

SECTION B
**PART B TECHNICAL PROPOSAL AND STATEMENTS AND
CERTIFICATIONS REGARDING ELIGIBILITY**

QUALIFICATIONS AND CERTIFICATIONS

NOTE: The Authority reserves the right to audit compliance with respect to each of the required statements and certifications in the forms submitted by Offerors, including but not limited to the Domestic U.S. Content Certification, Domestic U.S. Content Worksheet, and Final Assembly of Production (Non-Pilot) Vehicles in Massachusetts.

**Questions Concerning
Eligibility**

Provide short answers (and attach relevant documents) to the following questions and requests:

1. Attach relevant Certificate of Good Standing from the Secretary of State of the Commonwealth of Massachusetts.
STES: See the attachment 1 for your reference.
2. Provide the names and telephone numbers of all business owners, shareholders if not a publicly held corporation, and/or members if a limited liability company.
STES: Singapore Technologies Electronics (Shanghai) Co., Ltd is whole owned by Singapore Technologies Electronics.
Website: <http://www.stee.com.sg/>

3. Provide the names, title and telephone numbers of all officers.
STES:

Name	Title	Telephone Number
Mr. Jeremy Goh	General Manager	86-021-50427980-168
Mr. Liao Jun	Assistant General Manager	86-021-50427980-828

4. Has the business or an owner or shareholder of the business ever had a prior contractual relationship with the MBTA? If yes, please describe relationship.
STES: N/A
5. Has the business or an owner or shareholder of the business ever been in default of any obligations under a contract with the MBTA, any other Massachusetts state agency or any federal agency? If yes, please describe the circumstances. Please indicate whether it resulted in a termination for cause.
STES: N/A
6. Have any of the business owners, shareholders, or officers every been convicted of felony violations of Federal, state or local laws? If yes, please describe the circumstances.
STES: N/A
7. Are there any pending recent law suits against the business or any of its

owners or shareholders? If yes, please describe the circumstances.

STES: N/A

8. Provide the name, address, account number, contact person and telephone number of the insurance agent responsible for procuring insurance required by the Solicitation Documents.

STES: Chang Cheng Insurance Brokers, Ltd.

Add: Suite 612, 6F, No. 1065 West Zhongshan Road, Shanghai 200051,
P.R.China

Contact Person: Ms. Nemo Song

Tel: 86-021-60319783

The account number is not available at present as there is no insurance policy issued.

The general procedure is once the bidding is successful, we will submit the updated insurance proposal to you for your review and approval. We will arrange the placement upon receipt of your confirmation and then the policy number will be available in one or two days.

9. Provide the name, address, contact person and telephone of three business credit references, including but not limited to your primary banking institution.

STES: Development Bank Of Singapore

Add: No.1233, Lujiazui Circle Road, Pudong New Area, Shanghai, China

Contact Person: Ms. Jin Dan

Tel: 86-021-38968959

10. Has the business or any of the business's owners or shareholders ever filed for bankruptcy or invoked insolvency proceedings under state law?

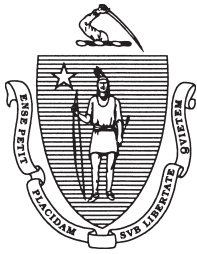
STES: N/A

11. Provide the last three (3) years of audited financial statements, or reasonable equivalent of the Offeror. If the Offeror is a joint venture or other combination of business entities, provide the last three (3) years audited financial statements for each entity.

STES: See Attachment 2 to 4 for your reference.

12. Provide the business's current code of business ethics or equivalent.

STES: See Attachment 5 for your reference.



The Commonwealth of Massachusetts
Secretary of the Commonwealth
State House, Boston, Massachusetts 02133

William Francis Galvin
Secretary of the
Commonwealth

Date: January 23, 2014

To Whom It May Concern :

I hereby certify that according to the records of this office,

ST ELECTRONICS (SHANGHAI) CO., LTD.

a corporation organized under the laws of

CHINA

on **August 28, 1998** was qualified to do business in this Commonwealth on

January 23, 2014 under the provisions of the General Laws, and I further certify that said corporation is still qualified to do business in this Commonwealth.

I also certify that said corporation is not delinquent in the filing of any annual reports required to date.



In testimony of which,
I have hereunto affixed the
Great Seal of the Commonwealth
on the date first above written.

A handwritten signature in cursive script, reading "William Francis Galvin".

Secretary of the Commonwealth

Certificate Number: 14015919210

Verify this Certificate at: <http://corp.sec.state.ma.us/CorpWeb/Certificates/Verify.aspx>

Processed by: jmu

ST ELECTRONICS (SHANGHAI) CO., LTD.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2010 TO 31 DECEMBER 2010
IF THERE IS ANY CONFLICT OF MEANING BETWEEN THE CHINESE AND
ENGLISH VERSIONS, THE CHINESE VERSION WILL PREVAIL

AUDITORS' REPORT

KPMG-B(2011)AR No.0278

The Board of Directors of ST Electronics (Shanghai) Co., Ltd. ("the Company"):

We have audited the accompanying financial statements of ST Electronics (Shanghai) Co., Ltd. ("the Company") on pages 1 to 21, which comprise the balance sheet as at 31 December 2010, and the income statement, and cash flow statement for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises (hereinafter represents Accounting Standards for Business Enterprises-Basic Standard issued in 2006 and specific accounting standards issued before 2006) and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITORS' REPORT(continued)

KPMG-B(2011)AR No.0278

Opinion

In our opinion, the financial statements comply with the requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and the results of operations and cash flows of the Company for the year then ended.

KPMG Huazhen Shanghai Branch

Certified Public Accountants
Registered in the People's Republic of China

Shanghai, The People's Republic of China

Leng Jing

Du Min

Date: 9 February 2011

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the People's Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the People's Republic of China.

ST Electronics (Shanghai) Co., Ltd.
Balance sheet as at 31 December 2010
(Expressed in Renminbi Yuan)

Assets	<i>Notes</i>	<u>2010</u>	<u>2009</u>
Current assets			
Cash at bank and on hand	5	38,975,659.24	16,483,316.24
Bills receivable	6	2,000,000.00	2,886,168.17
Accounts receivable	7	26,894,352.06	25,896,764.28
Other receivables		1,462,697.88	451,699.52
Payments in advance		2,057,018.27	2,869,495.25
Inventories	8	<u>4,786,205.59</u>	<u>16,033,411.53</u>
Total current assets		<u>76,175,933.04</u>	<u>64,620,854.99</u>
Long-term investments			
Long-term equity investments	9	<u>-</u>	<u>5,462,785.95</u>
Total long-term investments		<u>-</u>	<u>5,462,785.95</u>
Fixed assets			
Cost		5,143,476.19	5,066,340.76
Less: Accumulated depreciation		<u>(4,496,007.18)</u>	<u>(4,202,543.57)</u>
Carrying amount	10	647,469.01	863,797.19
Construction in process	11	<u>254,756.81</u>	<u>-</u>
Total fixed assets		<u>902,225.82</u>	<u>863,797.19</u>
Total assets		<u><u>77,078,158.86</u></u>	<u><u>70,947,438.13</u></u>

The notes on pages 7 to 21 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Balance Sheet as at 31 December 2010 (continued)
(Expressed in Renminbi Yuan)

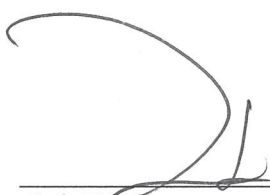
Liabilities and investor's equity	Notes	2010	2009
Current liabilities			
Short-term loan	12	-	878,586.65
Accounts payable		24,727,880.04	20,339,564.74
Receipts in advance		9,838,726.48	14,467,369.09
Accrued payroll		1,461,997.50	-
Taxes payable	4(c)	312,403.60	413,466.29
Other payables		137,551.11	185,182.40
Accrued expenses		2,797,810.89	2,899,779.38
Total current liabilities		39,276,369.62	39,183,948.55
Investor's equity			
Paid-in capital	13	52,059,240.00	52,059,240.00
Retained earnings	14	(14,257,450.76)	(20,295,750.42)
Total investor's equity		37,801,789.24	31,763,489.58
Total liabilities and investor's equity		77,078,158.86	70,947,438.13

These financial statements have been approved by the Board of Directors of the Company on date 9 February 2011.



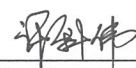
Goh Enghan
General Manager

(Signature and stamp)



Goh Enghan
The person in-charge of
the accounting affairs

(Signature and stamp)



Xu Kewei
The head of the
accounting department

(Signature and stamp)



(Company stamp)

The notes on pages 7 to 21 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Income statement for the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Notes	2010	2009
Sales	14	91,199,749.99	43,778,477.67
Less: Cost of sales		(77,644,340.91)	(36,959,737.27)
Business taxes and surcharges	4(a)	<u>(262,567.48)</u>	<u>(515,838.95)</u>
Profit from principal activities		13,292,841.60	6,302,901.45
Less: Operating expenses		(5,269,281.46)	(2,376,224.26)
General and administrative expenses		(4,304,679.51)	(3,576,771.63)
Add: Net financial income	15	<u>651,945.49</u>	<u>242,897.30</u>
Operating profit		4,370,826.12	592,802.86
Add: Investment income		1,677,214.05	317,615.76
Non-operating income		2,480.00	-
Less: Non-operating expenses		<u>(12,220.51)</u>	<u>(44.18)</u>
Profit before income tax		6,038,299.66	910,374.44
Less: Income tax	4(b)	<u>-</u>	<u>-</u>
Net profit for the year		6,038,299.66	910,374.44
Add: Accumulated losses at the beginning of the year		<u>(20,295,750.42)</u>	<u>(21,206,124.86)</u>
Accumulated losses carried forward		<u>(14,257,450.76)</u>	<u>(20,295,750.42)</u>

The notes on pages 7 to 21 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Cash flow statement for the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Note to the cash flow statement	2010	2009
Cash flows from operating activities			
Cash received from sales of goods and rendering of service		104,610,421.14	45,197,219.74
Cash received relating to other operating activities		<u>2,480.00</u>	<u>228,890.99</u>
Sub-total of cash inflows		<u>104,612,901.14</u>	<u>45,426,110.73</u>
Cash paid for goods and services		(57,188,785.83)	(27,200,010.12)
Cash paid to and for employees		(9,586,307.33)	(6,461,151.62)
Cash paid for all types of taxes		(3,939,840.80)	(1,187,881.75)
Cash paid relating to other operating activities		<u>(17,434,850.49)</u>	<u>(6,025,004.53)</u>
Sub-total of cash outflows		<u>(88,149,784.45)</u>	<u>(40,874,048.02)</u>
Net cash inflow from operating activities	<i>i</i>	<u>16,463,116.69</u>	<u>4,552,062.71</u>
Cash flows from investing activities			
Cash received from disposal of a subsidiary		7,140,000.00	-
Net cash received from disposal of fixed assets		3,567.00	-
Cash received relating to other investing activities		<u>254,013.25</u>	<u>233,681.66</u>
Sub-total of cash inflows		<u>7,397,580.25</u>	<u>233,681.66</u>
Cash paid for acquisition of fixed assets		<u>(489,767.29)</u>	<u>(52,642.70)</u>
Sub-total of cash outflows		<u>(489,767.29)</u>	<u>(52,642.70)</u>
Net cash inflow from investing activities		<u>6,907,812.96</u>	<u>181,038.96</u>

The notes on pages 7 to 21 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.

Cash flow statement for the year ended 31 December 2010 (continued)

(Expressed in Renminbi Yuan)

	<i>Note to the cash flow statement</i>	<u>2010</u>	<u>2009</u>
Cash flows from financing activities			
Cash received from borrowings		-	878,586.65
Sub-total of cash inflows		-	878,586.65
		-----	-----
Cash repayments of borrowings		(878,586.65)	-
Sub-total of cash outflows		(878,586.65)	-
		=====	=====
Net cash (outflow)/inflow from financing activities		(878,586.65)	878,586.65
		-----	-----
Effect of foreign exchange rate changes on cash		-	17,356.20
		=====	=====
Net increase in cash and cash equivalents	<i>ii</i>	<u>22,492,343.00</u>	<u>5,629,044.52</u>

The notes on pages 7 to 21 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.

Cash flow statement for the year ended 31 December 2010 (continued)

(Expressed in Renminbi Yuan)

Notes to the cash flow statement

i Reconciliation of net profit to cash flows from operating activities

	<u>2010</u>	<u>2009</u>
Net profit	6,038,299.66	910,374.44
Add: Provision for diminution		
in value of inventories	-	282,929.97
Provision for bad debts	240,000.00	189,094.70
Depreciation of fixed assets	435,551.15	582,209.42
(Decrease)/increase in accrued expenses	(101,968.49)	592,120.56
Loss on disposal of fixed assets	12,220.51	-
Financial income	(254,013.25)	(233,681.66)
Gains arising from investments	(1,677,214.05)	(317,615.76)
Decrease/(increase) in gross inventories	11,247,205.94	(6,859,531.31)
Increase in gross operating receivables	(549,940.99)	(13,270,378.58)
Increase in operating payables	<u>1,072,976.21</u>	<u>22,676,540.93</u>
Net cash inflow from operating activities	<u>16,463,116.69</u>	<u>4,552,062.71</u>

ii Net increase in cash

Cash at the end of the year	38,975,659.24	16,483,316.24
Less: Cash at the beginning of the year	<u>16,483,316.24</u>	<u>10,854,271.72</u>
Net increase in cash	<u>22,492,343.00</u>	<u>5,629,044.52</u>

The notes on pages 7 to 21 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Notes to the financial statements
(Expressed in Renminbi Yuan)

1 COMPANY STATUS

ST Electronic (Shanghai) Co., Ltd. (the "Company") is a wholly foreign-owned enterprise established in Shanghai in the People's Republic of China ("the PRC") by Singapore Technologies Electronics Limited on 28 August 1998. The Company obtained business licence (Qi Du Hu Pu Zong Zi No.310115400055552 (Pudong)). The original registered capital is USD 3,250,000. On 18 January 2007, the Company's Board of Directors obtained approval from the Shanghai Foreign Investment Committee to increase the registered capital from USD 3,250,000 to USD 6,500,000.

