* (RMB)



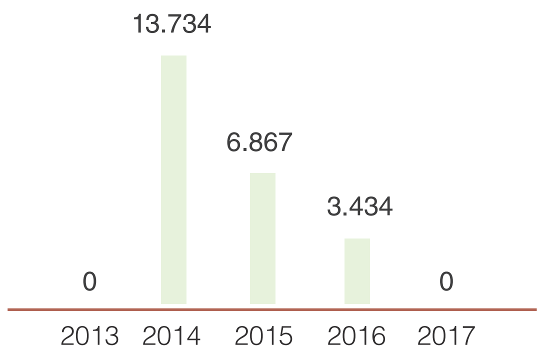
* *A 10 to 1 share consolidation was completed on 15 May 2015.*

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.*

BOARD OF **DIRECTORS**

MR JACK CHIA SENG HEE, AGE 57

Non-Executive Independent Chairman and Lead Independent Director

Bachelor's Degree in Accountancy from the National University of Singapore

Master of Arts Degree in International Relations from the International University of Japan

Fellow of Institute of Singapore Chartered Accountants

General Manager Program at Harvard Business School

Date of appointment as Director: 1 February 2008
Date of appointment as Lead Independent Director: 1 May 2016
Date of appointment as Non-Executive Independent Chairman: 1 August 2017
Date of last re-election as Independent Director: 30 April 2016
Length of service: 9 years 11 months (as at 31 December 2017)

Served on the following Board Committees

- Audit Committee – Member
- Nominating Committee – Chairman
- Remuneration Committee – Chairman

Present directorships in other listed companies
Listed companies

- Combine Will International Holdings Limited
- Dukang Distillers Holdings Limited
- Debao Property Development Limited
- mm2 Asia Limited
- AGV Group Limited

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

- NIL

Directorships in other listed companies held over the preceding three years (2015-2017)

- Sunray Holdings Limited (Chairman, Nominating Committee)
- China Hongcheng International Holdings Limited
  (Chairman, Remuneration Committee and Nominating Committee)

Background and experience

Mr Chia has spent more than 20 years in both the private and public sectors, substantially in Japan and China, with Arthur Andersen, Singapore Technologies, the Government of Singapore Investment Corporation (GIC) and the International Enterprise Singapore Board, respectively in consulting, marketing, asset management and government advocacy. Currently, Mr Chia is a professional director, specialising in corporate governance matters, and is residing mainly in Singapore and Chongqing, China.

BOARD OF **DIRECTORS**

DR DANIEL LIU DANJUN, AGE 49

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: 1 year 8 months (as at 31 December 2017)

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 (2015-2017)

- 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 RAYMOND LIM SIAN HEONG, AGE 68

Non-Executive Independent Director

Date of appointment as Non-Executive Independent Director: 16 November 2016
Date of last re-election as Non-Executive Independent Director: 15 April 2017
Length of service: 1 year 1 month (as at 31 December 2017)

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

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- Director, Changzhou 3D Technological Complete Set Equipment Co., Ltd
- Managing Director, Weihai Yunchen Foods Co., Ltd
- Consultant, Yantai Tong Xiang Foods Manufacturer Co. Ltd
- Consultant, Xiamen Chongma Import & Export Co. Ltd

Directorships in other listed companies held over the preceding three years (2015-2017)
- NIL

Background and experience
Mr Raymond Lim started his career with the Agri-Food & Veterinary Authority of Singapore (AVA) as a Fishery Officer in 1970, and was later seconded to the Ministry of Defence to set up Singapore Food Industries Pte Ltd, which caters rations to the Singapore Armed Forces. In 1981, he set up his own companies Kai-Ocean Pte Ltd, Kaiyen Company Pte Ltd, and Sea King Pte Ltd, specialising in the import and export and processing of seafood, supplying to major supermarkets, hotels, airlines, hospitals, prison in Singapore.

From 1988 to 1997 he was the Deputy President of Singapore Fish Merchant General Association, and from 1992 to 1994, the Honourable General Secretary of Asian Fishery and Forestry Association of Singapore. He was elected President of the Seafood Industries Association of Singapore (SIAS) in 1994 and held this position until 1997.

Mr Raymond Lim set up Kunshan Ta Chuan Co., Ltd in Kunshan City, Jiangsu in processing seafood and value added food products. He left Kunshan Ta Chuan in 2012.

Since 2012, Mr Raymond Lim was the consultant of Xiamen Chongma Import & Export Co. Ltd. In 2012, Mr Raymond Lim is also the consultant of Weihai Yunchen Foods Co., Ltd and Tong Xiang Foods Manufacturer Co. Ltd in Yantai, which manufactures a wide range of food products for both China and overseas markets.

BOARD OF **DIRECTORS**

MR CHEUNG HOK FUNG ALEXANDER, AGE 52

Non-Executive Independent Director

Certified Public Accountant (Hong Kong)

Chartered Accountant (Australia and New Zealand)

Professional Diploma in Company Secretaryship and Administration, Hong Kong Polytechnic

Master Degree of Laws, University of New England

Bachelor Degree of Laws, University of New England

Date of appointment as Non-Executive Independent Director: 1 May 2017
Length of service: 8 months (as at 31 December 2017)

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

Present directorships in other listed companies
- Independent Non-Executive Director, Combine Will International Holdings Limited

Present principal commitments
(other than directorships in other listed companies)
- Barrister (High Court of Hong Kong), Accredited General Mediator (HKIAC)

Directorships in other listed companies held over the preceding three years (2015-2017)
- Titan Petrochemicals Group Limited

Background and experience
Mr Cheung is currently practising law as a barrister in Hong Kong. He has over 20 years of experience in corporate governance, accounting and auditing, tax planning and compliance as well as dispute resolution. He received his accountancy training in the tax departments of Ernst & Young, Hong Kong and Coopers & Lybrand, Singapore from 1989 to 1992. He then joined M. C. Packaging (Hong Kong) Limited working in its corporate development and Hong Kong listing rules compliance function. He started his public accounting and financial advisory practice in 1994. He switched to law in 2006.

KEY **MANAGEMENT**

MR ZHANG RONG, AGE 42

President and General Manager,
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: 9 months (as at 31 December 2017)

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 (2015-2017)

- 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**

MR ISAAC PEH LIN SIAH, AGE 43

Financial Controller, Shanghai Turbo Enterprises Ltd
Director, Changzhou 3D Technological Complete Set Equipment Co., Ltd

Bachelor of Arts (Major in Economics and Statistics) from the National University of Singapore

ACCA

CPA (Australia)

CPA (US)

Date of appointment: 9 December 2013
Length of service: 4 years (as at 31 December 2017)

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 (2015-2017)
- NIL

Background and experience
Mr Peh has 16 years' broad based experience in various capacities in accounting/audit, primarily for companies involved in manufacturing activities such as semiconductor assembly and testing, printed circuit board assembly, light consumer products and other various capacities in accounting/ audit.

KEY MANAGEMENT

MR DAI XIAOLONG, AGE 42

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: 9 months (as at 31 December 2017)

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 (2015-2017)
- 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 HENRY LIM HENG LIN, AGE 68

Lead Supervisor,
Changzhou 3D Technological Complete Set Equipment Co., Ltd

Bachelor's Degree in Government & Public Administration from the Nanyang University of Singapore

Master of Business Administration Degree in Corporate Finance from the University of Dubuque of USA

Date of appointment: 1 January 2015
Length of service: 3 years (as at 31 December 2017)

Present directorships in other listed companies
- NIL

Present principal commitments
(other than directorships in other listed companies)
- Senior Consultant of Sijori Resort Group

Directorships in other listed companies held over the preceding three years (2015-2017)
- NIL

Background and experience
Mr Lim is currently a Senior Consultant with Sijori Resort Group in promoting wellness and healing packages to its members. Prior to this, he was a senior consultant with Jacob Business Armour Private Limited in providing business continuity management training for SMEs and assisting public listed companies in areas of corporate governance, compliance and management issues.

From 1994 to 2010, Mr Lim was a founder and CEO of companies engaging in property development including residential, hotels & resorts, golf course and industrial park in Shanghai and cities in Jiangsu Province. He was also active in fund raising, including IPOs and M&A investments.

Prior to that, he had founded and managed a garments factory for 18 years, led a consulting firm helping SMEs in corporate restructuring and was involved in trading of hedge funds in the region.

KEY **MANAGEMENT**

MR JIANG RONGLIN, AGE 48

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

Date of appointment: October 2013
Length of service: 4 years 2 months (as at 31 December 2017)

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 (2015-2017)
- 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.

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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**").

The Board is pleased to confirm that for the financial year ended 31 December 2017 ("**FY2017**"), the Company has generally adhered to the principles and guidelines as set out in the Code.

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Effective Board to lead and control the Company

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

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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 as at 31 December 2017 are as follows:-

	Board	**Audit Committee ("AC")**	**Nominating Committee ("NC")**	**Remuneration Committee ("RC")**
Number of meetings	5	4	1	1
Name of directors				
Executive Director:				
(1)Mr Liu Ming	1	–	1	–
Non-Executive Independent Directors:				
(2)Mr Jack Chia Seng Hee (Non-Executive Independent Chairman and Lead Independent Director)	5	4	1	1
(1)Mr Tan Wee Peng Kelvin	1	1	1	1
(3)Mr Raymond Lim Sian Heong	5	4	–	1
(4)Mr Cheung Hok Fung Alexander	4	3	–	–
Non-Executive Non-Independent Director:				
(5)Dr Daniel Liu Danjun	5	4	1	1

(1) Mr Liu Ming and Mr Tan Wee Peng Kelvin retired as Directors on 15 April 2017

(2) Mr Jack Chia Seng Hee was appointed as Non-Executive Independent Chairman on 1 August 2017

(3) Mr Raymond Lim Sian Heong was appointed as member of the Nominating Committee on 1 May 2017

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

(4) Mr Cheung Hok Fung Alexander was appointed as Non-Executive Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee on 1 May 2017

(5) Dr Daniel Liu Danjun resigned as member of the Audit Committee, Nominating Committee and Remuneration Committee on 1 May 2017

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 four directors, all of whom are non-executive, of which three are independent and one is non-independent.

Executive Director & CEO
Mr Liu Ming
(Retired on 15 April 2017)

Non-Executive Independent Chairman
& Lead Independent Director
Mr Jack Chia Seng Hee
(Appointed as Chairman on 1 August 2017)

Non-Executive Non-Independent Director
Dr Daniel Liu Danjun

Non-Executive Independent Directors
Mr Tan Wee Peng Kelvin
(Retired on 15 April 2017)
Mr Raymond Lim Sian Heong
Mr Cheung Hok Fung Alexander
(Appointed on 1 May 2017)

As three out of four members of the Board are Independent Directors with the Lead Independent Director who is also the Non-Executive Chairman, 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 09 to 12.

The CEO Mr Zhang Rong of the operating subsidiary Changzhou 3D Technological Complete Set Equipment Co, Ltd ("**Changzhou 3D**") was appointed on 8 May 2017. In addition, the Company's Financial Controller, Mr Isaac Peh was also appointed as Director on Changzhou 3D board on 16 October 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.

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 ("CEO")

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.

Mr Jack Chia Seng Hee, being the Non-Executive Independent Chairman and Lead Independent Director ("**LID**"), 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.

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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 Jack Chia Seng Hee	(Chairman)
Mr Raymond Lim Sian Heong	(Member)
Mr Cheung Hok Fung Alexander	(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 Jack Chia Seng Hee, Mr Raymond Lim Sian Heong and Mr Cheung Hok Fung Alexander 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.

Although Mr Jack Chia Seng Hee served on the Board for more than nine years from the date of his first appointment, the NC rigorously reviewed his past contributions to the Company and considered that he is independent in character and judgement and there was no circumstance which would likely affect or appear to affect his judgement. His length of service and in-depth knowledge of the Company's business are viewed by the Board as valuables during board deliberations.

The opinion was arrived at after careful assessment by the NC and the Board (save for Mr Jack Chia Seng Hee). The rigorous review comprised review of, but not limited to, the following factors: (a) the length of service of Mr Jack Chia Seng Hee has not compromised the objectivities of Independent Director and his commitment and ability to discharge his duty as Independent Director; (b) his ability to continue exercising independent judgement in the best interests of the Company, as he does not have any relationship with the Company, its related corporations, substantial shareholders or its officers which could materially impair his exercise of judgement; (c) his ability to express his objectives and independent views during Board and Board Committee meetings; and (d) through his years of involvements with the Company, has gained valuable insights and understandings of the Company's business and together with his diverse experience and expertise, has contributed and will continue to contribute effectively as an Independent Director by providing impartial and autonomous views at all times.

The Board also recognises the contributions of Mr Jack Chia Seng Hee who over time have developed deep insights into the Company's business and operations, and who is therefore able to provide invaluable contributions to the Board as a whole. As such, the Board would exercise its discretion to extend the term and retain the service of Mr Jack Chia Seng Hee rather than lose the benefit of his contributions.

The Board had concurred with the NC's assessment.

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 nomination of Mr Cheung Hok Fung Alexander , who is retiring pursuant to Article 85(6), to be put forward for re-election at the forthcoming AGM. Mr Cheung Hok Fung Alexander 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 Cheung Hok Fung Alexander has abstained from deliberation and voting in respect of his own re-election at the respective NC and Board meetings.

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

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.

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 individual directors for FY2017 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 FY2017, 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..

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 Jack Chia Seng Hee	(Chairman)
Mr Raymond Lim Sian Heong	(Member)
Mr Cheung Hok Fung Alexander	(Member)

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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 FY2017.

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 FY2017, 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.

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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 RMB1,800,000 for FY2018 for the Non-Executive Directors,.

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 the financial year ended FY2017 is as follows:

	Salary	Bonus	Other Remuneration	Directors Fees	Total
Remuneration Bands & Salary	**%**	**%**	**%**	**%**	**%**
Executive Director					
S$250,000 and 500,000					
Mr Liu Ming*	100	–	–	–	100
Non-Executive Directors					
Below S$250,000					
Mr Jack Chia Seng Hee	–	–	–	100	100
Dr Daniel Liu Danjun	–	–	–	100	100
Mr Tan Wee Peng Kelvin*	–	–	–	100	100
Mr Raymond Lim Sian Heong	–	–	–	100	100
Mr Cheung Hok Fung Alexander**	–	–	–	100	100

* Retired on 15 April 2017
** Appointed on 1 May 2017

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.

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

Remuneration for the top three Key Management Personnel[1] (who are not a director or CEO) for FY2017 is as follows:

	Salary	Bonus	Other Remuneration	Total
	%	%	%	%
Below S$250,000				
Mr Zhang Rong	80.44	19.56	100	100
Mr Isaac Peh Lin Siah	92.81	7.19	–	100
Mr Jiang Ronglin	100	–	–	100

The Group currently has only three Key Management Personnel.

The aggregate of the total remuneration paid to the top three Key Management Personnel[1] (who are not directors or the CEO) is RMB1,823,392.03.

There were no termination, retirement and post-employment benefits granted to Directors, the CEO or the top Key Management Personnel in FY2017.

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 FY2017.

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.

During FY2017, the severe disruption to our business operation as a result of Changzhou 3D being illegally occupied from 15th April 2017 to 20th September 2017 by supporters of the previous management highlighted a major operational risk. The event was unprecedented; the risk and probability of such an event happening was deemed low in the Company's entire operating history. After a majority of shareholders voted against the re-election of Mr Liu Ming ("**Mr Liu**"), the former CEO and ED of the Company, the Board took a preventive measure against possible disruption to business operations, and that was to appoint Mr Liu as an Advisor to facilitate a smooth transition to the new management. However, the offer was rejected. Mr Liu's illegal control over Changzhou 3D resulted in a blockade and illegal occupation of the factory premises.

After the loss of access to the factory premises, the Board, together with the management, promptly set up a temporary office and hired security guards to maintain business continuity, and sought the help of the local government, industrial park management, and even the Singapore Consulate-General in Shanghai to resolve the issue.

As a mitigating measure, the Board and management sought legal advice to end the illegal occupation and personally made attempts to negotiate with the trespassers before ultimately regaining the control of the factory premises by force.

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. The Lead Supervisor Mr Henry Lim carried out a review of the effectiveness of the Group's material internal controls, based on an internal audit conducted internally. All material non-compliance and internal control weaknesses noted during their audit are reported to the AC.

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

The Board has received written assurance from the Chief Executive Officer of Changzhou 3D ("**CEO**") and the 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 2017 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.

COMPLIANCE WITH RULE 1207(10) OF THE SGX-ST LISTING MANUAL

Based on the Group's framework of internal control policies and procedures established and maintained by the Group, work done by the Supervisory committee and reviews performed by the external auditors in FY2017 and the Management Assurance Letter signed by the CEO and the FC, the Board, with the concurrence of the AC, is of the view that the internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate as at 31 December 2017.

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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 Cheung Hok Fung Alexander	(Chairman)
Mr Jack Chia Seng Hee	(Member)
Mr Raymond Lim Sian Heong	(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 FY2017. The audit service fees for the financial year ended 31 December 2017 amounted to RMB 1,183,000.

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 speak directly to: (1) the Supervisory Committee members Ms Ji Chun Fang or Ms Wang Jin, who are full time in the plant, and who will in turn report to Mr Henry Lim, Lead Supervisor; or (2) Mr Isaac Peh, Director at Changzhou 3D. Alternatively, they can write to changzhou3d@163.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 FY2017.