The Company's period of operation is 20 years and the Company commenced its operations in May 1999. The Company's principal activities are developing and manufacturing computer monitoring and management system, microwave control systems, simulation and training system, security system products, subway passenger information system, metro control system for automatic toll collection, metro platform screen doors system, intelligent transportation system (including fleet management system, urban traffic management system, highway management system, etc), subway transmission system, subway train communication system, and EMC electromagnetic compatibility equipment products and related software, selling self produced products, and providing technical consultancy and after sales service to the above system integration products; intelligent building engineering contractor.

2 BASIS OF PREPARATION

These financial statements have been translated into English from the Company's statutory financial statements issued in the PRC in Chinese.

The principal accounting policies adopted in the preparation of the financial statements are in conformity with Accounting Standards for Business Enterprises-Basic Standard issued in 2006, specific accounting standards issued before 2006 and the Accounting Regulations for Business Enterprises, all issued by the Ministry of Finance of the PRC ("the MOF"). The accounting policies comply with the legal and reporting requirements of the relevant government authorities. Accordingly, the basis of measurement and presentation in these financial statements may not be in compliance with the accounting principles and practices generally accepted in countries and jurisdictions other than the PRC and may not be suitable for any purpose other than for statutory reporting.

In accordance with the relevant requirements set out in "Questions and answers on implementing Accounting Regulations for Business Enterprises and related accounting standards (II)" (Cai Kuai [2003] No. 10) issued by the MOF, the Company decided not to present consolidated financial statements for the year.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting year

The accounting year of the Company is from 1 January to 31 December.

(b) Basis of preparation and measurement basis

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost.

(c) Functional currency

The Company's functional currency is the Renminbi.

(d) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates quoted by the People's Bank of China and other exchange rates recognised by the state ruling on the first day of the month in which the transactions take place.

Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates quoted by the People's Bank of China and other exchange rates recognised by the state ruling at the balance sheet date.

Exchange gains and losses on foreign currency translation, except for the exchange gains and losses directly relating to the construction of fixed assets (see note 3(h)), are dealt with in the income statement.

(e) Provision for bad and doubtful debts

The provision for bad and doubtful debts losses is estimated by management based on individual accounts receivable which show signs of uncollectibility and an ageing analysis. Provision for other receivables is determined based on their specific nature and management's estimate of their collectibility.

(f) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs. Inventories are measured at their actual cost upon acquisition. The cost of inventories is calculated using the first-in first-out method.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales and relevant taxes.

(g) Long-term equity investments

Where the Company has the power to control, jointly control or exercise significant influence over an investee enterprise, the investment is accounted for under the equity method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for any post acquisition change in the Company's share of the investee's equity.

Where the Company does not control, jointly control or exercise significant influence over an investee enterprise, the investment is accounted for under the cost method, stating it at the initial investment cost. Investment income is recognised once the investee enterprise declares a cash dividend or distributes profits.

Upon the disposal or transfer of long-term equity investments, the difference between the proceeds received and the carrying amount of the investments is recognised as profit or loss.

The Company makes provision for impairment losses on long-term equity investments (see note 3(j)).

(h) Fixed assets and construction in progress

Fixed assets are assets with relatively high unit values held by the Company for use in the production of goods, for use in supply of services and for administrative purposes. They are expected to be used for more than one year.

Fixed assets and construction in progress are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(j)). Construction in progress is stated in the balance sheet at cost less impairment losses (see note 3(j)).

All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalised as construction in progress. Those costs include borrowing costs (including foreign exchange differences arising from the loan principal and the related interest) on specific borrowings for the construction of the fixed assets during the construction period. Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The respective estimated useful lives and the estimated rate of residual values on cost adopted for the Company's fixed assets are as follows:

	<u>Estimated useful life</u>	<u>Estimated rate of residual value</u>	<u>Rate of Depreciation</u>
Office equipment	5 years	10%	18%
Office furniture	5 years	10%	18%
Motor vehicles	5 years	10%	18%
Other equipment	5 years	10%	18%

(i) Operating lease charges

Rental payments under operating leases are charged as expenses on a straight-line basis over the lease term. Contingent rental payments are charged as expenses in the accounting period in which they are incurred.

(j) Provision for impairment

The carrying amounts of assets (including long term investment, fixed assets, and other assets) are assessed regularly to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in conditions indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment is calculated on an item-by-item basis and recognised as an expense in the income statement.

If there is an indication that there has been a change in the factors used to determine the provision for impairment and as a result the estimated recoverable amount is greater than the carrying amount of the asset, the impairment loss recognised in prior years is reversed. Reversals of impairment losses are recognised in the income statement. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(k) Income tax

Income tax is recognised when payable under the tax payable method. Income tax for the year is provided at the applicable tax rate on taxable income.

(l) Revenue recognition

When it is probable that the economic benefits will flow to the Company and the revenue and costs can be measured reliably, revenue is recognised in the income statement according to the following methods:

i) Sales of goods

Sales revenue is recognised when the significant risks and rewards of the ownership of goods have been transferred to the buyers and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

ii) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised in the income statement by reference to the stage of completion of the transaction based on the progress of work performed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that are expected to be recoverable.

iii) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable rate.

(m) Research and development costs

Research and development costs are recognised in the income statement in the period in which they are incurred.

(n) Borrowing costs

Borrowing costs incurred on specific borrowings for the construction of fixed assets are capitalised into the cost of the fixed assets during the construction period until the fixed assets are ready for their intended uses.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

(o) Repair and maintenance expenses

Repair and maintenance expenses (including major overhaul expenses) are recognised in the income statement when incurred.

(p) Dividends appropriated to investor

Dividends appropriated to the investor are recognised in the income and profit appropriation statement upon approval. Cash dividends approved after the balance sheet date, but before the date on which the financial statements are authorised for issue, are disclosed in the balance sheet as a separate component under investor's equity.

(q) Retirement benefits

Pursuant to the relevant laws and regulations in the PRC, the Company has joined a defined contribution retirement plan for the employees arranged by a governmental organisation. The Company makes contributions to the retirement scheme at the applicable rates based on the employees' salaries. The contributions are capitalised into cost of assets or charged to the income statement on an accrual basis. After the payment of the contributions under the retirement plan, the Company does not have any other obligations in this respect.

(r) Related parties

If the Company has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Company and one or more parties are subject to common control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

4 TAXATION

- (a) The types of tax applicable to the Company's sales of goods and rendering of services include value added tax (VAT) and business tax. Their tax rates are as follows:

<u>Tax Name</u>	<u>Tax basis and applicable rate</u>
Business tax	3%, 5% of taxable revenue
VAT	Output VAT is 17% of product sales and taxable services revenue, according to tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable

Business taxes and surcharges include business tax, watercourse surcharge, urban maintenance and construction tax and education fee surcharge.

(b) Income tax

Income tax in the income statement represents:

	<u>2010</u>	<u>2009</u>
Provision for income tax for the year	<u>-</u>	<u>-</u>

The statutory income tax rate of the Company is 25%.

The income tax rate applicable to the Company will increase from 15% to 25% over the next five years beginning from 1 January 2008. The tax rate will be increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The Company is subject to the income tax rate of 22% for the year (2009: 20%).

(c) Taxes payable

	<u>2010</u>	<u>2009</u>
VAT payable	204,739.19	352,090.18
Business tax payable	83,522.49	33,459.13
Others	<u>24,141.92</u>	<u>27,916.98</u>
Total	<u>312,403.60</u>	<u>413,466.29</u>

5 CASH AT BANK AND ON HAND

	<u>2010</u>	<u>2009</u>
Cash on hand	6,806.54	13,278.68
Demand deposits	<u>38,968,852.70</u>	<u>16,470,037.56</u>
Total	<u>38,975,659.24</u>	<u>16,483,316.24</u>

6 BILLS RECEIVABLE

	<u>2010</u>	<u>2009</u>
Bank acceptance bills	<u>2,000,000.00</u>	<u>2,886,168.17</u>

7 ACCOUNTS RECEIVABLE

The ageing analysis of the Company's accounts receivable is as follows:

	<u>2010</u>			<u>2009</u>		
	<i>Percentage of total accounts RMB receivable</i>	<i>Provision for bad and doubtful debts</i>		<i>Percentage of total accounts RMB receivable</i>	<i>Provision for bad and doubtful debts</i>	
Within 1 year	24,311,727.10	86%	-	20,465,544.54	76%	-
After 1 year but within 2 years	2,822,624.96	10%	240,000.00	4,984,647.67	19%	20,960.00
After 2 year	<u>1,129,542.82</u>	<u>4%</u>	<u>1,129,542.82</u>	<u>1,576,114.89</u>	<u>5%</u>	<u>1,108,582.82</u>
Total	<u>28,263,894.88</u>	<u>100%</u>	<u>1,369,542.82</u>	<u>27,026,307.10</u>	<u>100%</u>	<u>1,129,542.82</u>

Provision for bad and doubtful debts	<u>2010</u>	<u>2009</u>
Opening balance as at 1 January	1,129,542.82	940,448.12
Add: Charge for the year	<u>240,000.00</u>	<u>189,094.70</u>
Closing balance as at 31 December	<u>1,369,542.82</u>	<u>1,129,542.82</u>

8 INVENTORIES

	<u>2010</u>	<u>2009</u>
Raw materials	2,054,213.82	4,219,020.84
Work in progress	262,336.39	8,859,530.80
Finished goods	<u>2,730,560.40</u>	<u>3,215,764.91</u>
	5,047,110.61	16,294,316.55
Less: Provision for diminution in value of inventories	<u>(260,905.02)</u>	<u>(260,905.02)</u>
	<u>4,786,205.59</u>	<u>16,033,411.53</u>

Provision for diminution in value of inventories

	<u>2010</u>	<u>2009</u>
Opening balance as at 1 January	260,905.02	167,069.75
Add: Provision made during the year	-	282,929.97
Less: Write-off during the year	-	(189,094.70)
Closing balance as at 31 December	<u>260,905.02</u>	<u>260,905.02</u>

All the above inventories are purchased from others or self-manufactured.

	<u>2010</u>	<u>2009</u>
Cost of inventories charged to costs and expenses in the income statement	<u>77,644,340.91</u>	<u>36,959,737.27</u>

9 LONG-TERM EQUITY INVESTMENTS

	<u>Opening balance at the beginning of the year</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Closing balance at the end of the year</u>
Investments in a subsidiary	<u>5,462,785.95</u>	<u>-</u>	<u>(5,462,785.95)</u>	<u>-</u>

As at 31 December 2010, the ratio of the total carrying amount of the Company's long-term investments to its net assets was nil (2009: 17%).

The long-term investment is as follow:

<u>Name of investee enterprise</u>	<u>Registered address</u>	<u>Registered capital</u> USD	<u>Percentage of equity interest held by the Company</u>	
			<u>2010</u>	<u>2009</u>
ST Jia Du (Guangzhou) Co., Ltd.	Guangzhou	2,410,000.00	0%	51%

The Company disposed the subsidiary in 2010 and the gain on the disposal was recorded in investment income.

10 FIXED ASSETS

	<i>Office equipment</i>	<i>Office furniture</i>	<i>Motor vehicles</i>	<i>Other equipment</i>	<i>Total</i>
Cost:					
As at 1 January 2010	1,572,739.06	2,753,078.21	256,171.00	484,352.49	5,066,340.76
Additions	122,527.58	83,877.77	-	28,605.13	235,010.48
Disposals	(150,975.05)	-	-	(6,900.00)	(157,875.05)
As at 31 December 2010	1,544,291.59	2,836,955.98	256,171.00	506,057.62	5,143,476.19
Accumulated depreciation:					
As at 1 January 2010	(1,212,355.98)	(2,326,559.55)	(230,553.90)	(433,074.14)	(4,202,543.57)
Charge for the year	(45,974.82)	(360,590.42)	-	(28,985.91)	(435,551.15)
Written back on disposal	135,877.54	-	-	6,210.00	142,087.54
As at 31 December 2010	(1,122,453.26)	(2,687,149.97)	(230,553.90)	(455,850.05)	(4,496,007.18)
Carrying amount:					
As at 31 December 2010	421,838.33	149,806.01	25,617.10	50,207.57	647,469.01
As at 31 December 2009	360,383.08	426,518.66	25,617.10	51,278.35	863,797.19

As at 31 December 2010, the original cost of the fixed assets that have been fully depreciated but are still in use was RMB 4,356,571.25 (2009: RMB 2,289,185.28).

11 CONSTRUCTION IN PROCESS

As at 1 January 2010	-
Addition during the year	254,756.81
Transfer to fixed assets during the year	-
As at 31 December 2010	254,756.81

12 SHORT-TERM LOANS

	<i>2010</i>	<i>2009</i>
	<i>Principal</i>	<i>Principal</i>
Bank loans	-	878,586.65
		<i>Secured/</i> <i>guaranteed</i>

Short-term bank loan at 31 December 2009 represents the proceeds of the discounted bank acceptance bills.