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: Setting up an independent internal audit function

Due to the unfortunate event in 2017, the internal audit was performed by internal resources. The Internal Audit report work covering various cycles or aspects of the accounting functions and internal control systems and procedures had been received and corrective actions taken in the course of the year.

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

SUPERVISORY COMMITTEE

The AC, through the approval of the board, has appointed Mr Henry Lim on 1 January 2015, as Lead Supervisor of Changzhou 3D.

The Supervisory Committee is a requirement of Chinese companies to provide periodic checks on internal controls and processes, as well as serving as an extension of the internal and external audit.

Mr Lim made 4 visits to the operating subsidiary in 2017 to carry out the work specified by the AC. He is supported by two full time staff. The reports of the Supervisory Committee are extended to the External Auditors.

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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 however consistently declared dividends in each calendar year since 2009. 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, the Company has sustained massive losses and hence is not in a position to pay any dividends for FY2017.

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.

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

CORPORATE GOVERNANCE **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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.

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 2017   Amounts in Chinese Renminbi ("RMB")

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 2017 and the statement of financial position of the Company as at 31 December 2017.

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 42 to 91 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 2017 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, on the assumption that the Group is able to collect sufficient payments from customers and factoring of existing and future bill receivables with a PRC bank, 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:

Mr Jack Chia Seng Hee
Dr Daniel Liu Danjun
Mr Raymond Lim Sian Heong
Mr Cheung Hok Fung Alexander

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.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

Audit committee

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

Mr Cheung Hok Fung Alexander (Chairman)	Non-Executive Independent Director
Mr Jack Chia Seng Hee	Non-Executive Independent Chairman and Lead Independent Director
Mr Raymond Lim Sian Heong	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 2017 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.

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

JACK CHIA SENG HEE	**CHEUNG HOK FUNG ALEXANDER**
Director	Director

23 February 2018

INDEPENDENT AUDITOR'S **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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Chartered Accountants of Singapore
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TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shanghai Turbo Enterprises Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 91, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, 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.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the majority of shareholders of the Company voted against the re-election of the former Executive Director of the Group during the annual general meeting held on 15 April 2017. The new management team appointed by the Board of Directors was unable to take over physical possession and operations of the factory during the period from 15 April to 20 September 2017 ("the Affected Period").

We refer to Note 31 to the financial statements which discloses that the Group has not fulfilled certain sales orders as a result of the suspension of operations during the Affected Period. The Group is in the process of negotiating with affected customers and the liability arising from unfulfilled sales orders, if any, cannot be presently determined.

In view of the above, there exists a material uncertainty whether the ongoing negotiations, the outcome of which is unknown, may have an impact to the Group. Accordingly, the extent of adjustments, if any, that may arise from unfulfilled sales orders, may have an effect on the financial statements of the Group for the financial year ended 31 December 2017. As of the date of this report, we were informed that these affected customers have not made any claims against the Group.

Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which indicates that for the financial year ended 31 December 2017, the Group experienced a significant decrease in revenue and incurred a net loss of RMB 156,070,000 as a result of the loss of revenue and additional expenses during the Affected Period and the impact thereafter. Consequently, the Group recorded operating cash outflows of RMB 12,877,000 during the year ended 31 December 2017. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below as the key audit matters to be communicated in our report.

The key audit matter	***How the matter was addressed in our audit***
Credit risk concentration and recoverability of receivables Two major customers of the Group contributed 73% of the total revenue of the Group. As at 31 December 2017, the amount due from these two customers represented 98% of trade receivable of the Group (excluding bills receivable). A substantial impairment loss of RMB 50,166,000 has been recognised on one of the major customers, which represents 72% of the total impairment loss on receivables recognised in profit or loss for the year. The amount owing from the other major customer has been impaired for RMB 5,682,000, which represents 8% of the total impairment loss for the financial year. As disclosed in Note 1 to the financial statements, the Group has been severely affected by the period between 15 April and 20 September 2017 ("the Affected Period") which inevitably increases the credit risk and difficulty in recovering the Group's trade receivables. The management assessed the impact of the Affected Period on the impairment of trade receivables, based on evaluating the continuity of business relationship with each customer and other objective evidences available to the management at the point of assessment including historical collection pattern and subsequent receipts.	**Risk Response** Our audit of impairment losses on trade receivables focused on challenging management's assessment of these material overdue debts and reviewing the computation of the impairment. Our key procedures applied includes: 1. Testing the ageing report of the trade receivables for its accuracy and reliability. 2. Discussing with management to obtain understanding of the payment ability, trading pattern and whether there has been disputes with these two customers. 3. Examining evidence of receipts from these customers subsequent to year end date. 4. Evaluating management assumptions used to determine impairment loss amount with reference to turnover days, historical collection pattern, amount of receipts from customers and the existence of any new sales orders secured from these customers subsequent to the Affected Period.

INDEPENDENT AUDITOR'S **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

Crowe Horwath®

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TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD

Key Audit Matters (Continued)

The key audit matter	*How the matter was addressed in our audit*
***Credit risk concentration and recoverability of receivables** (Continued)* The key judgement applied by management is disclosed in Note 3 to the financial statements and the relevant disclosures on the credit risk are disclosed in Note 33(iii) to the financial statements.	**Risk Response** (Continued) 5. Challenging the management's assumption on discount rate. Based on the above audit procedures performed, we found the impairment losses provided on trade receivables to be reasonable. We have also considered the Group's disclosures about the estimation uncertainty and the credit risks to be sufficient.
Inventories write down: During the financial year, the Group recognised a provision on inventory obsolescence in profit or loss amounting to RMB 30,984,000, reducing the carrying amount of inventories as at 31 December 2017 to RMB 1,629,000 which mainly comprised of raw material. Suspension of operation during the Affected Period between 15 April and 20 September 2017, as disclosed in Note 1 to the financial statements, has significant impact on the net realisable values of inventory as all products of the Group are made-to-order. The management assessed the impact of disruption to sales and production during the Affected Period on the net realisable values of inventory and full allowance has been made on finished goods, in view of unfulfilled sales orders and the significant uncertainty over future orders. The key judgement applied by management is disclosed in Note 3 to the financial statements and the breakdown of inventories are disclosed in Note 12 to the financial statements.	**Risk Response** Our audit of inventories valuation focused on challenging management's assessment of the inventories obsolescence. Our key procedures applied includes: 1. Testing the inventories ageing report for its accuracy and reliability. 2. Discussing with management to obtain understanding of the management's assessment of the impact of the Affected Period, including the status of negotiations with customers and any alternative use of the finished goods. 3. Independently evaluating management assumptions used to determine the net realisable value, taking into consideration the amount of unfulfilled sales orders, the quantity and type of inventories of the sales order secured subsequent to the Affected Period to date. Based on the above audit procedures performed, we found the inventory obsolescence provided in accordance with management's policy to be supportable on the basis of objective evidences available to the management at point of assessment. We have also considered the Group's disclosures about the estimation uncertainty to be sufficient.

INDEPENDENT AUDITOR'S **REPORT**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

Crowe Horwath

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TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD

Key Audit Matters (Continued)

The key audit matter	***How the matter was addressed in our audit***
Impairment of non-current assets: As at 31 December 2017, the Group's property, plant and equipment and land use right amounted to RMB 103,506,000 and RMB 9,167,000 respectively after impairment losses of RMB 4,803,000 and RMB 369,000 recognised in profit or loss during the year respectively. As disclosed in Note 1 to the financial statements, sales and production were disrupted during and subsequent to the Affected Period. Consequently, management has performed an impairment assessment as there is indication that the non-current assets may be impaired. The recoverable amount of the cash generating unit ("CGU") is compared with the carrying amount of the CGU to determine whether there is any impairment loss. We focused on this area because of the significant judgements required in estimating the expected future cash flows as the Group's business operation is still recovering from the effects of the disruption during Affected Period. The key judgement applied by management is disclosed in Note 3 to the financial statements and further details on the impairment losses on property, plant and equipment and land use right are disclosed in Note 9 and 11 to the financial statements respectively.	**Risk Response** Our audit of the recoverable amounts of property, plant and machinery and land use right of the Group focused on the management's assessment of the recoverable amounts. Our key procedures applied include, amongst others: 1. Challenge the reasonableness of the estimated revenue level for next financial year, the subsequent revenue growth rates and the discount rate used by management in the discounted cash flows of the subsidiary against the past and recent performance, macroeconomic analysis and the Group's marketing plan; 2. Perform sensitivity analysis to assess the impact on the recoverable amount of the CGU resulting from reasonably possible changes to the revenue level and growth rates and discount rate; and 3. Evaluate the basis and accuracy of impairment allocation among different categories of property, plant and equipment and land use right. Based on the above audit procedures performed, we found that the key estimates adopted by the management are reasonable.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S **REPORT**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