13 PAID-IN CAPITAL

Registered and paid-in capital

	<u>2010</u>			<u>2009</u>		
	<i>Amount in original currency USD</i>	<i>Amount in RMB equivalent</i>	<i>%</i>	<i>Amount in original currency USD</i>	<i>Amount in RMB equivalent</i>	<i>%</i>
Singapore Technologies Electronics Limited	<u>6,500,000.00</u>	<u>52,059,240.00</u>	<u>100%</u>	<u>6,500,000.00</u>	<u>52,059,240.00</u>	<u>100%</u>

Capital contributions in foreign currency have been translated into Renminbi at the exchange rate prevailing at the dates of each contribution received.

Shanghai Zhonghua Huyin and KPMG Huazhen Certified Public Accountants have verified the above capital contribution and issued related capital verification report.

14 SALES FROM PRINCIPAL ACTIVITIES

	<u>2010</u>	<u>2009</u>
Sales of goods	82,640,415.72	28,492,093.55
Rendering of services	<u>8,559,334.27</u>	<u>15,286,384.12</u>
Total	<u>91,199,749.99</u>	<u>43,778,477.67</u>

15 NET FINANCIAL INCOME

	<u>2010</u>	<u>2009</u>
Interest income	254,013.25	233,681.66
Net exchange income	407,584.92	17,356.20
Other financial expenses	<u>(9,652.68)</u>	<u>(8,140.56)</u>
Total	<u>651,945.49</u>	<u>242,897.30</u>

16 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties with controlling relationships

	<u>Registered address</u>	<u>Principal activities</u>	<u>Relationship with the Company</u>	<u>Types of legal entity</u>
Singapore Technologies Electronics Limited ("STE")	Singapore	Large-scale system provider and operation	Parent company	Limited liability enterprise

(b) Relationship between the Company and related parties without controlling relationships

Relationship with the Company

Singapore Technologies Kinetics Pte. Ltd. (Beijing Representative Office) ("STK Beijing")	Fellow subsidiary
ST Jia Du (Guangzhou) Co., Ltd. ("ST Guangzhou")	Subsidiary
Minrui Electronic Equipment (Sichuan) Co., Ltd. ("Sichuan Minrui")	Fellow subsidiary
ST Environmental Services & Technologies Co., Ltd. ("STESS")	Fellow subsidiary
ST Electronics (Software Services) (STEE-Softserv)	Fellow subsidiary
ST Electronics (Satcom & Sensor systems) Pte. Ltd. ("STES&SS")	Fellow subsidiary
ST Electronics (Info-Comm Systems) Pte. Ltd. ("STEICS")	Fellow subsidiary
ST Electronics (Info-Software Systems) Pte. Ltd. ("STEISS")	Fellow subsidiary
ST Kinetics Co., Ltd. ("ST Kinetics")	Fellow subsidiary
Seel Electronic Engineering Sdn. Bhd. ("SEEL")	Fellow subsidiary
Telematics Wireless Ltd. ("TWS")	Fellow subsidiary
INFA Systems Ltd.	Fellow subsidiary

(c) The amounts of related party transactions of the Company during the year and the balances with related parties at the year end are summarised as follows:

i) The material related-party transactions of the Company are summarised as follows:

	<u>2010</u>	<u>2009</u>
<u>Rendering of services</u>		
- ST Kinetics	1,080,828.20	881,104.71
- STES&SS	520,200.09	693,817.27
- SEEL	-	289,858.50
- STE	131,222.81	165,293.07
- STK Beijing	-	163,736.09
- TWS	187,026.91	123,636.83
- STEICS	-	70,870.05
- Sichuan Minrui	18,000.00	18,000.00
	<u>1,937,278.01</u>	<u>2,406,316.52</u>
<u>Sales of products</u>		
- ST Guangzhou	269,566.02	978,746.98
- STE	7,443,462.60	84,102.08
- STEISS	-	34,523.48
- STES&SS	1,193.24	1,827.50
	<u>7,714,221.86</u>	<u>1,099,200.04</u>
<u>Purchase of raw material and spare parts</u>		
- STEICS	1,251,377.37	2,503,992.14
- STE	1,209,066.41	656,728.35
- TWS	63,456.97	-
	<u>2,523,900.75</u>	<u>3,160,720.49</u>
<u>Consulting service</u>		
- STE	2,125,767.14	1,156,545.75
- STEICS	-	275,680.72
- STEE-Softserv	11,718.20	12,113.80
	<u>2,137,485.34</u>	<u>1,444,340.27</u>
<u>Payment on behalf of</u>		
- STE	-	7,179.43

The Board of Directors of the Company is of the opinion that the above transactions were carried out in the normal course of business and on normal commercial terms.

- ii) The balances of related party receivables and payables at the year end are summarised as follows:

	<u>2010</u>	<u>2009</u>
<u>Accounts receivable</u>		
- ST Guangzhou	1,041,734.65	1,146,342.40
- STEICS	454,646.88	611,481.17
- SEEL	280,648.75	290,007.25
- ST Kinetics	279,537.18	195,629.34
- STES&SS	44,975.78	171,165.76
- STE	4,669,921.25	173,418.06
- STEISS	-	32,654.07
- TWS	16,637.32	15,723.58
- Sichuan Minrui	9,000.00	-
	<u>6,797,101.81</u>	<u>2,636,421.63</u>
<u>Other receivables</u>		
- STEISS	-	97,900.00
- STE	-	22,798.98
- STEL	1,715.72	1,715.72
	<u>1,715.72</u>	<u>122,414.70</u>
<u>Accounts payable</u>		
- STEICS	3,499,231.23	4,682,369.55
- STE	3,200,699.02	2,143,483.51
- STEE-Softserv	11,718.20	-
	<u>6,711,648.45</u>	<u>6,825,853.06</u>
<u>Receipts in advance</u>		
- STE	4,155,683.32	1,760,702.66
- STES&SS	-	180,971.35
- STK Beijing	-	2,155.41
	<u>4,155,683.32</u>	<u>1,943,829.42</u>
<u>Prepayment in advance</u>		
- INFA System LTD.	310,626.00	-

17 COMMITMENTS

(a) Capital commitments

As at 31 December, capital commitments of the Company are summarized as follows.

	<u>2010</u>	<u>2009</u>
Contracted for	<u>120,000.00</u>	<u>-</u>

(b) Operating lease commitments

As at 31 December, the future minimum lease payments under non-cancellable operating leases in respect of leasing of properties were payable as follows:

	<u>2010</u>	<u>2009</u>
Within 1 year	1,170,946.82	482,160.91
After 1 year but within 2 years	1,143,951.01	-
After 2 years but within 3 years	1,235,467.09	-
After 3 years	<u>1,907,970.39</u>	<u>-</u>
Total	<u>5,458,335.31</u>	<u>482,160.91</u>

18 COMPARATIVE FIGURES

Certain comparative figures in the balance sheet, the income statement and the cash flow statement have been reclassified to conform with the current year's presentation to facilitate comparison.

ST ELECTRONICS (SHANGHAI) CO., LTD.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2011 TO 31 DECEMBER 2011
IF THERE IS ANY CONFLICT OF MEANING BETWEEN THE CHINESE AND
ENGLISH VERSIONS, THE CHINESE VERSION WILL PREVAIL

AUDITORS' REPORT

KPMG-B(2012)AR No.0116

The Board of Directors of ST Electronics (Shanghai) Co., Ltd. ("the Company"):

We have audited the accompanying financial statements of ST Electronics (Shanghai) Co., Ltd. ("the Company") on pages 1 to 18, which comprise the balance sheet as at 31 December 2011, and the income statement, and cash flow statement for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises (hereinafter represents Accounting Standards for Business Enterprises-Basic Standard issued in 2006 and specific accounting standards issued before 2006) and Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITORS' REPORT(continued)

KPMG-B(2012)AR No.0116

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and the financial performance and the cash flows of the Company for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen Shanghai Branch

Certified Public Accountants
Registered in the People's Republic of China

China Shanghai

Liu Fengyu

Du Min

Date: 27 February 2012

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the People's Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the People's Republic of China.

ST Electronics (Shanghai) Co., Ltd.
Balance sheet as at 31 December 2011
(Expressed in Renminbi Yuan)

Assets	<i>Notes</i>	<u>2011</u>	<u>2010</u>
Current assets			
Cash at bank and on hand	5	34,183,419.23	38,975,659.24
Bills receivable	6	3,203,995.08	2,000,000.00
Accounts receivable	7	37,514,979.15	26,894,352.06
Other receivables		1,276,707.14	1,462,697.88
Payments in advance		911,848.14	2,057,018.27
Inventories	8	<u>8,689,484.52</u>	<u>4,786,205.59</u>
Total current assets		<u>85,780,433.26</u>	<u>76,175,933.04</u>
Fixed assets			
Cost		5,510,518.35	5,143,476.19
Less: Accumulated depreciation		<u>(4,445,334.32)</u>	<u>(4,496,007.18)</u>
Carrying amount	9	1,065,184.03	647,469.01
Construction in process	10	<u>104,480.36</u>	<u>254,756.81</u>
Total fixed assets		<u>1,169,664.39</u>	<u>902,225.82</u>
Total assets		<u>86,950,097.65</u>	<u>77,078,158.86</u>

The notes on pages 7 to 18 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Balance Sheet as at 31 December 2011 (continued)
(Expressed in Renminbi Yuan)

Liabilities and owner's equity	Notes	2011	2010
Current liabilities			
Accounts payable		27,798,918.99	24,727,880.04
Receipts in advance		7,663,305.66	9,838,726.48
Accrued payroll		1,699,792.32	1,461,997.50
Taxes payable	4(c)	1,117,177.70	312,403.60
Other payables		(17,049.63)	137,551.11
Accrued expenses		<u>8,015,990.69</u>	<u>2,797,810.89</u>
Total current liabilities		<u>46,278,135.73</u>	<u>39,276,369.62</u>
Owner's equity			
Paid-in capital	11	52,059,240.00	52,059,240.00
Accumulated losses		<u>(11,387,278.08)</u>	<u>(14,257,450.76)</u>
Total owner's equity		<u>40,671,961.92</u>	<u>37,801,789.24</u>
Total liabilities and owner's equity		<u>86,950,097.65</u>	<u>77,078,158.86</u>

These financial statements have been approved by the Board of Directors of the Company on date 27 February 2012.



Goh Eng Han
General Manager

(Signature and stamp)



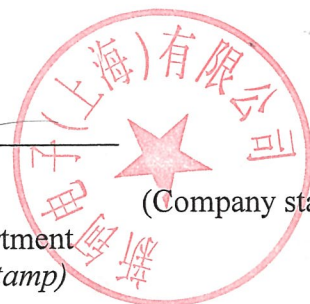
Goh Eng Han
The person in-charge of
the accounting affairs

(Signature and stamp)



Xu Kewei
The head of the
accounting department

(Signature and stamp)



(Company stamp)

The notes on pages 7 to 18 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.

Income statement for the year ended 31 December 2011

(Expressed in Renminbi Yuan)

	Notes	<u>2011</u>	<u>2010</u>
Sales	12	82,693,209.51	91,199,749.99
Less: Cost of sales		(69,812,804.23)	(77,644,340.91)
Business taxes and surcharges	4(a)	<u>(338,983.97)</u>	<u>(262,567.48)</u>
Profit from principal activities		12,541,421.31	13,292,841.60
Less: Operating expenses		(4,859,855.79)	(5,269,281.46)
General and administrative expenses		(4,003,322.67)	(4,304,679.51)
Add: Net financial income	13	<u>176,900.73</u>	<u>651,945.49</u>
Operating profit		3,855,143.58	4,370,826.12
Add: Investment income		-	1,677,214.05
Non-operating income		1,736.20	2,480.00
Less: Non-operating expenses		<u>(18,728.90)</u>	<u>(12,220.51)</u>
Profit before income tax		3,838,150.88	6,038,299.66
Less: Income tax	4(b)	<u>(967,978.20)</u>	-
Net profit for the year		2,870,172.68	6,038,299.66
Add: Accumulated losses at the beginning of the year		<u>(14,257,450.76)</u>	<u>(20,295,750.42)</u>
Accumulated losses carried forward		<u>(11,387,278.08)</u>	<u>(14,257,450.76)</u>

The notes on pages 7 to 18 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.

Cash flow statement for the year ended 31 December 2011

(Expressed in Renminbi Yuan)

	<i>Note to the cash flow statement</i>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities			
Cash received from sales of goods and rendering of service		80,577,902.94	104,610,421.14
Refund of taxes		3,407,801.96	-
Cash received relating to other operating activities		<u>1,736.20</u>	<u>2,480.00</u>
Sub-total of cash inflows		<u>83,987,441.10</u>	<u>104,612,901.14</u>
Cash paid for goods and services		(61,861,423.04)	(57,188,785.83)
Cash paid to and for employees		(9,260,899.77)	(9,586,307.33)
Cash paid for all types of taxes		(2,187,796.52)	(3,939,840.80)
Cash paid relating to other operating activities		<u>(15,398,119.52)</u>	<u>(17,434,850.49)</u>
Sub-total of cash outflows		<u>(88,708,238.85)</u>	<u>(88,149,784.45)</u>
Net cash (outflow)/inflow from operating activities	<i>i</i>	<u>(4,720,797.75)</u>	<u>16,463,116.69</u>
Cash flows from investing activities			
Cash received from disposal of a subsidiary		-	7,140,000.00
Net cash received from disposal of fixed assets		299.15	3,567.00
Cash received relating to other investing activities		<u>329,887.30</u>	<u>254,013.25</u>
Sub-total of cash inflows		<u>330,186.45</u>	<u>7,397,580.25</u>
Cash paid for acquisition of fixed assets		<u>(401,628.71)</u>	<u>(489,767.29)</u>
Sub-total of cash outflows		<u>(401,628.71)</u>	<u>(489,767.29)</u>
Net cash (outflow)/inflow from investing activities		<u>(71,442.26)</u>	<u>6,907,812.96</u>

The notes on pages 7 to 18 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.