Crowe Horwath

Crowe Horwath First Trust LLP
Chartered Accountants of Singapore
Member Crowe Horwath International

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TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S **REPORT**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

Crowe Horwath

Crowe Horwath First Trust LLP
Chartered Accountants of Singapore
Member Crowe Horwath International

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TO THE MEMBERS OF SHANGHAI TURBO ENTERPRISES LTD

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Goh Sia.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

23 February 2018

STATEMENTS OF **FINANCIAL POSITION**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

	Note	Group		Company	
		2017	2016	**2017**	2016
		RMB'000	RMB'000	**RMB'000**	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	**(3,414)**	(3,207)	**–**	–
		27,112	27,319	**–**	–
Retained earnings / (Accumulated losses)	8	**1,380**	160,884	**(453)**	–
TOTAL EQUITY		**162,371**	322,082	**133,426**	133,879
ASSETS					
Non-current assets					
Property, plant and equipment	9	**103,506**	126,332	**–**	–
Subsidiaries	10	**–**	–	**156,236**	156,236
Land use right	11	**9,167**	9,787	**–**	–
Current assets					
Inventories	12	**1,629**	33,582	**–**	–
Trade receivables	13	**52,761**	164,045	**–**	–
Other receivables, deposits and prepayments	14	**3,438**	4,713	**–**	96
Land use right	11	**251**	251	**–**	–
Cash and cash equivalents	29	**28,612**	50,402	**2,858**	2,294
		86,691	252,993	**2,858**	2,390
TOTAL ASSETS		**199,364**	389,112	**159,094**	158,626

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

STATEMENTS OF **FINANCIAL POSITION**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

	Note	Group		Company	
		2017	2016	**2017**	2016
		RMB'000	RMB'000	**RMB'000**	RMB'000
LIABILITIES					
Current liabilities					
Trade payables	15	**27,247**	52,409	**–**	–
Other payables and accruals	16	**5,731**	4,765	**1,190**	543
Bank term loan	18	**–**	7,000	**–**	–
Due to subsidiaries (non-trade)	19	**–**	–	**24,478**	24,204
Income tax payable		**602**	91	**–**	–
		33,580	64,265	**25,668**	24,747
Non-current liability					
Deferred capital grants	17	**2,003**	–	**–**	–
Deferred tax liability	20	**1,410**	2,765	**–**	–
		3,413	2,765	**–**	–
TOTAL LIABILITIES		**36,993**	67,030	**25,668**	24,747
NET ASSETS		**162,371**	322,082	**133,426**	133,879

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 2017 Amounts in Chinese Renminbi ("RMB")

	Note	**2017**	2016
		RMB'000	RMB'000
Revenue	21	**35,229**	136,977
Cost of sales		**(35,929)**	(106,333)
Gross (loss) / profit		**(700)**	30,644
Other operating income	22	**1,004**	2,783
Selling and distribution expenses		**(5,011)**	(2,866)
Administrative expenses		**(41,308)**	(20,684)
Other operating expenses	23	**(109,899)**	(4,664)
Finance costs		**(98)**	(226)
(Loss) / Profit before income tax	25	**(156,012)**	4,987
Income tax expense	26	**(58)**	(2,694)
(Loss) / Profit for the year		**(156,070)**	2,293
Other comprehensive (loss) / income			
Item that may be reclassified subsequently to profit or loss:			
- Currency translation differences arising from consolidation	7	**(207)**	165
Total comprehensive (loss) / income for the year, representing profit attributable to equity holders of the Company		**(156,277)**	2,458
(Loss) / Earnings per share (cents)			
Basic and diluted	27	**(568.18)**	8.35

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

	Attributable to equity holders of the Company					
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Translation deficit RMB'000	Retained earnings RMB'000	Total equity RMB'000
	(Note 4)	(Note 5)	(Note 6)	(Note 7)		
Balance at 1 January 2016	55,409	81,527	29,696	(3,372)	163,231	326,491
Profit for the year	–	–	–	–	2,293	2,293
Other comprehensive income, net of tax						
Currency translation differences arising from consolidation	–	–	–	165	–	165
Total comprehensive income for the year	–	–	–	165	2,293	2,458
Transfer to statutory reserve	–	–	830	–	(830)	–
Dividends (Note 28)	–	(3,057)	–	–	(3,810)	(6,867)
Total contributions by and distributions to owners	–	(3,057)	830	–	(4,640)	(6,867)
Balance at 31 December 2016	55,409	78,470	30,526	(3,207)	160,884	322,082
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	55,409	78,470	30,526	(3,414)	1,380	162,371

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

	Note	**2017**	2016
		RMB'000	RMB'000
Cash flows from operating activities			
(Loss) / Profit before income tax		**(156,012)**	4,987
Adjustments:			
Impairment loss on trade receivables		**69,604**	4,608
Impairment loss on trade receivables written back		**–**	(94)
Inventory written down included in cost of sales		**–**	2,700
Allowance for inventory obsolescence		**30,984**	–
Inventory written off		**1,974**	–
Amortisation of land use right		**251**	251
Impairment loss on land use right		**369**	–
Exchange differences		**282**	(922)
Depreciation of property, plant and equipment		**17,644**	16,922
Loss on disposal of property, plant and equipment		**–**	26
Impairment loss on property, plant and equipment		**4,803**	–
Property, plant and equipment written off		**497**	–
Interest income		**(67)**	(107)
Interest expenses		**98**	226
Transfer from deferred capital grant	17	**(223)**	–
Operating (loss) / profit before working capital changes		**(29,796)**	28,597
Inventories		**(1,005)**	(6,064)
Trade and other receivables		**42,955**	(3,931)
Trade and other payables		**(24,196)**	(249)
Cash (used in) / generated from operations		**(12,042)**	18,353
Interest income received		**67**	107
Income taxes paid		**(902)**	(4,355)
Net cash (used in) / generated from operating activities		**(12,877)**	14,105
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**–**	89
Purchase of property, plant and equipment		**(118)**	(32,343)
Receipt of capital grant from government for purchase of plant and equipment		**2,226**	–
Net cash from / (used in) investing activities		**2,108**	(32,254)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

	Note	**2017**	2016
		RMB'000	RMB'000
Cash flows from financing activities			
Dividends paid	28	**(3,434)**	(6,867)
Placement of pledged deposits	29	**(7,093)**	(9,894)
Withdrawal of pledged deposits	29	**7,785**	13,935
(Repayment of) / proceeds from bank term loan		**(7,000)**	7,000
Interest expenses paid		**(98)**	(226)
Net cash (used in) / generated from financing activities		**(9,840)**	3,948
Net decrease in cash and cash equivalents		**(20,609)**	(14,201)
Cash and cash equivalents at beginning of year		**45,661**	58,775
Effects of exchange rate changes in cash and cash equivalents		**(489)**	1,087
Cash and cash equivalents at end of year	29	**24,563**	45,661

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 23 February 2018.

On 15 April 2017, majority of shareholders of the Company has voted against re-election of former director of the Group, Mr. Liu Ming. New management appointed by the Group Board ("New Management") was unable to take over management and operation of the factory during the period between 15 April and 20 September 2017 ("the Siege Period"). Consequently, sales, productions and other operations are severely affected during and after the Siege Period. With intervention from local government and police force, New Management has entered and resumed physical control of the factory on 20 September 2017.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Group experienced a significant decrease in revenue and incurred a net loss of RMB 156,070,000 (2016: net profit of RMB 2,293,000) as a result of the loss of revenue and additional expenses during the Siege Period and the impact thereafter. Consequently, the Group recorded negative operating cash flows of RMB 12,877,000 (2016: positive operating cash flows of RMB 14,105,000) during the year ended 31 December 2017. In addition, certain customers, both domestic and overseas, have not placed new sales orders subsequent to the Siege Period, including one major customer of the Group.

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. 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:

(a) The Group is able to collect outstanding balances via cash or bill receivable from its customers; and

(b) The Group is able to obtain factoring facility from a PRC bank to factor the bill receivable to be collected from its customers.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its 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 statements of financial position. In addition, the Group may have to reclassify non-current assets as current assets, and to provide for further liabilities which may arise. No such adjustments have been made to the financial statements.

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.

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 2017, 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.

Amendments to IAS 7: *Disclosure Initiative*

The amendments introduce additional disclosure requirement intended to enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 18. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 18, the application of these amendments has had no impact on the Group's consolidated financial statements.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Annual improvements to IFRS Standards 2014-2016	1 January 2018
- Amendments to IFRS 1 *First-time Adoption of Financial Reporting Standards*	
- Amendments to IAS 28 *Investments in Associates and Joint Ventures*	
Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	1 January 2018
Amendments to IAS 40: *Transfers of Investment Property*	1 January 2018
IFRS 9 *Financial Instruments*	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRIC 22: *Foreign Currency Transactions and Advance Consideration*	1 January 2018
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	1 January 2019
- Amendments to IFRS 3 *Business Combinations*	
- Amendments to IFRS 11 *Joint Arrangements*	
- Amendments to IAS 12 *Income Taxes*	
- Amendments to IAS 23 *Borrowing Costs*	
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*	Postponed definitely

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

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, except for the impending changes in accounting policy on adoption of the following:

IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. IFRS 9 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. IFRS 9 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of IFRS 9 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Based on the Group's preliminary assessment, the Group is not expecting significant adjustment as the Group does not expect changes in measurement basis of financial assets and liabilities.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective in 2018.

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 obligations is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The application of IFRS 15 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. Based on the Group's preliminary assessment, the Group may need to reevaluate whether the sales contract represents single performance obligation and whether there is significant financing elements.

IFRS 16 *Leases*

This new standard on leases supersedes the previous standard (IAS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasees, IFRS 16 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this standard. The Group will apply the new IFRS 16 when it becomes effective in 2019. The Group does not expect a material impact on the amounts reported and disclosures in the Group's consolidated financial statements as the Group does not have significant leasing arrangement as leases.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 requires a foreign currency transaction to be recorded using spot exchange rate at the date of transaction. This interpretation clarifies that when an entity pays or receives consideration in advance in a foreign currency, the date of transaction for the purpose of determining the transaction rate on initial recognition of the related asset, expense or income (or part of it) is the date on which the entity initially recognises the non-monetary asset or liability (such as prepayment or deferred income) arising from the advance consideration. As such, no exchange gain will arise from the transfer of non-monetary asset or liability recognised for advance consideration to the related asset, expense or income at initial recognition. The interpretation applies to annual periods beginning on or after 1 January 2018, which an entity may elect to apply either retrospectively or prospectively.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (Continued)

(a) *Basis of consolidation (Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and 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 IAS 39, 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 IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

(c) *Disposals of subsidiaries or businesses*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 except for leasehold buildings 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "other operating income / (expenses)".

Land use right

Land use right is initially measured at cost. Following initial recognition, land use right is measured at cost less accumulated amortisation and accumulated impairment losses. The land use right is amortised on a straight-line basis over the lease term of 50 years.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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.

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

Financial assets

(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 classified as held-to-maturity, 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 the reporting date, the Group did not have any financial assets in the categories of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(ii) Subsequent measurement (Continued)

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 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.

(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.

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

Impairment of financial assets

The Group assesses at each 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost (Continued)

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

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

Inventories

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

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

Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(iii) Derecognition

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

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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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 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 reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Share capital

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

Revenue recognition

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

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

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

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

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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing

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 consist of interest 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.

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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each 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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

(i) Income tax (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the 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 and service income in the PRC are subject to VAT at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other receivables" or "Other payables" in the statement of financial position. The Group's export sales are not subject 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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, excluding cash deposits pledged for a period of more than three months. Cash and cash equivalents are short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(a) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, and default or significant delay in payments resulting in receivables with excessively long turnover days as compared to credit term and normal business practice are considered objective evidence that a receivable is impaired. In determining this, management makes judgement by assessing the loans and receivables individually from historical trend whether there has been a significant change in the payment ability of the debtor, or whether the significant delay in payment which extends beyond one year results in impairment loss.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical trend and assumptions on the expected timing of collection based on specific receivables turnover days, taking into account also macro-economic industry factors.

As disclosed in Note 1 to the financial statements, the Group has been severely affected by the disruption period during the Siege Period in 2017 which inevitably increases the credit risk and difficulty in recovering the Group's trade receivables. Significant amount of judgement is applied by the management when determining the total allowance for impairment loss as at 31 December 2017.

The carrying amounts of the loans and receivables as at 31 December 2017 and the relevant credit risk information including factors in determining the impairment are disclosed in Note 13 and Note 33 (iii).

(b) 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 inventories obsolescence by taking into consideration the status of the completed or on-going sales contracts, the ageing and condition of the inventories by categories and by projects and the historical trend of replacement sales. This process is complex and 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.

Suspension of operation during the Siege Period between 15 April and 20 September 2017, as disclosed in Note 1 to the financial statements, has significant impact on the net realisable values of inventory as all products of the Group are made-to-order. The management assessed the impact of Siege Period on the net realisable values of inventory, based on assessing the future replacement demand for the batches of inventories and other objective evidences available to the management at point of assessment. Full allowance has been made on finished goods, in view of the impact from the disruption during the Siege Period including unfulfilled sales orders and the significant uncertainty over future orders and lack of alternative use. Significant amount of judgement is applied by the management when determining the total allowance for inventory obsolescence as at 31 December 2017.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(b) Net realisable values of inventory (Continued)

As disclosed in Note 12, the net carrying amount of inventories of the Group as at 31 December 2017 is RMB 1,629,000 (2016: RMB 33,582,000), which is stated after a total allowance for inventory obsolescence of approximately RMB 34,325,000 (2016: RMB 3,341,000).

(c) Impairment of non-financial assets

As disclosed in Note 1 to the financial statements, sales and production were disrupted during and subsequent to the Siege Period. Consequently, management has performed an impairment assessment as there is indication that the non-current assets may be impaired.

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 five 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 and 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.

(d) Income tax

The Group is subject to income taxes in PRC. Significant judgement is required in determining the group-wide provision for income taxes. In determining the income tax liability, the management has estimated the amount of capital allowances and the deductibility of certain expenses. In determining the tax rate applied to the deferred tax assets and liabilities other than undistributed earnings, the management has estimated that the concessionary tax rate under "High Technology Enterprise" status will be successfully renewed. Where the final tax outcome of these matters is different from the estimates, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amount of the income tax payable and deferred tax liability of Group as at 31 December 2017 are RMB 602,000 and RMB 1,410,000 (2016: RMB 91,000 and RMB 2,765,000) respectively.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(d) Income tax (Continued)

The Group has unutilised capital allowances and tax losses totaling RMB 29,446,000 and RMB 16,922,000 respectively (2016: both Nil) relate to the PRC subsidiary which will expire in 2022. No deferred tax assets have been recognised in 2017 due to uncertainty of recovery. If the Group was able to recognise all unrecognised deferred tax assets, loss for the year would decrease by RMB 11,592,000 (2016: Nil).

The Group has also reversed the deferred tax assets on allowance for impairment of trade receivables and inventory obsolescence as the management is of the view that it is highly unlikely that the substantial allowance made in 2017 as an effect of the Siege Period will be allowed as deduction by the tax authorities.

Deferred tax liability on undistributed profits

In determining the amount of deferred tax liabilities on the undistributed earnings of the subsidiary, the management considers the dividend policy and cash flows needs for the corporate and treasury functions at the holding company level for the foreseeable future. Due to the impact of Siege Period disclosed in Note 1 to the financial statements and substantial loss suffered by the PRC subsidiary in 2017, the PRC subsidiary records accumulated loss of RMB 24,480,000 (2016: retained earnings of RMB 135,915,000). The management is in the opinion that there is no probable profits in the foreseeable future for distribution. Consequently, the Group has fully reversed deferred tax liability on undistributed profits in 2017 (2016: deferred tax liability of RMB 3,546,000) (Note 20).

(e) 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 2017 was approximately RMB 87,179,000 (2016: RMB 106,026,000) (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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

4. SHARE CAPITAL

	Group and Company			
	2017	2016	**2017**	2016
	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	
		2017	2016
		RMB'000	RMB'000
At beginning of the year		**78,470**	81,527
Dividend paid	28	**–**	(3,057)
At 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	
		2017	2016
		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.

7. TRANSLATION DEFICIT

	Group	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**(3,207)**	(3,372)
Currency translation differences arising from consolidation	**(207)**	165
At end of the year	**(3,414)**	(3,207)

8. RETAINED EARNINGS / (ACCUMULATED LOSSES)

	Note	Company	
		2017	2016
		RMB'000	RMB'000
At beginning of the year		**–**	1,810
Profit for the year		**2,981**	2,000
Dividend paid	28	**(3,434)**	(3,810)
		(453)	–

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

9. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Total RMB'000
Cost						
As at 1.1.2016	32,580	205,448	4,416	4,561	1,731	248,736
Additions	–	38,384	73	–	3,066	41,523
Disposals	–	(907)	(94)	(149)	–	(1,150)
As at 31.12.2016	32,580	242,925	4,395	4,412	4,797	289,109
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
Accumulated depreciation						
As at 1.1.2016	15,431	123,938	3,171	3,189	1,161	146,890
Charge for the year	1,454	13,777	376	415	900	16,922
Disposals	–	(816)	(85)	(134)	–	(1,035)
As at 31.12.2016	16,885	136,899	3,462	3,470	2,061	162,777
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
Accumulated impairment losses						
As at 1.1.2016, 31.12.2016 and 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
Net carrying amount						
As at 31.12.2017	13,750	87,179	507	537	1,533	103,506
As at 31.12.2016	15,695	106,026	933	942	2,736	126,332

Machinery with net carrying amount of RMB 25,851,000 (2016: RMB 17,683,000) that is included in plant and machinery is pledged in connection with bill payable facilities (Note 15).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment of assets

As disclosed in Note 1 to the financial statements, sales and production were severely affected during and subsequent to the Siege Period. The Group experienced a significant decrease in revenue and incurred a net loss of RMB 156,070,000 (2016: net profit of RMB 2,293,000) as a result of the loss of revenue and additional expenses during the Siege Period and the impact thereafter. Consequently, management has performed an impairment assessment as there is indication that the non-current assets may be impaired.