Cash flow statement for the year ended 31 December 2011 (continued)

(Expressed in Renminbi Yuan)

	<i>Note to the cash flow statement</i>	<u>2011</u>	<u>2010</u>
Cash flows from financing activities			
Cash repayments of borrowings		-	(878,586.65)
Sub-total of cash outflows		-	(878,586.65)
		<u> </u>	<u> </u>
Net cash outflow from financing activities		-	(878,586.65)
		<u> </u>	<u> </u>
Net (decrease)/increase in cash	<i>ii</i>	<u>(4,792,240.01)</u>	<u>22,492,343.00</u>

The notes on pages 7 to 18 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.

Cash flow statement for the year ended 31 December 2011 (continued)

(Expressed in Renminbi Yuan)

Notes to the cash flow statement

i Reconciliation of net profit to cash flows from operating activities

	<u>2011</u>	<u>2010</u>
Net profit	2,870,172.68	6,038,299.66
Add: Provision for bad debts	-	240,000.00
Depreciation of fixed assets	115,703.84	435,551.15
Increase/(decrease) in accrued expenses	5,218,179.80	(101,968.49)
Loss on disposal of fixed assets	18,187.15	12,220.51
Financial income	(329,887.30)	(254,013.25)
Gains arising from investments	-	(1,677,214.05)
(Increase)/decrease in gross inventories	(3,903,278.93)	11,247,205.94
Increase in gross operating receivables	(10,493,461.30)	(549,940.99)
Increase in operating payables	<u>1,783,586.31</u>	<u>1,072,976.21</u>
Net cash (outflow)/inflow from operating activities	<u>(4,720,797.75)</u>	<u>16,463,116.69</u>

ii Net (decrease)/increase in cash

	<u>2011</u>	<u>2010</u>
Cash at the end of the year	34,183,419.23	38,975,659.24
Less: Cash at the beginning of the year	<u>38,975,659.24</u>	<u>16,483,316.24</u>
Net (decrease)/increase in cash	<u>(4,792,240.01)</u>	<u>22,492,343.00</u>

The notes on pages 7 to 18 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Notes to the financial statements
(Expressed in Renminbi Yuan)

1 COMPANY STATUS

ST Electronic (Shanghai) Co., Ltd. (the “Company”) is a wholly foreign-owned enterprise established in Shanghai in the People’s Republic of China (“the PRC”) by Singapore Technologies Electronics Limited on 28 August 1998. The Company obtained business licence (Qi Du Hu Pu Zong Zi No.310115400055552 (Pudong)). The original registered capital is USD 3,250,000. On 18 January 2007, the Company’s Board of Directors obtained approval from the Shanghai Foreign Investment Committee to increase the registered capital from USD 3,250,000 to USD 6,500,000.

The Company’s period of operation is 20 years and the Company commenced its operations in May 1999. The Company’s principal activities are developing and manufacturing computer monitoring and management system, microwave control systems, simulation and training system, security system products, subway passenger information system, metro control system for automatic toll collection, metro platform screen doors system, intelligent transportation system (including fleet management system, urban traffic management system, highway management system, etc), subway transmission system, subway train communication system, and EMC electromagnetic compatibility equipment products and related software, selling self produced products, and providing technical consultancy and after sales service to the above system integration products; intelligent building engineering contractor.

2 BASIS OF PREPARATION

These financial statements have been translated into English from the Company’s statutory financial statements issued in the PRC in Chinese.

The principal accounting policies adopted in the preparation of the financial statements are in conformity with Accounting Standards for Business Enterprises-Basic Standard issued in 2006, specific accounting standards issued before 2006 and the Accounting Regulations for Business Enterprises, all issued by the Ministry of Finance of the PRC (“the MOF”). The accounting policies comply with the legal and reporting requirements of the relevant government authorities. Accordingly, the basis of measurement and presentation in these financial statements may not be in compliance with the accounting principles and practices generally accepted in countries and jurisdictions other than the PRC and may not be suitable for any purpose other than for statutory reporting.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting year

The accounting year of the Company is from 1 January to 31 December.

(b) Basis of preparation and measurement basis

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost.

(c) Functional currency

The Company's functional currency is the Renminbi.

(d) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates quoted by the People's Bank of China and other exchange rates recognised by the state ruling on the first day of the month in which the transactions take place.

Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates quoted by the People's Bank of China and other exchange rates recognised by the state ruling at the balance sheet date.

Exchange gains and losses on foreign currency translation, except for the exchange gains and losses directly relating to the construction of fixed assets (see note 3(g)), are dealt with in the income statement.

(e) Provision for bad and doubtful debts

The provision for bad and doubtful debts losses is estimated by management based on individual accounts receivable which show signs of uncollectibility and an ageing analysis. Provision for other receivables is determined based on their specific nature and management's estimate of their collectibility.

(f) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs. Inventories are measured at their actual cost upon acquisition. The cost of inventories is calculated using the first-in first-out method. In addition to the purchase cost of raw materials, work in progress and finished goods also include direct labour costs and an appropriate allocation of manufacturing overheads.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales and relevant taxes.

(g) Fixed assets and construction in progress

Fixed assets are assets with relatively high unit values held by the Company for use in the production of goods, for use in supply of services and for administrative purposes. They are expected to be used for more than one year.

Fixed assets and construction in progress are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(i)). Construction in progress is stated in the balance sheet at cost less impairment losses (see note 3(i)).

All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalised as construction in progress. Those costs include borrowing costs (including foreign exchange differences arising from the loan principal and the related interest) on specific borrowings for the construction of the fixed assets during the construction period. Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The respective estimated useful lives and the estimated rate of residual values on cost adopted for the Company's fixed assets are as follows:

	<i><u>Estimated useful life</u></i>	<i><u>Estimated rate of residual value</u></i>	<i><u>Rate of depreciation</u></i>
Office equipment	5 years	10%	18%
Office furniture	5 years	10%	18%
Motor vehicles	5 years	10%	18%
Other equipment	5 years	10%	18%

(h) Operating lease charges

Rental payments under operating leases are charged as expenses on a straight-line basis over the lease term. Contingent rental payments are charged as expenses in the accounting period in which they are incurred.

(i) Provision for impairment

The carrying amounts of assets (including fixed assets, construction in process, and other assets) are assessed regularly to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in conditions indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment is calculated on an item-by-item basis and recognised as an expense in the income statement.

If there is an indication that there has been a change in the factors used to determine the provision for impairment and as a result the estimated recoverable amount is greater than the carrying amount of the asset, the impairment loss recognised in prior years is reversed. Reversals of impairment losses are recognised in the income statement. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(j) Income tax

Income tax is recognised when payable under the tax payable method. Income tax for the year is provided at the applicable tax rate on taxable income.

(k) Revenue recognition

When it is probable that the economic benefits will flow to the Company and the revenue and costs can be measured reliably, revenue is recognised in the income statement according to the following methods:

i) Sales of goods

Sales revenue is recognised when the significant risks and rewards of the ownership of goods have been transferred to the buyers and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

ii) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised in the income statement by reference to the stage of completion of the transaction based on the progress of work performed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that are expected to be recoverable.

iii) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable rate.

(l) Research and development costs

Research and development costs are recognised in the income statement in the period in which they are incurred.

(m) Repair and maintenance expenses

Repair and maintenance expenses (including major overhaul expenses) are recognised in the income statement when incurred.

(n) Retirement benefits

Pursuant to the relevant laws and regulations in the PRC, the Company has joined a defined contribution retirement plan for the employees arranged by a governmental organisation. The Company makes contributions to the retirement scheme at the applicable rates based on the employees' salaries. The contributions are capitalised into cost of assets or charged to the income statement on an accrual basis. After the payment of the contributions under the retirement plan, the Company does not have any other obligations in this respect.

(o) Related parties

If the Company has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Company and one or more parties are subject to common control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

4 TAXATION

- (a) The types of tax applicable to the Company's sales of goods and rendering of services include value added tax (VAT) and business tax, etc. Their tax rates are as follows:

<u>Tax Name</u>	<u>Tax basis and applicable rate</u>
Business tax	3%, 5% of taxable revenue
VAT	Output VAT is 17% of product sales and taxable services revenue, according to tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable
Urban maintenance and construction tax	1% of VAT and business tax
Education levy	5% of VAT and business tax
Riverway management charges	1% of VAT and business tax

(b) Income tax

Income tax in the income statement represents:

	<u>2011</u>	<u>2010</u>
Provision for income tax for the year	<u>967,978.20</u>	<u>-</u>

The statutory income tax rate of the Company is 25%.

Pursuant to the Income Tax Law of PRC for Foreign Invested Enterprises and Foreign Enterprises, the income tax rate applicable to the Company will increase from 15% to 25% over the next five years beginning from 1 January 2008. Meanwhile, the Company is entitled to a holiday of a tax-free period for the first and second profit making years and a 50% reduction in the income tax rate for the third to fifth years. Under the New Corporate Tax Law, the Company's first profit-making year is deemed to be 2008. Accordingly, the applicable income tax rates are 0% for 2008 to 2009, 11% for 2010, 12% for 2011, and 12.5% for 2012. The Company is subject to the preferential income tax rate of 12% for the year (2010: 11%).

(c) Taxes payable

	<u>2011</u>	<u>2010</u>
Income tax payable	835,296.40	-
VAT payable	236,201.23	204,739.19
Business tax payable	55,208.27	83,522.49
Others	<u>(9,528.20)</u>	<u>24,141.92</u>
Total	<u>1,117,177.70</u>	<u>312,403.60</u>

5 CASH AT BANK AND ON HAND

	<u>2011</u>	<u>2010</u>
Cash on hand	4,004.23	6,806.54
Demand deposits	<u>34,179,415.00</u>	<u>38,968,852.70</u>
Total	<u>34,183,419.23</u>	<u>38,975,659.24</u>

6 BILLS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Bank acceptance bills	<u>3,203,995.08</u>	<u>2,000,000.00</u>

7 ACCOUNTS RECEIVABLE

The ageing analysis of the Company's accounts receivable is as follows:

	<u>2011</u>			<u>2010</u>		
	<i>Percentage of total accounts RMB receivable</i>	<i>Provision for bad and doubtful debts</i>		<i>Percentage of total accounts RMB receivable</i>	<i>Provision for bad and doubtful debts</i>	
Within 1 year	34,395,081.45	89%	-	22,715,944.35	80%	-
After 1 year but within 2 years	501,573.95	1%	-	4,418,407.71	16%	240,000.00
After 2 year	<u>3,987,866.57</u>	<u>10%</u>	<u>1,369,542.82</u>	<u>1,129,542.82</u>	<u>4%</u>	<u>1,129,542.82</u>
Total	<u>38,884,521.97</u>	<u>100%</u>	<u>1,369,542.82</u>	<u>28,263,894.88</u>	<u>100%</u>	<u>1,369,542.82</u>

Provision for bad and doubtful debts	<u>2011</u>	<u>2010</u>
Opening balance as at 1 January	1,369,542.82	1,129,542.82
Add: Charge for the year	<u>-</u>	<u>240,000.00</u>
Closing balance as at 31 December	<u>1,369,542.82</u>	<u>1,369,542.82</u>

8 INVENTORIES

	<u>2011</u>	<u>2010</u>
Raw materials	4,050,890.90	2,054,213.82
Work in progress	940,889.95	262,336.39
Finished goods	<u>3,958,608.69</u>	<u>2,730,560.40</u>
Subtotal	8,950,389.54	5,047,110.61
Less: Provision for diminution in value of inventories	<u>(260,905.02)</u>	<u>(260,905.02)</u>
Total	<u>8,689,484.52</u>	<u>4,786,205.59</u>

Provision for diminution in value of inventories

	<u>2011</u>	<u>2010</u>
As at 31 December	<u>260,905.02</u>	<u>260,905.02</u>

All the above inventories are purchased from others or self-manufactured.

	<u>2011</u>	<u>2010</u>
Cost of inventories charged to costs and expenses in the income statement	<u>69,812,804.23</u>	<u>77,644,340.91</u>

9 FIXED ASSETS

	<i>Office equipment</i>	<i>Office furniture</i>	<i>Motor vehicles</i>	<i>Other equipment</i>	<i>Total</i>
Cost:					
As at 1 January 2011	1,544,291.59	2,836,955.98	256,171.00	506,057.62	5,143,476.19
Additions	116,750.35	4,974.35	-	19,653.54	141,378.24
Transferred from construction in progress	-	336,800.10	-	73,726.82	410,526.92
Disposals	(184,863.00)	-	-	-	(184,863.00)
As at 31 December 2011	1,476,178.94	3,178,730.43	256,171.00	599,437.98	5,510,518.35
Accumulated depreciation:					
As at 1 January 2011	(1,122,453.26)	(2,687,149.97)	(230,553.90)	(455,850.05)	(4,496,007.18)
Other adjustment	(90,782.58)	-	-	90,782.58	-
As at 1 January 2011 after adjustment	(1,213,235.84)	(2,687,149.97)	(230,553.90)	(365,067.47)	(4,496,007.18)
Charge for the year	(57,325.90)	(22,282.10)	-	(36,095.84)	(115,703.84)
Written back on disposal	166,376.70	-	-	-	166,376.70
As at 31 December 2011	(1,104,185.04)	(2,709,432.07)	(230,553.90)	(401,163.31)	(4,445,334.32)
Carrying amount:					
As at 31 December 2011	<u>371,993.90</u>	<u>469,298.36</u>	<u>25,617.10</u>	<u>198,274.67</u>	<u>1,065,184.03</u>
As at 31 December 2010	<u>421,838.33</u>	<u>149,806.01</u>	<u>25,617.10</u>	<u>50,207.57</u>	<u>647,469.01</u>

As at 31 December 2011, the original cost of the fixed assets that have been fully depreciated but are still in use was RMB 4,675,880.25 (2010: RMB 4,356,571.25).