An impairment loss of RMB 4,803,000 representing the write down of these property, plant and equipment to their recoverable amounts was recognised in "Other Operating Expenses" (Note 23) in the consolidated profit or loss for the financial year ended 31 December 2017. The recoverable amount of the property, plant and equipment was estimated based on its value in use at a pre-tax discount rate of 7.69%, sales growth within the forecast period of 6.5% and long-term growth rate of 3.3% per annum.

10. SUBSIDIARIES

	Company	
	2017	2016
	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	
			2017	2016
			%	%
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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

11. LAND USE RIGHT

	Group	
	2017	2016
	RMB'000	RMB'000
Cost		
At beginning and end of the year	**12,547**	12,547
Accumulated amortisation		
At beginning of the year	**2,509**	2,258
Charge for the year	**251**	251
At end of the year	**2,760**	2,509
Accumulated impairment loss		
At beginning of the year	**–**	–
Impairment loss for the year	**369**	–
At end of the year	**369**	–
Net carrying amount		
At beginning of the year	**10,038**	10,289
At end of the year	**9,418**	10,038
Presentation on statement of financial position, based on amount to be amortised:		
- Not later than one year, current portion	**251**	251
- Later than one year but not later than five years	**1,004**	1,004
- Later than five years	**8,163**	8,783
Non-current portion	**9,167**	9,787

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 39 years (2016: 40 years).

12. INVENTORIES

	Group	
	2017	2016
	RMB'000	RMB'000
Statements of Financial Position:		
Raw materials	**1,029**	2,052
Work-in-progress	**600**	13,697
Finished goods	**–**	17,833
	1,629	33,582

	RMB'000	RMB'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income:		
Inventories recognised as expense in cost of sales	**9,671**	35,074
Inclusive of following charge:		
- Inventory written down included in cost of sales	**–**	2,700
- Allowance for inventory obsolescence included in other operating expenses	**30,984**	–
- Inventory written off included in other operating expenses	**1,974**	–

The movement in allowance for inventory obsolescence is as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**3,341**	9,842
Allowance written off	**–**	(9,201)
Additional allowance provided	**30,984**	2,700
At end of the year	**34,325**	3,341

13. TRADE RECEIVABLES

	Note	Group	
		2017	2016
		RMB'000	RMB'000
Trade receivables	A	**120,864**	135,402
Allowance for impairment of trade receivables	33(iii)	**(78,849)**	(9,245)
		42,015	126,157
Bills receivable		**10,746**	37,888
		52,761	164,045

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

13. TRADE RECEIVABLES (Continued)

Note A

Included in the Group's trade receivables are unbilled trade receivables amounting to approximately RMB 9,399,000 (2016: RMB 11,244,000) arising entirely from revenue recognised on sales of goods but not invoiced to customers as at 31 December 2017 (in 2016, unbilled trade receivables are arising from sales of goods and subcontracting services amounting to RMB 3,731,000 and RMB 7,513,000 respectively). Unbilled receivable will normally be billed within 3 months from the time of revenue recognition. The directors are of the view that all unbilled receivable as at the reporting date are billable and collectible eventually.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		**Company**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers	**667**	473	**–**	–
Prepayments	**69**	601	**–**	96
Deposits	**500**	–	**–**	–
Advances to labour union	**360**	210	**–**	–
VAT receivables	**1,451**	3,261	**–**	–
Others	**391**	168	**–**	–
	3,438	4,713	**–**	96

15. TRADE PAYABLES

	Note	**Group**	
		2017	2016
		RMB'000	RMB'000
Trade payables		**20,868**	15,822
Bills payable	A	**6,379**	36,587
		27,247	52,409

Note A

Machinery with net carrying amount of RMB 25,851,000 (Note 9) that included in the plant and machinery and cash deposits of RMB 4,049,000 (Note 29) are pledged in connection with bills payable facilities granted by banks for the year ended 31 December 2017.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

16. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued operating expenses	**3,016**	3,912	**1,190**	543
Advance from customer	**433**	259	**–**	–
Security fee payable	**587**	–	**–**	–
Legal fee payable	**250**	–	**–**	–
Electricity bill payable	**140**	–	**–**	–
Labour union expenditure payable	**137**	91	**–**	–
Other taxes payable	**689**	248	**–**	–
Others	**479**	255	**–**	–
	5,731	4,765	**1,190**	543

17. DEFERRED CAPITAL GRANTS

	Group	
	2017	2016
	RMB'000	RMB'000
Balance at the beginning of financial year	**2,226**	–
Transfer to profit or loss	**(223)**	–
Balance at the end of financial year	**2,003**	–

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

18. BANK TERM LOAN

	Group	
	2017	2016
	RMB'000	RMB'000
Secured borrowings	**–**	7,000

The bank term loan was fully repaid in April 2017.

Reconciliation of liabilities arising from financing activities

	As at 1 January 2017	Financing cash flows	As at 31 December 2017
	RMB'000	RMB'000	RMB'000
Bank term loan			
- current	7,000	(7,000)	–

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

19. DUE TO SUBSIDIARIES (NON-TRADE)

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

20. DEFERRED TAX LIABILITY

	Note	Group	
		2017	2016
		RMB'000	RMB'000
At beginning of the year		**2,765**	2,413
(Reversed) / Recognised in the profit or loss	26	**(1,355)**	352
At end of the year		**1,410**	2,765
Presented after appropriate offsetting as follows:			
Deferred tax assets		**–**	(2,467)
Deferred tax liabilities		**1,410**	5,232
Deferred tax liabilities, net		**1,410**	2,765

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	Provision for withholding tax	Total
	RMB'000	RMB'000	RMB'000
2017			
At beginning of year	1,686	3,546	5,232
Reversed in the profit or loss	(276)	(3,546)	(3,822)
At end of year	1,410	– *	1,410
2016			
At beginning of year	111	3,001	3,112
Recognised in the profit or loss	1,575	545	2,120
At end of year	1,686	3,546	5,232

* Due to the impact of Siege Period disclosed in Note 1 to the financial statements and substantial loss suffered by the PRC subsidiary in 2017, the PRC subsidiary records accumulated loss of RMB 24,480,000 (2016: retained earnings of RMB 135,915,000). The management is in the opinion that there is no probable profits in the foreseeable future for distribution. Consequently, the Group has fully reversed deferred tax liability on undistributed profits in 2017.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

20. 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	Others	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
2017						
At beginning of year	(248)	(910)	(879)	(405)	(25)	(2,467)
Reversed in the profit or loss	248	910	879	405	25	2,467
At end of year	–	–	–	–	–	–
2016						
At beginning of year	(246)	(164)	(202)	–	(87)	(699)
Recognised in the profit or loss	(2)	(746)	(677)	(405)	62	(1,768)
At end of year	(248)	(910)	(879)	(405)	(25)	(2,467)

Others pertain to cost of sales related to unbilled revenue.

21. REVENUE

	Group	
	2017	2016
	RMB'000	RMB'000
Sale of goods	**28,844**	76,705
Subcontracting services	**6,385**	60,272
	35,229	136,977

22. OTHER OPERATING INCOME

	Note	**Group**	
		2017	2016
		RMB'000	RMB'000
Impairment loss on trade receivables written back	33(iii)	**–**	94
Gain on sale of scrap materials		**240**	214
Government grants		**369**	323
Transfer from deferred capital grants	17	**223**	–
Interest income		**67**	107
Foreign exchange gain, net		**–**	2,041
Others		**105**	4
		1,004	2,783

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

23. OTHER OPERATING EXPENSES

	Note	Group	
		2017	2016
		RMB'000	RMB'000
Impairment loss on trade receivables	33(iii)	**69,604**	4,608
Loss on disposal of property, plant and equipment		**–**	26
Impairment loss on property, plant and equipment		**4,803**	–
Impairment loss on land use right		**369**	–
Allowance for inventory obsolescence		**30,984**	–
Foreign exchange loss, net		**899**	–
Inventory written off		**1,974**	–
Other expenses		**1,188**	–
Others		**78**	30
		109,899	4,664

24. PERSONNEL EXPENSES

	Group	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonuses *	**24,589**	25,611
Other personnel expenses	**1,358**	1,526
Short-term employees' benefits	**25,947**	27,137
Contributions to defined contribution plans	**3,546**	3,781
Termination benefits	**5,301**	–
	34,794	30,918

* This includes directors' remuneration as disclosed in Note 25 and 30.

25. (LOSS) / PROFIT BEFORE INCOME TAX

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

	Note	Group	
		2017	2016
		RMB'000	RMB'000
Impairment loss on trade receivables written back	33(iii)	**–**	(94)
Inventory written down included in cost of sales		**–**	2,700
Allowance for inventory obsolescence		**30,984**	–
Inventory written off		**1,974**	–
Amortisation of land use right		**251**	251
Impairment loss on land use right		**369**	–
Audit fees			
- auditors of the Company		**1,183**	1,061
- other auditors		**188**	60
Depreciation of property, plant and equipment		**17,644**	16,922
Impairment loss on property, plant and equipment		**4,803**	–
Property, plant and equipment written off		**497**	–
Directors' fees			
- directors of holding company		**1,802**	1,458
- directors of subsidiaries		**360**	160
Directors' remuneration			
- directors of the Company		**220**	440
- directors of subsidiaries		**383**	409
Foreign exchange loss / (gain), net		**899**	(2,041)
Impairment loss on trade receivables		**69,604**	4,608
Personnel expenses	24*	**34,794**	30,918

* Includes directors' remuneration as disclosed in this note.

26. INCOME TAX EXPENSE

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

	Note	Group	
		2017	2016
		RMB'000	RMB'000
Current tax			
- Current year		**–**	1,137
- Under provision in prior year		**324**	116
- Withholding tax on dividend income		**1,089**	1,089
		1,413	2,342
Deferred tax	20		
- Origination and reversal of temporary differences		**907**	352
- Over provision in prior year		**(2,262)**	–
		(1,355)	352
		58	2,694

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

26. INCOME TAX EXPENSE (Continued)

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

	Group	
	2017	2016
	RMB'000	RMB'000
(Loss) / Profit before income tax	**(156,012)**	4,987
Tax at the PRC statutory tax rate of 25% (2016: 25%)	**(39,003)**	1,247
Tax effects of:		
- expenses not deductible for tax purpose	**26,105**	331
- expenses incurred in tax-free jurisdictions	**2,213**	1,216
- undistributed profit of PRC subsidiary	**–**	(187)
- deferred tax asset not recognised	**11,592**	–
- tax incentive	**–**	(1,118)
	907	1,489
Over provision of deferred tax in prior year	**(2,262)**	–
Under provision of current year income tax in prior years	**324**	116
Withholding tax on dividend income	**1,089**	1,089
Income tax expense	**58**	2,694

At the reporting date, the Group has unutilised tax losses and capital allowances of approximately RMB 29,446,000 and RMB 16,922,000 respectively (2016: both Nil) that are available for offsetting against future taxable profits of the Group, for which no deferred tax asset is recognised due to uncertainty of its recovery. The use of these tax losses and capital allowance is subject to the agreement of the tax authority and compliance with local tax regulations.

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% (2016: 16.5%), does not have taxable profit since its incorporation on 23 April 2005.

(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 August 2018. This benefit was disclosed under the tax incentive in the tax reconciliation during the year.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

27. (LOSS) / EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017	2016
Net (loss) / profit attributable to equity holders of the Company (RMB'000)	**(156,070)**	2,293
Weighted average number of ordinary shares outstanding for basic and diluted (loss) / earnings per share	**27,468,473**	27,468,473
Basic and diluted (loss) / earnings per share (RMB cents per share)	**(568.18)**	8.35

Diluted (loss) / earnings per share is the same as the basic (loss) / earnings per share as no share options, warrants or other compound financial instruments with dilutive effect were granted during the financial year or outstanding at the end of the financial year.

28. DIVIDENDS

	Group and Company	
	2017	2016
	RMB'000	RMB'000
Final exempt (one-tier) paid in respect of previous financial year of RMB 0.125 per ordinary share (2016: RMB 0.25 per ordinary share)	**3,434**	6,867

29. CASH AND CASH EQUIVALENTS

	Note	Group	
		2017	2016
		RMB'000	RMB'000
Cash in hand		**71**	55
Bank balances		**28,541**	50,347
Cash and bank balances as stated in the statement of financial position		**28,612**	50,402
Less: Pledged deposits	A	**(4,049)**	(4,741)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**24,563**	45,661

As at 31 December 2017, the Group has bank balances placed with banks in the PRC denominated in Chinese Renminbi ("RMB") amounting to RMB 15,595,000 (2016: RMB 31,047,000). 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 4,049,000 (2016: RMB 4,741,000) are pledged in connection with bills payable facilities (Note 15).

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

29. CASH AND CASH EQUIVALENTS (Continued)

The movement in pledged deposits:

	Group	
	2017	2016
	RMB'000	RMB'000
Balance at beginning of the year	**4,741**	8,782
Placement of pledged deposits	**7,093**	9,894
Withdrawal of pledged deposits	**(7,785)**	(13,935)
Balance at end of the year	**4,049**	4,741

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	
		2017	2016
		RMB'000	RMB'000
Key management personnel compensation			
Directors of the Group:			
- Salaries and bonus		**1,101**	489
- Contributions to defined contribution plans		**13**	18
- Over provision of director's incentives in prior years		**(49)**	(625)
- Directors' fee	25	**1,802**	1,618
		2,867	1,500
Other key management personnel			
- Salaries and bonus		**1,048**	1,015
- Contributions to defined contribution plans		**8**	11
		3,923	2,526
Total compensation comprise:			
Short-term employee benefits		**3,902**	2,497
Contributions to defined contributions plans		**21**	29
		3,923	2,526

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. CONTINGENT LIABILITIES

As disclosed in Note 1 to the financial statements, the majority of shareholders of the Company voted against the re-election of the former Executive Director of the Group during the annual general meeting held on 15 April 2017. The new management team appointed by the Board of Directors was unable to take over physical possession and operations of the factory during the period from 15 April to 20 September 2017 ("the Siege Period").

The Group has not fulfilled certain sales orders as a result of the suspension of operations during the Siege Period. The Group is in the process of negotiating with affected customers and the liability arising from unfulfilled sales orders, if any, cannot be presently determined. As of the date of this report, we were informed that these affected customers have not made any claims against the Group.

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 arose due to four customer's arrangement to source for its own raw material.

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.

Revenue of approximately RMB 3,246,000 (2016: RMB 26,046,000) and Nil (2016: RMB 3,804,000) are derived from overseas customers in Japan and Korea respectively. 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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

33. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Group does not have a formal risk management policies and guidelines. However, the Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below. It is the Group's policy not to trade in derivative contracts.

(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 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	–	52,722	39	–	52,761
Other receivables	–	1,251	–	–	1,251
	2,858	69,638	9,832	296	82,624
Financial liabilities					
Trade payables	–	(27,247)	–	–	(27,247)
Other payables and accruals	–	(4,609)	–	–	(4,609)
	–	(31,856)	–	–	(31,856)
Net financial assets	2,858	37,782	9,832	296	50,768
Less: Net financial assets denominated in the respective entities' functional currencies	–	(37,782)	–	(296)	(38,078)
Foreign currency exposure	2,858	–	9,832	–	12,690

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2016	Singapore dollars RMB'000	Chinese Renminbi RMB'000	United States dollars RMB'000	Hong Kong dollars RMB'000	Total RMB'000
Financial assets					
Cash and bank balances	2,294	31,102	16,659	347	50,402
Trade receivables	–	157,673	6,372	–	164,045
Other receivables	–	378	–	–	378
	2,294	189,153	23,031	347	214,825
Financial liabilities					
Trade payables	–	(52,409)	–	–	(52,409)
Other payables and accruals	(543)	(3,963)	–	–	(4,506)
Bank term loan	–	(7,000)	–	–	(7,000)
	(543)	(63,372)	–	–	(63,915)
Net financial assets	1,751	125,781	23,031	347	150,910
Less: Net financial assets denominated in the respective entities' functional currencies	–	(125,781)	–	(347)	(126,128)
Foreign currency exposure	1,751	–	23,031	–	24,782

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company	Singapore dollars	Chinese Renminbi	Total
2017	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
2016			
Financial assets			
Cash and bank balances	2,294	–	2,294
Financial liabilities			
Other payables and accruals	–	543	543
Due to subsidiaries (non-trade)	–	24,204	24,204
	–	24,747	24,747
Net financial assets / (liabilities)	2,294	(24,747)	(22,453)
Less: Net financial liabilities denominated in the Company's functional currency	–	24,747	24,747
Foreign currency exposure	2,294	–	2,294

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

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% (2016: 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% (2016: 5%) against the relevant foreign currencies with all the other variables held constant, (loss) / profit for the year will increase / (decrease) by:

	Singapore dollars	United States dollars	Total
	RMB'000	RMB'000	RMB'000
Group			
2017			
Loss for the year	121	418	539
2016			
Profit for the year	(74)	(979)	(1,053)
Company			
2017			
Loss for the year	143	–	143
2016			
Profit for the year	(115)	–	(115)

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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

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

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

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. 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 2017 and 2016 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, and trade and other receivables. Bank balances and fixed deposits are placed with regulated national or provincial financial institutions in the PRC and a Singapore-based multinational bank. Bills receivables (Note 13) are mainly redeemable from state-owned or listed 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 adopts the policy of dealing only with long time customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. 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 (2016: 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.