10 CONSTRUCTION IN PROCESS

As at 1 January 2011	254,756.81
Addition during the year	260,250.47
Transfer to fixed assets during the year	<u>(410,526.92)</u>
As at 31 December 2011	<u>104,480.36</u>

11 PAID-IN CAPITAL

Registered and paid-in capital

	2011			2010		
	<i>Amount in original currency USD</i>	<i>Amount in RMB equivalent</i>	<i>%</i>	<i>Amount in original currency USD</i>	<i>Amount in RMB equivalent</i>	<i>%</i>
Singapore Technologies Electronics Limited	<u>6,500,000.00</u>	<u>52,059,240.00</u>	<u>100%</u>	<u>6,500,000.00</u>	<u>52,059,240.00</u>	<u>100%</u>

Capital contributions in foreign currency have been translated into Renminbi at the exchange rate prevailing at the dates of each contribution received.

Shanghai Zhonghua Huyin and KPMG Huazhen Certified Public Accountants have verified the above capital contribution and issued related capital verification report.

12 SALES FROM PRINCIPAL ACTIVITIES

	<u>2011</u>	<u>2010</u>
Sales of goods	67,778,799.41	82,640,415.72
Rendering of services	<u>14,914,410.10</u>	<u>8,559,334.27</u>
Total	<u>82,693,209.51</u>	<u>91,199,749.99</u>

13 NET FINANCIAL INCOME

	<u>2011</u>	<u>2010</u>
Interest income	329,887.30	254,013.25
Net exchange (losses)/income	(129,335.90)	407,584.92
Other financial expenses	<u>(23,650.67)</u>	<u>(9,652.68)</u>
Total	<u>176,900.73</u>	<u>651,945.49</u>

14 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties with controlling relationships

	<u>Registered address</u>	<u>Principal activities</u>	<u>Relationship with the Company</u>	<u>Types of legal entity</u>
Singapore Technologies Electronics Limited ("STE")	Singapore	Large-scale system provider and operation	Parent company	Limited liability enterprise

(b) Relationship between the Company and related parties without controlling relationships

Relationship with the Company

Singapore Technologies Kinetics Pte. Ltd. (Beijing Representative Office) ("STK Beijing")	Fellow subsidiary
Minrui Electronic Equipment (Sichuan) Co., Ltd. ("Sichuan Minrui")	Fellow subsidiary
ST Electronics (Software Services) ("STEE-Softserv")	Fellow subsidiary
ST Electronics (Satcom & Sensor systems) Pte. Ltd. ("STES&SS")	Fellow subsidiary
ST Electronics (Info-Comm Systems) Pte., Ltd. ("STEICS")	Fellow subsidiary
ST Electronics (Info-Software Systems) Pte., Ltd. ("STEISS")	Fellow subsidiary
ST Electronics (Data Centre Solutions) Pte., Ltd. ("PM-B")	Fellow subsidiary
ST Electronics (Software Services) Limited. ("STE-SES")	Fellow subsidiary
ST Kinetics Co., Ltd. ("ST Kinetics")	Fellow subsidiary
Seel Electronic Engineering Sdn. Bhd. ("SEEL")	Fellow subsidiary
Telematics Wireless Ltd. ("TWS")	Fellow subsidiary
INFA Systems Ltd.	Fellow subsidiary

(c) The amounts of related party transactions of the Company during the year and the balances with related parties at the year end are summarised as follows:

i) The material related-party transactions of the Company are summarised as follows:

	<u>2011</u>	<u>2010</u>
<u>Rendering of services</u>		
- ST Kinetics	1,142,558.02	1,080,828.20
- STES&SS	173,423.27	520,200.09
- STE	1,957,090.14	131,222.81
- STK Beijing	119,337.78	-
- TWS	181,598.79	187,026.91
- Sichuan Minrui	-	18,000.00
- PM-B	592,709.72	-
- STEICS	190,567.00	-
	<u>4,357,284.72</u>	<u>1,937,278.01</u>
<u>Sales of products</u>		
- STE	19,065,073.52	7,443,462.60
- STES&SS	-	1,193.24
- STE-SES	7,620.50	-
- STEICS	1,506.73	-
	<u>19,074,200.75</u>	<u>7,444,655.84</u>
<u>Purchase of raw material and spare parts</u>		
- STEICS	-	1,251,377.37
- STE	421,334.79	1,209,066.41
- TWS	-	63,456.97
- STES&SS	77,086.95	-
- STEICS	1,708,754.78	-
- INFA Systems Ltd.	1,240,227.48	-
	<u>3,447,404.00</u>	<u>2,523,900.75</u>
<u>Consulting service</u>		
- STE	442,886.50	2,125,767.14
- STEE-Softserv	120,000.00	11,718.20
- STEICS	383,729.82	-
- STES&SS	52,274.41	-
	<u>998,890.73</u>	<u>2,137,485.34</u>

The Board of Directors of the Company is of the opinion that the above transactions were carried out in the normal course of business and on normal commercial terms.

- ii) The balances of related party receivables and payables at the year end are summarised as follows:

	<u>2011</u>	<u>2010</u>
<u>Accounts receivable</u>		
- STEICS	434,460.24	454,646.88
- SEEL	268,187.75	280,648.75
- ST Kinetics	263,825.69	279,537.18
- STES&SS	129,951.42	44,975.78
- STE	2,509,002.54	4,669,921.25
- TWS	11,040.75	16,637.32
- Sichuan Minrui	-	9,000.00
	<u>3,616,468.39</u>	<u>5,755,367.16</u>
<u>Other receivables</u>		
- STE	7,675.10	-
- SEEL	<u>1,715.72</u>	<u>1,715.72</u>
	<u>9,390.82</u>	<u>1,715.72</u>
<u>Accounts payable</u>		
- STEICS	1,769,067.30	3,499,231.23
- STE	823,075.71	3,200,699.02
- STEE-Softserv	-	11,718.20
- STES&SS	<u>78,896.23</u>	-
	<u>2,671,039.24</u>	<u>6,711,648.45</u>
<u>Receipts in advance</u>		
- STE	2,633,611.00	4,155,683.32
- STES&SS	167,355.47	-
- TWS	<u>8.01</u>	-
	<u>2,800,974.48</u>	<u>4,155,683.32</u>
<u>Prepayment in advance</u>		
- INFA System Ltd.	<u>-</u>	<u>310,626.00</u>

15 COMMITMENTS

(a) Capital commitments

As at 31 December, capital commitments of the Company are summarized as follows.

	<u>2011</u>	<u>2010</u>
Contracted for	<u>-</u>	<u>120,000.00</u>

(b) Operating lease commitments

As at 31 December, the future minimum lease payments under non-cancellable operating leases in respect of leasing of properties were payable as follows:

	<u>2011</u>	<u>2010</u>
Within 1 year	1,170,537.01	1,170,946.82
After 1 year but within 2 years	1,235,467.09	1,143,951.01
After 2 years but within 3 years	1,334,304.46	1,235,467.09
After 3 years	<u>573,665.92</u>	<u>1,907,970.39</u>
Total	<u>4,313,974.48</u>	<u>5,458,335.31</u>

ST ELECTRONICS (SHANGHAI) CO., LTD.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS
ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITORS' REPORT

毕马威华振沪审字第 1300666 号

The Board of Directors of ST Electronics (Shanghai) Co., Ltd.:

We have audited the accompanying financial statements of ST Electronics (Shanghai) Co., Ltd. ("the Company") on pages 1 to 34, which comprise the balance sheet as at 31 December 2012, the income statement, the cash flow statement, the statement of changes in equity for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITORS' REPORT (CONTINUED)

毕马威华振沪审字第 1300666 号

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and the financial performance and the cash flows of the Company for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen
(Special General Partnership)
Shanghai Branch

Certified Public Accountants
Registered in the People's Republic of
China

China Shanghai

Pan Zijian

Du Min

Date: 25 March 2013

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the People's Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the People's Republic of China.

ST Electronics (Shanghai) Co., Ltd.
 Balance sheet as at 31 December 2012
 (Expressed in Renminbi Yuan)

	Note	2012	2011 (Note 4)
Assets			
Current assets			
Cash at bank and on hand	6	45,217,594.81	34,183,419.23
Bills receivable	7	8,100,000.00	3,203,995.08
Accounts receivable	8	26,467,215.56	37,514,979.15
Prepayments	9	727,575.05	911,848.14
Other receivables	10	3,103,139.21	1,276,707.14
Inventories	11	<u>11,949,604.92</u>	<u>8,689,484.52</u>
Total current assets		<u>95,565,129.55</u>	<u>85,780,433.26</u>
Non-current assets			
Fixed assets	12	1,288,646.99	1,065,184.03
Construction in progress	13	-	104,480.36
Deferred tax assets	14	<u>4,643,730.79</u>	<u>1,247,086.00</u>
Total non-current assets		<u>5,932,377.78</u>	<u>2,416,750.39</u>
Total assets		<u><u>101,497,507.33</u></u>	<u><u>88,197,183.65</u></u>

The notes on pages 7 to 34 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Balance sheet as at 31 December 2012 (continued)
(Expressed in Renminbi Yuan)

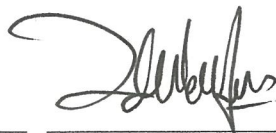
	Note	2012	2011 (Note 4)
Liabilities and owner's equity			
Current liabilities			
Accounts payable		29,136,016.09	27,798,918.99
Advances from customers		6,630,805.30	7,663,305.66
Employee benefits payable	16	1,165,221.01	1,678,996.06
Taxes payable	5(3)	1,390,051.75	1,117,177.70
Other payables	17	<u>17,175,595.35</u>	<u>8,019,737.32</u>
Total liabilities		<u>55,497,689.50</u>	<u>46,278,135.73</u>
Owner's equity			
Paid-in capital	18	52,059,240.00	52,059,240.00
Accumulated losses		<u>(6,059,422.17)</u>	<u>(10,140,192.08)</u>
Total owner's equity		<u>45,999,817.83</u>	<u>41,919,047.92</u>
Total liabilities and owner's equity		<u>101,497,507.33</u>	<u>88,197,183.65</u>

These financial statements were approved by the Board of Directors of the Company on 25 March 2013.



Lee Fook Sun

Legal representative
(Signature and stamp)



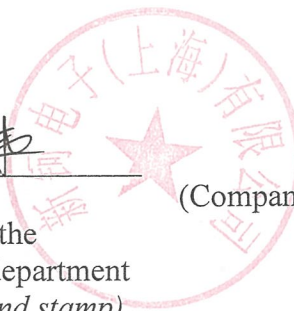
Goh Eng Han

The person in-charge of
the accounting affairs
(Signature and stamp)



Xu Kewei

The head of the
accounting department
(Signature and stamp)



(Company stamp)

The notes on pages 7 to 34 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Income statement for the year ended 31 December 2012
(Expressed in Renminbi Yuan)

	Note	2012	2011 (Note 4)
Operating income	19	85,237,846.70	82,693,209.51
Less: Operating costs		(71,519,063.35)	(69,812,804.23)
Business taxes and surcharges		(538,602.87)	(338,983.97)
Selling and distribution expenses		(5,191,787.88)	(4,859,855.79)
General and administrative expenses		(5,252,510.77)	(4,003,322.67)
Add: Net financial income	20	170,834.49	176,900.73
Less: Impairment losses	21	<u>(1,346,055.68)</u>	<u>-</u>
Operating profit		1,560,660.64	3,855,143.58
Add: Non-operating income	22	693,116.74	1,736.20
Less: Non-operating expenses	23	(13,852.46)	(18,728.90)
(including: Losses from disposal of non-current assets)		<u>(11,827.33)</u>	<u>(18,187.15)</u>
Profit before income tax		2,239,924.92	3,838,150.88
Add: Income tax expense	5(2), 24	<u>1,840,844.99</u>	<u>279,107.80</u>
Net profit for the year		4,080,769.91	4,117,258.68
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>4,080,769.91</u></u>	<u><u>4,117,258.68</u></u>

The notes on pages 7 to 34 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Cash flow statement for the year ended 31 December 2012
(Expressed in Renminbi Yuan)

	Note	2012	2011
Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		98,751,639.11	80,577,902.94
Refund of taxes		2,751,206.52	3,407,801.96
Cash received relating to other operating activities		<u>31,669.00</u>	<u>1,736.20</u>
Sub-total of cash inflows		<u>101,534,514.63</u>	<u>83,987,441.10</u>
Cash paid for goods and services		(55,716,412.81)	(61,861,423.04)
Cash paid to and for employees		(12,139,195.88)	(9,260,899.77)
Cash paid for all types of taxes		(3,041,130.46)	(2,187,796.52)
Cash paid relating to other operating activities		<u>(19,661,700.14)</u>	<u>(15,398,119.52)</u>
Sub-total of cash outflows		<u>(90,558,439.29)</u>	<u>(88,708,238.85)</u>
Net cash inflow/(outflow) from operating activities	25(1)	<u>10,976,075.34</u>	<u>(4,720,797.75)</u>
Cash flows from investing activities:			
Net cash received from disposal of fixed assets		3,395.81	299.15
Cash received relating to other investing activities		<u>414,051.04</u>	<u>329,887.30</u>
Sub-total of cash inflows		<u>417,446.85</u>	<u>330,186.45</u>
Cash paid for acquisition of fixed assets		<u>(359,346.61)</u>	<u>(401,628.71)</u>
Sub-total of cash outflows		<u>(359,346.61)</u>	<u>(401,628.71)</u>
Net cash inflow/(outflow) from investing activities		<u>58,100.24</u>	<u>(71,442.26)</u>
Net increase/(decrease) in cash	25(2)	11,034,175.58	(4,792,240.01)
Add: cash at the beginning of the year		<u>34,183,419.23</u>	<u>38,975,659.24</u>
Cash at the end of the year		<u>45,217,594.81</u>	<u>34,183,419.23</u>

The notes on pages 7 to 34 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.

Statement of changes in equity for the year ended 31 December 2012

(Expressed in Renminbi Yuan)

	<i>Note</i>	<i>Paid in capital</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance at 31				
December 2011		52,059,240.00	(11,387,278.08)	40,671,961.92
Changes in accounting policies 4		<u>-</u>	<u>1,247,086.00</u>	<u>1,247,086.00</u>
Balance at 1 January 2012		<u>52,059,240.00</u>	<u>(10,140,192.08)</u>	<u>41,919,047.92</u>
Changes in 2012				
1.Net profit for the year		-	4,080,769.91	4,080,769.91
2.Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2012		<u>52,059,240.00</u>	<u>(6,059,422.17)</u>	<u>45,999,817.83</u>

The notes on pages 7 to 34 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.

Statement of changes in equity for the year ended 31 December 2011 (Continued)
(Expressed in Renminbi Yuan)

	<i>Note</i>	<i>Paid in capital</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance at 31 December 2010		52,059,240.00	(14,257,450.76)	37,801,789.24
Changes in accounting policies	4	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 1 January 2011		<u>52,059,240.00</u>	<u>(14,257,450.76)</u>	<u>37,801,789.24</u>
Changes in 2011				
1.Net profit for the year		-	4,117,258.68	4,117,258.68
2.Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2011		<u>52,059,240.00</u>	<u>(10,140,192.08)</u>	<u>41,919,047.92</u>

The notes on pages 7 to 34 form part of these financial statements.

ST Electronics (Shanghai) Co., Ltd.
Notes to the financial statements
(Expressed in Renminbi Yuan)

1 Company status

ST Electronic (Shanghai) Co., Ltd. (the “Company”) is a wholly foreign-owned enterprise established in Shanghai in the People’s Republic of China (“the PRC”) by Singapore Technologies Electronics Limited on 28 August 1998. The Company obtained business licence (Qi Du Hu Pu Zong Zi No.310115400055552 (Pudong)). The original registered capital is USD 3,250,000. On 18 January 2007, the Company’s Board of Directors obtained approval from the Shanghai Foreign Investment Committee to increase the registered capital from USD 3,250,000 to USD 6,500,000.

The Company’s period of operation is 20 years and the Company commenced its operations in May 1999. The Company’s principal activities are developing and manufacturing computer monitoring and management system, microwave control systems, simulation and training system, security system products, subway passenger information system, metro control system for automatic toll collection, metro platform screen doors system, intelligent transportation system (including fleet management system, urban traffic management system, highway management system, etc), subway transmission system, subway train communication system, and EMC electromagnetic compatibility equipment products and related software, selling self produced products, and providing technical consultancy and after sales service to the above system integration products; intelligent building engineering contractor.

2 Basis of preparation

The financial statements have been prepared on the basis of going concern.

(1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of “Accounting Standards for Business Enterprises-Basis Standard” and 38 Specific Standards issued by the Ministry of Finance (MOF) of the People’s Republic of China (PRC) on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as “Accounting Standards for Business Enterprises” or “CAS”). These financial statements present truly and completely the financial position of the Company as at 31 December 2012, the financial performance and the cash flows of the Company for the year then ended.

(2) Accounting year

The accounting year of the Company is from 1 January to 31 December.

(3) Measurement basis

The measurement basis generally used in the preparation of the financial statements is historical cost basis.

(4) Functional currency and presentation currency

The Company's functional currency is Renminbi. These financial statements are presented in Renminbi.

3 Significant accounting policies and accounting estimates

(1) Translation of foreign currencies

When the Company receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the People's Bank of China.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences, except for those arising from the principal and interest of specific foreign currency borrowings for the purpose of acquisition, construction of qualifying assets, are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to Renminbi using the foreign exchange rate at the transaction date.

(2) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(3) Inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. Cost of inventories is calculated using the first-in first-out method. In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories, and is recognised in profit or loss. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes.

(4) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Company for use in the production of goods, for the use in supply of services or for administrative purposes with useful lives of more than one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(7)(b)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(7)(b)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs, and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Company in a different patterns thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the criteria to recognise fixed assets are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of fixed asset, less is estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful live. The estimated useful lives, residual value and depreciation rates of each class of fixed assets are as follows:

	<i>Estimated useful life</i>	<i>Residual value rate</i>	<i>Depreciation rate</i>
Electronic equipment	5 years	10%	18%
Office furniture	5 years	10%	18%
Motor vehicles	5 years	10%	18%
Other equipment	5 years	10%	18%

Useful lives, residual value and depreciation methods are reviewed at least at each year-end.

(5) Operating lease charges

Rental payments under operating leases are recognised as expenses on a straight-line basis over the lease term.

(6) Financial instruments

Financial instruments include cash at bank and on hand, receivables, payables and paid-in capital.

(a) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the contractual provisions of a financial instrument.

The Company classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

The Company did not have any financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets in the current or comparative accounting periods.

Financial assets and financial liabilities are measured initially at fair value. The related directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method.

- Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss, mainly including the Company's trade and other payables, are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(b) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Company has a legal right to set off the recognised amounts and the legal right is currently enforceable; and
- the Company intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(c) Determination of fair values

If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models and etc. The Company calibrates the valuation technique and tests it for validity periodically.

(d) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Company's contractual rights to the cash flows from the financial asset expire or if the Company transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

The Company derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged, cancelled or expires.

(7) Impairment of financial assets and non-financial long-term assets

Except for impairment of assets in Note 3(3) and 3(9), impairment of assets is accounted for using the following principles:

(a) Impairment of receivables

The carrying amounts of receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting present economic conditions.

If, after an impairment loss has been recognised on receivables, there is objective evidence of a recovery in value of the receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the receivable's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years.

(b) Impairment of other assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Company also considers how management monitors the Company's operations and how management makes decisions about continuing or disposing of the Company's assets.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

If the result of the recoverable amount calculation indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, the carrying amount of the assets in the asset group or set of asset groups is reduced on a pro rata basis. However, the carrying amount of an impaired asset will not be lower than the greatest amount of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

(8) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in the cost of relevant assets or expenses in the current period.

(a) Social insurance and housing fund

Pursuant to the relevant laws and regulations of the PRC, employees of the Company participate in the social insurance system established and managed by government organisations. The Company makes social insurance contributions — including contributions to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and etc. — as well as contributions to housing fund, at the applicable benchmarks and rates stipulated by the government for the benefit of its employees. The social insurance and housing fund contributions are recognised as part of the cost of assets or charged to profit or loss on an accrual basis. Except for the above contributions, the Company does not have any other obligations in this respect.

(b) Termination benefits

When the Company terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits to be provided is recognised in profit or loss when both of the following conditions are satisfied:

- The Company has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly;
- The Company is not allowed to withdraw from the termination plan or redundancy offer unilaterally.

(9) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Company has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of collection or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent what it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets, and
- they relate to income taxes levied by the same tax authority on either:
 - the same taxable entity; or
 - different taxable entities which either to intend to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(10) Provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

In terms of a possible obligation resulting from a past transaction or event, whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(11) Revenue recognition

Revenue is the gross inflow of economic benefit in the period arising in the course of the Company's ordinary activities when the inflows result in increase in equity, other than increase relating to contributions from owners. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Company, the revenue and costs can be measured reliably and the following respective conditions are met:

(a) Sale of goods

Revenue from sale of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

- The significant risks and rewards of ownership of goods have been transferred to the buyer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.

(b) Rendering of services

Revenue from rendering of services is measured at the fair value of the consideration received or receivable under the contract or agreement.

At the balance sheet date, where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the proportion of services performed to date to the total services to be performed.

Where the outcome of rendering of services cannot be estimated reliably, if the costs incurred are expected to be recoverable, revenues are recognised to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; if the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(c) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

(12) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Company at no consideration except for any capital contribution from the government as an investor in the Company. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Company will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Company for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Company for expenses incurred is recognised in profit or loss immediately.

(13) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or jointly control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Company. The Company's related parties include, but are not limited to:

- (a) the Company's parent;
- (b) enterprises that are controlled by the Company's parent;
- (c) investors that have joint control or exercise significant influence over the Company;
- (d) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Company;
- (e) key management personnel of the Company and close family members of such individuals;
- (f) key management personnel of the Company's parent and close family members of such individuals; and
- (g) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Company, or close family members of such individuals.

(14) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Company's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

The Company has an integrated structure of internal organisation with a set of unified management performance indicators and one internal reporting system for the Company's operations in its entirety. Management reviews the Company's financial information to make decisions about resource allocation and to conduct performance assessments at the overall Company level. The Company did not have independently managed operating segments in the current or comparative accounting periods, and consequently, the Company does not present segment reporting data.

(15) Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note 27 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

As described in Note 3(7)(a), receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence of impairment includes observable data that come to the attention of the Company about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

(b) Provision for diminution in value of inventories

As described in Note 3(3), the net realisable value of inventories is under management's regular review, and as a result, provision for diminution in value of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Company takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Company's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

(c) Impairment of assets such as fixed assets

As described in Note 3(7)(b), assets such as fixed assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (the asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(d) Depreciation of assets such as fixed assets

As described in 3(4), fixed assets are depreciated over their useful lives after taking into account residual value. The useful lives of the assets are regularly reviewed to determine the depreciation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation, the rate of depreciation is revised prospectively.

4 Changes in accounting policies

A Description of and reasons for changes in accounting policies

The Company first adopted CAS on 1 January 2012. The significant accounting policies applicable to the Company under CAS are summarised in Note 3.

Pursuant to the transitional provisions of CAS, the Company made retrospective adjustments to income taxes. Other items were not adjusted retrospectively.

Upon the adoption of CAS, the Company's significant accounting policies changed as follows:

(a) Income tax

Before 1 January 2012, income tax was previously accounted for using the tax payable method. As of 1 January 2012, it is accounted for using the balance sheet liability method.

On 1 January 2012, deferred taxes arising from temporary differences between the carrying amounts and the tax bases of assets and liabilities were retrospectively adjusted and presented on a net basis on the balance sheet, and adjusted to surplus reserve or retained earnings, if specific conditions were met (see Note 3(9)). The relevant 2011 comparative items have been adjusted accordingly.

(b) Presentation

The Company presented the financial statements in accordance with the requirements of CAS from 1 January 2012. The relevant 2011 comparative items have been adjusted accordingly, unless the adjustments are impractical.

B Effect of changes in accounting policies on the financial statements

Effects of the above changes in accounting policies on the Company's net profits, opening and closing balance of owners' equity for 2011 are summarised as follows:

	<u>2011</u> <i>Net profit</i>	<u>2011</u> <i>Closing balance of owners' equity</i>	<u>2011</u> <i>Opening balance of owners' equity</i>
Net profit and owner's equity before adjustments	2,870,172.68	40,671,961.92	37,801,789.24
Income tax	<u>1,247,086.00</u>	<u>1,247,086.00</u>	-
Net profit and owner's equity after adjustments	<u>4,117,258.68</u>	<u>41,919,047.92</u>	<u>37,801,789.24</u>

Affected assets and liabilities items in the balance sheet as at 31 December 2011 are as follows:

	<i>Notes</i>	<u>Before adjustment</u>	<u>Adjustment</u>	<u>After adjustment</u>
Deferred tax assets		-	1,247,086.00	1,247,086.00
Employee benefits payable	*	(1,699,792.32)	1,699,792.32	-
Accrued payroll	*	-	(1,678,996.06)	(1,678,996.06)
Other payables	*	17,049.63	(8,036,786.95)	(8,019,737.32)
Accrued expenses	*	(8,015,990.69)	<u>8,015,990.69</u>	-
Total			<u>1,247,086.00</u>	

* Apart from the retrospective adjustments made on relevant items in the balance sheet as at 31 December 2011 described in Note 4, certain items in the comparative figures of 2011 have been reclassified to conform to the requirements of CAS 38 First-time adoption of Accounting Standards for Business Enterprises.

Affected income and expenses items in the income statement for the year ended 31 December 2011 are as follows:

	<i>Notes</i>	<i>Before adjustment</i>	<i>Adjustment</i>	<i>After adjustment</i>
Sales from principal activities	*	82,693,209.51	(82,693,209.51)	-
Cost of sales from principal activities	*	(69,812,804.23)	69,812,804.23	-
Business taxes and surcharges	*	(338,983.97)	338,983.97	-
Operating income	*	-	82,693,209.51	82,693,209.51
Operating costs	*	-	(69,812,804.23)	(69,812,804.23)
Business taxes and surcharges	*	-	(338,983.97)	(338,983.97)
Income tax (expense)/income		(967,978.20)	<u>1,247,086.00</u>	279,107.80
Total			<u>1,247,086.00</u>	

* Apart from the retrospective adjustments made on relevant items in the income statement for the year then ended 31 December 2011 described in Note 4, certain items in the comparative figures of 2011 have been reclassified to conform to the requirements of CAS 38 First-time adoption of Accounting Standards for Business Enterprises.