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The age analysis of trade receivables is as follows:

	Note	Group	
		2017	2016
		RMB'000	RMB'000
Not impaired			
Neither past due nor impaired		**7,519**	34,134
Past due but not impaired			
- Past due less than 3 months		**896**	23,231
- Past due over 3 months		**33,600**	5,496
		34,496	28,727
Impaired			
Impaired trade receivables		**78,849**	72,541
Less: Allowance for impairment loss		**(78,849)**	(9,245)
		–	63,296
Net trade receivables	13	**42,015**	126,157

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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Impaired trade receivables

As disclosed in Note 1 to the financial statements, 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 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	2016
	RMB'000	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 (2016: RMB 9,245,000) which is inclusive of an amount of RMB 50,166,000 (2016: RMB 4,550,000) 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	2016
	RMB'000	RMB'000
Allowance for impairment loss are made on debts which are:		
Not past due	**13,399**	1,485
Past due less than 1 year	**33,219**	3,231
Past due over 1 year	**32,231**	4,529
	78,849	9,245

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The movement in allowance for impairment loss is as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Balance at beginning of the year	**9,245**	4,731
Allowance made during the year	**69,604**	4,608
Allowance written back during the year	**–**	(94)
Balance at end of the year	**78,849**	9,245

Credit risk concentration and factors in determining impairment losses

The Group has 2 customers (2016: 2 customers) located in the PRC and principally engaged in development and manufacture of power equipment. Approximately RMB 12,735,000 and RMB 13,128,000 (2016: RMB 50,274,000 and RMB 41,572,000), representing 36% and 37% respectively (2016: 37% and 30% respectively) of the Group's revenue are generated from these 2 customers (2016: 2 customers) during the financial year.

The carrying amount of these 2 customers comprised 98% (2016: 85%) of the net trade receivables balance (excluding bills receivables) as at 31 December 2017, as follows:

(a) A major customer has a net carrying amount of RMB 35,976,000 (stated after an impairment allowance of RMB 5,682,000 made during the financial year), out of which RMB 3,408,000 has been collected via bills receivables subsequent to the reporting period. The management is confident of continuing business relationships with this major customer which has resumed orders from the Group subsequent to the Siege Period. The management expects to collect the balance with similar significant delay as historical trend from this state-owned company. Therefore, management has taken into account the individual receivable turnover days when estimating expected cash flows from collection from this customer which extend beyond 1 year.

(b) Carrying amount of balance owing from the other major customer (stated after a cumulative impairment allowance of RMB 54,716,000) is RMB 5,000,000 which has been fully collected via bills receivables subsequent to the reporting period. Impairment loss recognised in profit or loss for the financial year on this customer was RMB 50,166,000 (2016: RMB 4,550,000). In view of the impact from the disruption during the Siege Period including unfulfilled sales orders, the significant uncertainty over collection and any future orders, full allowance has been made on the remaining amount owing from this major customer.

The remaining net trade receivables balance (excluding bill receivables) mainly comprises balance owing from another local customer which has been fully collected via bills receivables subsequent to the reporting period.

In addition to the above 2 major customers, revenue of approximately RMB 4,327,000 is derived from another state-owned company in the PRC which exceeds 10% of the Group revenue for the current financial year.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

<u>Bills receivables (Note 13)</u>

Bills receivables of the Group received as a settlement for trade debts are issued by state-owned or listed commercial banks in the PRC. The remaining maturity period is ranging from 16 days to 10 months from the reporting date. As of the date of this report, those bills receivables with maturity period within 2 months from the reporting date amounting to RMB 1,050,000 (2016: 3 months from the reporting date amounting to RMB 10,839,398) had been fully recovered.

(iv) Financial instruments by category

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables (including cash and bank balances)	**82,624**	214,825	**2,858**	2,294
Financial liabilities				
Financial liabilities at amortised cost	**31,856**	63,915	**25,668**	24,747

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, net of cash and cash equivalents, and the equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 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 2016.

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 2017 and 2016.

34. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value

As at reporting date, there are no financial instruments in this category.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables, 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.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

As at reporting date, there are no financial instruments in this category.

SHAREHOLDINGS **STATISTICS**

As at 5 February 2018 Amounts in Chinese Renminbi ("RMB")

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 AS AT 5 FEBRUARY 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	19	2.74	919	0.00
100 - 1,000	273	39.28	177,816	0.65
1,001 - 10,000	366	52.66	1,323,699	4.82
10,001 - 1,000,000	31	4.46	2,701,062	9.83
1,000,001 AND ABOVE	6	0.86	23,264,977	84.70
TOTAL	**695**	**100.00**	**27,468,473**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 5 February 2018)

	NUMBER OF ORDINARY SHARES			
	DIRECT INTEREST	%	DEEMED INTEREST	%
LIU MING	8,240,000	29.98	0	0
ALLPORT LIMITED	6,264,340	22.81	0	0
ASUKA DBJ INVESTMENT LPS[1]	1,200,000	4.37	6,264,340	22.81
MERCURIA INVESTMENTS CO., LTD.[2]	0	0	7,464,340	27.18
YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN	3,300,000	12.01	0	0
YONEHARA SHINICHI[3]	0	0	3,300,000	12.01
LIN CHUANJUN	2,143,950	7.81	0	0

Notes:

1. Asuka DBJ Investment 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 sole general partner of Asuka DBJ Investment LPS.
3. Yugen Kaisha Simon Murray And Company Japan is wholly-owned by Yonehara Shinichi.

SHAREHOLDINGS **STATISTICS**

As at 5 February 2018 Amounts in Chinese Renminbi ("RMB")

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	9,692,400	35.29
2	ALLPORT LIMITED	6,264,340	22.81
3	YUGEN KAISHA SIMON MURRAY AND COMPANY JAPAN	3,300,000	12.01
4	LIN CHUANJUN	1,611,650	5.87
5	ZHANG PING	1,309,250	4.77
6	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,087,337	3.96
7	HONG LEONG FINANCE NOMINEES PTE LTD	711,000	2.59
8	PHILLIP SECURITIES PTE LTD	609,750	2.22
9	DB NOMINEES (SINGAPORE) PTE LTD	300,000	1.09
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	250,200	0.91
11	DBS NOMINEES (PRIVATE) LIMITED	156,322	0.57
12	OCBC SECURITIES PRIVATE LIMITED	95,690	0.35
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	69,300	0.25
14	BOON KIA IN VINCENT(WEN JIAYIN)	65,000	0.24
15	KOH TECK YEOW	35,500	0.13
16	TAN ENG CHUA EDWIN	31,400	0.11
17	CHEW CHIN SING	30,800	0.11
18	LYE SOO MENG	30,000	0.11
19	LIM LEE KWAN	29,000	0.11
20	KOO WEE KHIAT ALVIN	27,400	0.10
	TOTAL	**25,706,339**	**93.60**

PERCENTAGE OF SHAREHOLDING IN HANDS OF PUBLIC

Based on the information available to the Company as at 5 February 2018, approximately 23.00% 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**

For the Financial Year Ended 31 December 2017 Amounts in Chinese Renminbi ("RMB")

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, #03-01 Tokyo 2 Room, Singapore 069537 on Monday, 19 March 2018 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 2017 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Cheung Hok Fung Alexander as Director of the Company retiring pursuant to Article 85(6) of the Company's Articles of Association. **(Resolution 2)**

   Mr Cheung Hok Fung Alexander 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.

3. To approve the payment of Directors' Fees of RMB1,800,000 for the financial year ending 31 December 2018 (FY2017: RMB1,800,000). **(Resolution 3)**

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

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 resolution 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

(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 5)**

By Order of the Board

Wong Yoen Har
Company Secretary
Singapore, 2 March 2018

NOTICE OF **ANNUAL GENERAL MEETING**

For the Financial Year Ended 31 December 2017   Amounts in Chinese Renminbi ("RMB")

Explanatory Note:

(i) The Ordinary Resolution 5 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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