5 Taxation

- (1) The type of tax applicable to the Company's sale of goods and rendering of services include business tax and value added tax (VAT), etc. The tax rate is as follows:

<u>Tax Name</u>	<u>Tax basis and applicable rate</u>
Business tax	3%, 5% of taxable revenue
VAT	Output VAT is 17% of taxable service revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable
Urban maintenance and construction tax	1% of VAT
Education levy	5% of VAT
Riverway management charges	1% of VAT

(2) Income tax

The statutory income tax rate of the Company is 25%. Pursuant to the Income Tax Law of PRC for Foreign Invested Enterprises and Foreign Enterprises, the income tax rate applicable to the Company will increase from 15% to 25% over the next five years beginning from 1 January 2008. Meanwhile, the Company is entitled to a holiday of a tax-free period for the first and second profit making years and a 50% reduction in the income tax rate for the third to fifth years. Under the New Corporate Tax Law, the Company's first profit-making year is deemed to be 2008. Accordingly, the applicable income tax rates are 0% for 2008 to 2009, 11% for 2010, 12% for 2011, and 12.5% for 2012. The Company is subject to the preferential income tax rate of 12.5% for the year (2011: 12%).

(3) Taxes payable

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Business tax payable	7,823.38	55,208.27
VAT (recoverable)/payable	(25,280.76)	236,201.23
Income tax payable	1,389,425.50	835,296.40
Others	<u>18,083.63</u>	<u>(9,528.20)</u>
Total	<u>1,390,051.75</u>	<u>1,117,177.70</u>

6 Cash at bank and on hand

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Cash on hand	438.10	4,004.23
Deposits with bank	<u>45,217,156.71</u>	<u>34,179,415.00</u>
Total	<u>45,217,594.81</u>	<u>34,183,419.23</u>

7 Bills receivable

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Bank acceptance bills	<u>8,100,000.00</u>	<u>3,203,995.08</u>

All of the above bills held by the Company are due within one year.

8 Accounts receivable

(1) Accounts receivable analysed by customer type:

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Amounts due from related parties	5,848,164.96	3,616,468.39
Amounts due from other customers	<u>23,234,649.10</u>	<u>35,268,053.58</u>
Subtotal	29,082,814.06	38,884,521.97
Less: provision for bad and doubtful debts	<u>(2,615,598.50)</u>	<u>(1,369,542.82)</u>
Total	<u>26,467,215.56</u>	<u>37,514,979.15</u>

(2) The ageing analysis of the Company's accounts receivable is as follows:

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Within 1 year(inclusive)	25,220,356.56	34,395,081.45
Over 1 year but within 2 years (inclusive)	141,163.68	501,573.95
Over 2 years	<u>3,721,293.82</u>	<u>3,987,866.57</u>
Subtotal	29,082,814.06	38,884,521.97
Less: provision for bad and doubtful debts	<u>(2,615,598.50)</u>	<u>(1,369,542.82)</u>
Total	<u>26,467,215.56</u>	<u>37,514,979.15</u>

The ageing is counted starting from the date when accounts receivable are recognised.

9 Prepayments

(1) Prepayments by category:

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Prepayment for materials	<u>727,575.05</u>	<u>911,848.14</u>

(2) The ageing analysis of prepayments as follows:

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Within 1 year (inclusive)	<u>727,575.05</u>	<u>911,848.14</u>

The ageing is counted starting from the date when prepayments are recognized.

10 Other receivables

(1) Other receivables by category:

	<u>2012</u> RMB	<u>2011</u> RMB
Deposits for project bidding	1,425,000.00	520,000.00
Deposits	981,000.00	176,000.00
Staff borrowings	494,103.27	346,377.89
Others	<u>203,035.94</u>	<u>234,329.25</u>
Total	<u>3,103,139.21</u>	<u>1,276,707.14</u>

(2) The ageing analysis of the Company's other receivables is as follows:

	<u>2012</u> RMB	<u>2011</u> RMB
Within 1 year (inclusive)	2,320,864.68	521,806.29
Over 1 but within 2 years (inclusive)	619,447.02	629,447.02
Over 2 but within 3 years (inclusive)	40,268.92	21,658.59
Over 3 years	<u>122,558.59</u>	<u>103,795.24</u>
Subtotal	<u>3,103,139.21</u>	<u>1,276,707.14</u>

The ageing is counted starting from the date when other receivables are recognised.

11 Inventories

(1) The inventories by category:

	<u>2012</u> RMB	<u>2011</u> RMB
Raw materials	5,318,556.95	4,050,890.90
Work in progress	3,446,615.68	940,889.95
Finished goods	<u>3,445,337.31</u>	<u>3,958,608.69</u>
Subtotal	12,210,509.94	8,950,389.54
Less: Provision for diminution in value of inventories	<u>(260,905.02)</u>	<u>(260,905.02)</u>
Total	<u>11,949,604.92</u>	<u>8,689,484.52</u>

(2) An analysis of provision for diminution in value of inventories is as follows:

	<i>Balance at the Beginning/end of the year RMB</i>
Raw materials	(102,119.46)
Finished goods	<u>(158,785.56)</u>
Total	<u><u>(260,905.02)</u></u>

12 Fixed assets

	<i>Electronic equipment RMB</i>	<i>Office furniture RMB</i>	<i>Motor vehicles RMB</i>	<i>Other equipment RMB</i>	<i>Total RMB</i>
Cost					
Balance at the beginning of the year	1,476,178.94	3,178,730.43	256,171.00	599,437.98	5,510,518.35
Additions during the year	145,053.45	-	211,900.00	2,393.16	359,346.61
Transfer from construction in progress	-	104,480.36	-	-	104,480.36
Disposals during the year	<u>(120,541.34)</u>	<u>-</u>	<u>-</u>	<u>(31,690.00)</u>	<u>(152,231.34)</u>
Balance at the end of the year	<u>1,500,691.05</u>	<u>3,283,210.79</u>	<u>468,071.00</u>	<u>570,141.14</u>	<u>5,822,113.98</u>
Less: Accumulated depreciation					
Balance at the beginning of the year	(1,104,185.04)	(2,709,432.07)	(230,553.90)	(401,163.31)	(4,445,334.32)
Charge for the year	(71,290.58)	(87,587.95)	(22,249.50)	(44,012.84)	(225,140.87)
Written off on disposal	<u>108,487.20</u>	<u>-</u>	<u>-</u>	<u>28,521.00</u>	<u>137,008.20</u>
Balance at the end of the year	<u>(1,066,988.42)</u>	<u>(2,797,020.02)</u>	<u>(252,803.40)</u>	<u>(416,655.15)</u>	<u>(4,533,466.99)</u>
Carrying amount					
At the end of the year	<u>433,702.63</u>	<u>486,190.77</u>	<u>215,267.60</u>	<u>153,485.99</u>	<u>1,288,646.99</u>
At the beginning of the year	<u>371,993.90</u>	<u>469,298.36</u>	<u>25,617.10</u>	<u>198,274.67</u>	<u>1,065,184.03</u>

13 Construction in progress

	<i>RMB</i>
Balance at the beginning of the year	104,480.36
Transfer to fixed assets during the year	<u>(104,480.36)</u>
Balance at the end of the year	<u><u>-</u></u>

14 Deferred tax assets

	<i>Balance at the beginning of the year tax rate</i>	<i>Current year increase charged to profit or loss</i>		<i>Balance at the end Balance at of the year</i>
		<i>Timing difference</i>	<i>Change in tax rate</i>	
	RMB	RMB	RMB	RMB
Provision for diminution in value of inventories	32,613.13	-	32,613.13	65,226.26
Uninvoiced other payables	1,001,998.83	1,141,600.81	2,143,599.64	4,287,199.28
Accrued but not paid employee benefits	212,474.04	(66,821.42)	145,652.63	291,305.25
Total	<u>1,247,086.00</u>	<u>1,074,779.39</u>	<u>2,321,865.40</u>	<u>4,643,730.79</u>

15 Provisions for impairment

As at 31 December 2012, the provisions for impairment of the Company are set out as follows:

Item	Notes	<i>Balance at the beginning of the year RMB</i>	<i>Charge for the year RMB</i>	<i>Write off during the year RMB</i>	<i>Balance at the end of the year RMB</i>
Accounts receivable	8(2)	1,369,542.82	1,346,055.68	(100,000.00)	2,615,598.50
Inventories	11(2)	<u>260,905.02</u>	-	-	<u>260,905.02</u>
Total		<u>1,630,447.84</u>	<u>1,346,055.68</u>	<u>(100,000.00)</u>	<u>2,876,503.52</u>

16 Employee benefits payable

	<i>Balance at the beginning of the year RMB</i>	<i>Accrued during the year RMB</i>	<i>Paid during the year RMB</i>	<i>Balance at the end of the year RMB</i>
Salaries, bonus, allowances	1,699,792.32	8,371,310.01	(8,968,637.93)	1,102,464.40
Social insurance				
Medical insurance	32.65	772,181.78	(763,420.56)	8,793.87
Pension insurance	(1,533.66)	1,761,181.67	(1,724,229.57)	35,418.44
Unemployment insurance	11.55	158,713.64	(153,906.09)	4,819.10
Work-related injury Insurance	-	28,771.96	(28,771.96)	-
Maternity insurance	-	44,328.77	(44,328.77)	-
Housing fund	<u>(19,306.80)</u>	<u>488,933.00</u>	<u>(455,901.00)</u>	<u>13,725.20</u>
Total	<u>1,678,996.06</u>	<u>11,625,420.83</u>	<u>(12,139,195.88)</u>	<u>1,165,221.01</u>

17 Other payables

Other payables included payable of RMB 17,078,883.14 (2011:7,896,076.69) for purchase payable, of which the Company has not received invoiced at year end.

18 Paid-in capital

The Company's registered capital and paid-in capital structure at 31 December is as follows:

	2012			2011		
	Amount in original currency USD	Amount in RMB equivalent	%	Amount in original currency USD	Amount in RMB equivalent	%
Singapore Technologies Electronics Limited	<u>6,500,000.00</u>	<u>52,059,240.00</u>	<u>100%</u>	<u>6,500,000.00</u>	<u>52,059,240.00</u>	<u>100%</u>

Capital contributions in foreign currency have been translated into Renminbi at the exchange rate prevailing at the dates of each contribution received as quoted by the People's Bank of China.

Shanghai Zhonghua Huyin and KPMG Huazhen Certified Public Accountants have verified the above capital contribution and issued related capital verification report.

19 Operating income

	<u>2012</u> RMB	<u>2011</u> RMB
Sale of goods	74,029,268.44	67,778,799.41
Rendering of services	<u>11,208,578.26</u>	<u>14,914,410.10</u>
Total	<u>85,237,846.70</u>	<u>82,693,209.51</u>

20 Net financial income

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Interest income from deposits	414,051.04	329,887.30
Net exchange losses	(225,131.44)	(129,335.90)
Other financial expenses	<u>(18,085.11)</u>	<u>(23,650.67)</u>
Total	<u>170,834.49</u>	<u>176,900.73</u>

21 Impairment losses

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Accounts receivable	<u>1,346,055.68</u>	<u>-</u>

22 Non-operating income

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Liabilities exemption	661,447.74	-
Government subsidy	31,669.00	-
Others	<u>-</u>	<u>1,736.20</u>
Total	<u>693,116.74</u>	<u>1,736.20</u>

23 Non-operating expenses

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Losses on disposal of fixed assets	11,827.33	18,187.15
Others	<u>2,025.13</u>	<u>541.75</u>
Total	<u>13,852.46</u>	<u>18,728.90</u>

24 Income tax

(1) Income tax income for the year represents

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Current tax expense for the year	1,543,336.42	967,978.20
Under provision for income tax in respect of preceding year	12,463.38	-
Changes in deferred tax assets	<u>(3,396,644.79)</u>	<u>(1,247,086.00)</u>
Total	<u>(1,840,844.99)</u>	<u>(279,107.80)</u>

The analysis of deferred tax income is set out below:

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Origination and reversal of temporary differences	(1,074,779.39)	(1,197,202.56)
Change in tax rate	<u>(2,321,865.40)</u>	<u>(49,883.44)</u>
Total	<u>(3,396,644.79)</u>	<u>(1,247,086.00)</u>

(2) Reconciliation between income tax income and accounting is as follows:

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Profits before taxation	<u>2,239,924.92</u>	<u>3,838,150.88</u>
Expected income tax expense at a tax rate of 25%	559,981.23	959,537.72
Preferential tax rate influence	(481,020.42)	(498,959.61)
Change in tax rate influence	(2,321,865.40)	(49,883.44)
Tax losses not recognised	-	(709,604.22)
Entertainment expenses	40,618.92	19,935.64
Bad debt	336,513.92	-
Under provision for income tax in respect of preceding year	24,926.76	-
Others	<u>-</u>	<u>(133.89)</u>
Total	<u>(1,840,844.99)</u>	<u>(279,107.80)</u>

25 Supplement to cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Net profit	4,080,769.91	4,117,258.68
Add: Provision for bad and doubtful debts	1,346,055.68	-
Depreciation of fixed assets	225,140.87	115,703.84
Losses on disposal of fixed assets	11,827.33	18,187.15
Net financial income	(414,051.04)	(329,887.30)
Increase in deferred tax assets	(3,396,644.79)	(1,247,086.00)
Increase in gross inventories	(3,260,120.40)	(3,903,278.93)
Decrease/(increase) in gross operating receivables	3,163,544.01	(10,493,461.30)
Increase in operating payables	<u>9,219,553.77</u>	<u>7,001,766.11</u>
Net cash inflow/(outflow) from operating activities	<u>10,976,075.34</u>	<u>(4,720,797.75)</u>

(2) Net increase/(decrease) in cash

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Cash at the end of the year	45,217,594.81	34,183,419.23
Less: Cash at the beginning of the year	<u>(34,183,419.23)</u>	<u>(38,975,659.24)</u>
Net increase/(decrease) in cash	<u>11,034,175.58</u>	<u>(4,792,240.01)</u>

26 Segment reporting

The Company has an integrated structure of internal organisation with a set of unified management performance indicators and one internal reporting system for the Company's operations in its entirety. Management reviews the Company's financial information to make decisions about resource allocation and to conduct performance assessments at the overall Company level. The Company did not have independently managed operating segments in the current or comparative accounting periods, and consequently, the Company does not present segment reporting data.

27 Risk analysis, sensitivity analysis, and fair value for financial instruments

The Company has exposure to various risks from its use of financial instruments in the normal course of the Company's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Company's exposure to each of the above risks and their sources, the Company's objectives, policies and processes for measuring and managing risks and etc.

The Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance. Based on such objectives, the Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily attributable to cash at bank and receivables. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Company is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Company.

In respect of receivables, the Company has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit terms applicable to the customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Company has significant exposure to individual customers. At the balance sheet date, 52% (2011: 56%) of the total accounts receivable were due from the five largest customers of the Company.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(2) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Company is responsible for its own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

	2012		2011	
	<i>Contractual undiscounted cash flow</i>	<i>Carrying</i>	<i>Contractual undiscounted cash flow</i>	<i>Carrying</i>
	<i>Within 1</i>	<i>amount at</i>	<i>Within 1</i>	<i>amount at</i>
	<i>year or</i>	<i>balance</i>	<i>year or</i>	<i>balance</i>
	<i>on demand</i>	<i>sheet date</i>	<i>on demand</i>	<i>sheet date</i>
Financial assets				
Cash at bank and on hand	45,217,594.81	45,217,594.81	34,183,419.23	34,183,419.23
Accounts receivable and other receivables	<u>38,397,929.82</u>	<u>38,397,929.82</u>	<u>42,907,529.51</u>	<u>42,907,529.51</u>
Sub-total	<u>83,615,524.63</u>	<u>83,615,524.63</u>	<u>77,090,948.74</u>	<u>77,090,948.74</u>
Financial liabilities				
Accounts payable and other payables	<u>(55,497,689.50)</u>	<u>(55,497,689.50)</u>	<u>(46,278,135.73)</u>	<u>(46,278,135.73)</u>
Net amount	<u>28,117,835.13</u>	<u>28,117,835.13</u>	<u>30,812,813.01</u>	<u>30,812,813.01</u>

(3) Interest rate risk

The Company's interest-bearing financial instruments at the year end are cash at bank with floating interest rates. The Company's exposure to interest rate risk is limited.

(4) Foreign currency risk

The Company's major business operations are conducted and dominated in RMB. As the balances in foreign currencies are not significant, the Company's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is limited.

(5) Fair value

All financial instruments are carried at amounts not materially different from their fair value as at 31 December 2012 and 2011.

28 Operating lease commitments

As at 31 December, the future minimum lease payments under non-cancellable operating leases in respect of the leasing of properties were payable as follows:

	<u>2012</u> <u>RMB</u>	<u>2011</u> <u>RMB</u>
Within 1 year (inclusive)	1,189,836.70	1,170,537.01
After 1 year but within 2 years (inclusive)	1,227,597.87	1,235,467.09
After 2 years but within 3 years (inclusive)	1,325,805.70	1,334,304.46
Over 3 years	<u>573,665.93</u>	<u>573,665.92</u>
Total	<u>4,316,906.20</u>	<u>4,313,974.48</u>

29 Related party relationships and transactions

(1) Information on the parent of the Company is listed as follows:

	<u>Registered address</u>	<u>Business nature</u>	<u>Registered capital SGP</u>	<u>Shareholding percentage</u>	<u>Proportion of voting rights</u>
Singapore Technologies Electronics Electronics Limited ("STE")	Singapore	Large-scale system provider and operation	723,411,000.00	100%	100%

(2) Transactions with key management personnel

	<u>2012</u>	<u>2011</u>
Remuneration of key management personnel	<u>1,328,094.00</u>	<u>1,474,740.00</u>

(3) Transactions with related parties other than key management personnel

(a) Transaction amounts with related parties:

	<u>2012</u>	<u>2011</u>
Rendering of services	2,720,242.73	4,357,284.72
Sales of products	21,920,072.61	19,074,200.75
Purchase of raw material and spare parts	544,610.67	3,447,404.00
Consulting service	97,500.00	998,890.73

The Board of Directors of the Company is of the opinion that the above transactions were carried out in the normal course of business and on normal commercial terms.

- (b) The balances of transactions with related parties as 31 December are set out as follows:

	2012	2011
Accounts receivable	5,848,164.96	3,616,468.39
Accounts payable	1,318,937.28	2,671,039.34
Receipts in advance	552,683.37	2,800,974.48
Other receivables	7,675.10	9,390.82

- (c) Relationship with the related parties under the transactions stated in 3(a)&(b) above:

	<i>Relationship with the Company</i>
Singapore Technologies Kinetics Pte. Ltd.	
(Beijing Representative Office) ("STK Beijing")	Fellow subsidiary
ST Electronics (Software Services) ("STEE-Softserv")	Fellow subsidiary
ST Electronics (Satcom & Sensor systems) Pte. Ltd. ("STES&SS")	Fellow subsidiary
ST Electronics (Info-Comm Systems) Pte., Ltd. ("STEICS")	Fellow subsidiary
ST Electronics (Data Centre Solutions) Pte., Ltd. ("PM-B")	Fellow subsidiary
ST Electronics (Software Services) Limited. ("STE-SES")	Fellow subsidiary
ST Kinetics Co., Ltd. ("ST Kinetics")	Fellow subsidiary
Seel Electronic Engineering Sdn. Bhd. ("SEEL")	Fellow subsidiary
Telematics Wireless Ltd. ("TWS")	Fellow subsidiary
INFA Systems Ltd.	Fellow subsidiary

30 Comparative figures

As described in Note 4, the Company first adopted the CAS on 1 January 2012 and made retrospective adjustments (including adjustments of comparative figures) where required.

ST Electronics (Shanghai) Co., Ltd. Management Method		Doc. No.: STE-Md-010	Revision: A
		Issue Date: Dec. 25, 2007	Pages (Incl. cover): 5
Doc. Name: <h2 style="text-align: center;">Management Method for Business Gifts</h2>			
Draft, Review, Approve		Signature	Date
Writer		Lin Ling	Dec. 25, 2007
<input checked="" type="checkbox"/>	Marketing/Sale Dept.	Dong Jie	Dec. 25, 2007
<input type="checkbox"/>	Tech Dept.		
<input type="checkbox"/>	Procurement Dept.		
<input type="checkbox"/>	Production Dept.		
<input checked="" type="checkbox"/>	Quality Management Dept.	Shao Jun	Dec. 25, 2007
<input type="checkbox"/>	Project Management Dept.		
<input checked="" type="checkbox"/>	Process Dept.	Wu Rongde	Dec. 25, 2007
<input checked="" type="checkbox"/>	Human Resource Dept.	Jin Jiyan	Dec. 25, 2007
<input type="checkbox"/>	After-sales Dept.		
Quality Management Dept. Representative		Shao Jun	Dec. 25, 2007
General Manager		Goh Eng Han	Dec. 25, 2007

[illegible]

1. Purpose

In order to maintain self-discipline, employees shall treat business partner relationships with care and integrity. It is concluded that all employees shall be cautious always to avoid affecting public relations except for purely commercial considerations.

2. Scope

This management method applies to all contractual employees, full-time and part-time employees, temporary employees and employees of other business organizations owned by Singapore Technologies Electronics and rent ST Electronics (Shanghai) Co., Ltd. office space.

3. Definition and Abbreviation

3.1 Gift means: cash or material received by company representatives or employees in goodwill for official reasons.

3.2 Business Partner means: existing and potential customers, developers, contractors, partners, government officials and other business contacts.

3.3 Members of the Code Committee include: General Manager, Internal Audit Director, HR Manager and Finance Manager.

4 Responsibility

4.1 HR Dept. is responsible for summarizing official gifts received, as well as official gifts management method drafting and modification.

4.2 Various functional departments are responsible for staff discipline within their departments.

4.3 Code Committee is responsible for handling official gifts.

4.4 General Manager is responsible for approval for official gift affairs within his power.

5 Management Principle

5.1. Gift Request

5.1.1 Employees are prohibited to request or obtain gifts or other preferential conditions for their self-interest from business partners in the name of the company.

5.1.2 Employee shall not obtain or get gifts, including advertising gifts from business partners or associated company's annual dinner or dance.

5.2. Gift Acceptance

5.2.1 In principle, employees must not accept any gift from business partners, and must make every effort to refund the gifts.

5.2.2 In practice, it may be impractical or rude to return gifts. In this case, the recipient must, without delay, fill out the form STE-QF-231 "Official Gift Declaration Form" and get the following for approval:

Recipient	Approver
Employee of STES	General Manager
Other Business Units under ST Engineering (OBUS)	Head of OBUS

5.2.3 There is only one exception not requiring declaration: gift or souvenir species are of no commercial value like office supplies, including diaries, Calendar, memo, notebook and so on.

5.2.4 If an employee is given any gift commitments or arrangements, he/she must immediately reports to his/her leader. Gifts should be refused under the following conditions:

- a) It is easy to cause unnecessary adverse publicity for the company's directly or indirectly.
- b) It is designed to or may cause the company caught in embarrassing situation.
- c) Gift reception will result in the obligation of any kind to fulfill.
- d) Cash must be strictly rejected.

5.2.5 Employees must not accept free travel from vendor / contractor, even if the purpose is to check the product.

5.2.6 All employees shall provide semi-annual report on gift acceptance to HR Dept. (STE-QF-233 "Semi-annual Official Gift Acceptance Report.")

5.3. Thanks for Gifts:

5.3.1 A letter of thanks must be sent out immediately after gift acceptance. Gift acceptance confirmation should be issued by his/her leader and copied to the General Manager, HR Manager and Financial Manager.

5.3.2 No letter of thanks is required for the following gifts:

- i. Daily supply of journals, magazines and other publications, including subscriptions;
- ii. Sample, sample for development or study;
- iii. Product sampling, sample for trade;
- iv. Souvenirs of no commercial value.

5.4. Distribution and Disposal of Gifts Received

5.4.1 All gifts received should be properly disposed of. Employees are not allowed to retain, eat or handle any gifts without prior approval.

5.4.2 General Manager will determine the most appropriate method of disposal, such as whether to retain or distribute gifts.

5.4.3 All gifts should be disposed of as proper as possible, like being reserved by company to display, given away or distributed by needs.

5.4.4 Under ideal circumstances, even if the gift is reserved, displayed by company, these gifts cannot be used for other purposes without permission.

5.4.5 If some gifts are improper to be reserved, General Manager may decide to approve the retain of the gift, the recipient will be the first candidate.

5.5. Employee to Giving Gifts on Behalf of the Company:

5.5.1 After obtaining the approval of General Manager, employees can send business partners gifts for thanks. Employees should complete the form STE-QF-232 "Application Form for Gifts on Behalf of the Company."

5.5.2 In case of the most senior level personnel buys gifts; he can buy gifts only with his immediate supervisor's approval.

5.5.3 Gifts purchase and approval authority are as follows:

Employee	Value per unit	Approval
STES Employees & Dept. Manager	RMB 0—1000	GM
STES GM		President
OBUS Employees & Dept. Manager	RMB 0—1000	OBUS Head or his/her immediate supervisor
OBUS Head		

Notes: the value of gifts includes the company's procurement costs.

5.6. Holiday Gifts

When sending gifts to business partners, employees can choose the following ways:

- Forwarded or sent by HR Dept. instead;
- Be accompanied by his/her immediate supervisor to send the gifts.

5.7. Gifts Loss

If gifts are lost or stolen, gift custodian must immediately report to HR manager, Finance Manager and General Manager. HR Manager, Finance Manager and General Manager immediately will notify and take appropriate action to investigate and discuss solutions.

5.8. Non-compliant of the Policy

Any employee found not complying with this policy will be disciplined (Punishment is to be negotiated).

6 Management Procedure

6.1 Employees must not accept any gift from business partners, and must make every effort to refund the gifts. If it is impractical or rude to return gifts, the recipient must fill out the form STE-QF-231 "Official Gift Declaration Form" and get approval of General Manager.

6.2 General Manager will determine the appropriate allocation and disposal on the declaration form. The recipient will be informed of the decision.。

6.3 Staff representative should fill out the form STE-QF-232 to purchase gifts. And only with the consent of General Manager, can he purchase gifts.

6.4 Every department shall submit gift list to the Chief of Personnel every half an year (in January and July every year). (STE-QF-233 "Semi-annual Official Gift Acceptance Report" and STE-QF-234 "Semi-annual Official Gift Sending Report").

7 Relevant Documents

7.1 STE-QP001 "Document Control Procedure"

8 All Related Form

8.1 STE-QF-231 "Official Gift Declaration Form"

8.2 STE-QF-232 "Application Form for Gifts on Behalf of the Company"

8.3 STE-QF-233 "Semi-annual Official Gift Acceptance Report"

8.4 STE-QF-234 "Semi-annual Official Gift Sending Report"