



# THE CHALLENGE

Shanghai Asia Holdings Limited  
2008 Annual Report

**Front Cover: Jing-Mao Building, Shanghai, China.**

The building is located on a 24 000 m<sup>2</sup> plot of land near the Lujiazui metro, Pudong, Shanghai. It was designed by the Chicago office of Skidmore, Owings & Merrill. Its postmodern form, whose complexity rises as it ascends, draws on traditional Chinese architecture such as the tiered pagoda, gently stepping back to create a rhythmic pattern as it rises. The building's proportions revolve around the number 8, associated with prosperity in Chinese culture. The 88 floors (93 if the spire floors are counted) are divided into 16 segments, each of which is 1/8th shorter than the 16-story base.

The tower is built around an octagon-shaped concrete shear wall core surrounded by 8 exterior composite super-columns and 8 exterior steel columns. Three sets of 8 two-story high outrigger trusses connect the columns to the core at six of the floors to provide additional support.

Shanghai Asia Holdings

# Annual Report 2008

This year annual report is structured into four reports combining audited and non-audited information.

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(SGX-ST Listing Manual disclosure requirements)

Notice of Annual General Meeting and Proxy Form

This report contains information that is current as of the date of this report. We undertake no obligation to update this information or notify you if it should change or if new information should become available.

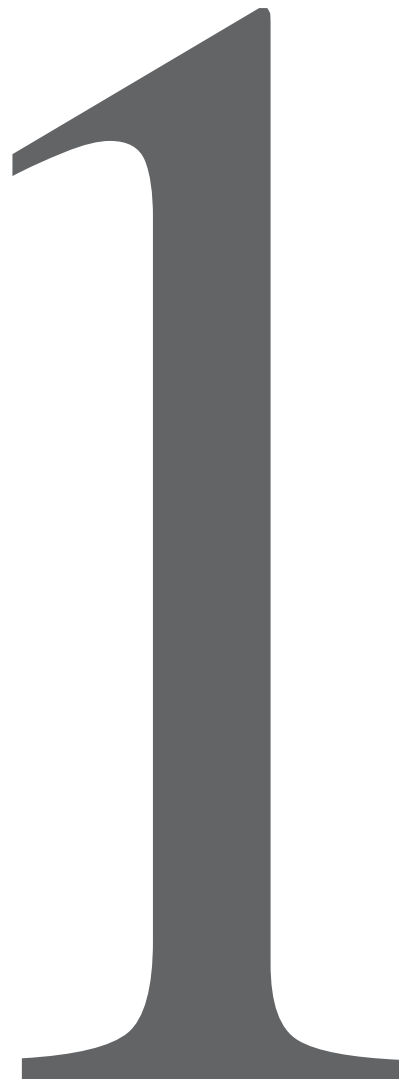


Shanghai Asia Holdings

# Annual Report 2008

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## THE CHALLENGE



### Dear Fellow Shareholders,

On behalf of the Board of Directors, I have pleasure in presenting the Annual Report for the year ended 31 December 2008.

The year 2008 was an incredible year. It was the best of times, it was the worst of times. During the year, the Group achieved record revenues and net profits against a backdrop of the steepest global financial crisis since the Great Depression of 1932. When the going gets tough, the tough get going!

### 5<sup>th</sup> Anniversary Milestone

I feel privileged and honoured to have served as the Chairman of the Board of Directors of Shanghai Asia Holdings (SAH) for the last five years.

2008 marked a significant milestone for the Group. We celebrated the 5<sup>th</sup> anniversary of the Company's listing on the Mainboard of the Singapore Exchange Securities Trading Ltd. The Directors and management team are grateful for the support of our shareholders, some of whom had been with us since our listing. We have and will continue to adopt prudent strategies to strengthen the Group and grow the business, with an eye on creating value for our shareholders.

During the last five years, we believe we have been successful in delivering good financial performance and returns that can match shareholders' expectations. The Group's annual revenue has grown at a compounded annual growth rate (CAGR) of 22.4 per cent to reach RMB843.8 million in 2008. Net profit increased 4.2 per cent CAGR to RMB94.0 million in 2008 during the same period. The Group was able to generate a return on equity of more than 20.0 per cent over the last five years, except for 2008 of 18.4 per cent.

**FOR THE YEAR ENDED  
31 DECEMBER 2008, THE GROUP  
POSTED A RECORD 204.2 PER  
CENT INCREASE IN REVENUE TO  
RMB843.8 MILLION, COMPARED TO  
RMB277.4 MILLION IN 2007**

### 2008 Highlights

For the year ended 31 December 2008, the Group posted a record 204.2 per cent increase in revenue to RMB843.8 million, compared to RMB277.4 million in 2007. Net profit increased by 35.4 per cent from RMB69.4 million in 2007 to RMB94.0 million in 2008. The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) reached RMB161.2 million in 2008, an increase of 71.7 per cent compared to RMB93.9 million in 2007. Except for the aluminium foil lamination business, all our business segments posted profits.

### Rewarding Our Shareholders

We would like to express our appreciation to our shareholders for their continued support and trust in us. While remaining prudent in our cash management and mindful of the need to conserve capital to meet the challenges ahead, we remain committed to rewarding our shareholders with a dividend payout even in these difficult financial times. The Board of Directors is pleased to announce, subject to approval of the Annual General Meeting, a final tax-exempt cash dividend of 1.0 Singapore cent per ordinary share to be paid on 29 May 2009. This represents approximately 44.5 per cent of our 2008 after tax profits.

### **Resilient Amidst Financial Storms**

The Group was not spared from the impact of the global financial crisis that “swamped” almost all economies in the world like a “tsunami” in 2008. Our markets in China remained competitive but our major export markets, the United States and Europe experienced a sharp decline in consumer demand and downturn in business sentiments and activities.

Amidst these challenges, the Group was able to remain resilient and deliver record results during the year. Our relatively strong performance reflects the benefits of our strategic investment in Jiangsu Zhongji Lamination Materials Co., Ltd (JZLM), one of the largest and high-tech thin gauge aluminium foil manufacturers in China. Starting with an initial 46 per cent stake in JZLM in 2005, we acquired all the remaining equity interests of the company in 2008. The consolidation of revenues from our aluminium foil rolling business, with significant contribution from JZLM, gave a huge boost to the Group’s top and bottom lines.

The Group’s current core business of gravure printing of packaging materials for the cigarette industry continued to provide sustained contributions to the Group. This business, riding on steady cigarette consumption growth in China, posted net profit of RMB73.2 million in 2008, representing 77.9 per cent of the Group’s total net profit.

**WE SEE OPPORTUNITIES FOR  
THE GROUP TO FURTHER  
ENHANCE OUR BRAND  
EQUITY AND STRENGTHEN  
OUR COMPETITIVENESS FOR  
SUSTAINABLE GROWTH**

### **Opportunities Amidst Challenges**

Amidst the challenging economic climate, we see opportunities for the Group to further enhance our brand equity and strengthen our competitiveness for sustainable growth.

We will take advantage of the current slowdown in economic activities to streamline our management and operations systems, focusing on improving labour productivity and operational efficiency as well as reducing inventories and capacity so as to achieve cost reductions and improved cash flow. We will stay focused on consolidating our resources and strengthening our capital and operational structure so that when the global economy recovers, we will be ready and prepared to ride the next wave of global economic expansion.

The current economic downturn will no doubt uncover business opportunities. We will be diligent in exploring suitable acquisitions and joint ventures that offer attractive valuations and synergies for our core competencies. We assure our shareholders that in reviewing any joint venture potential, the Board of Directors will exercise a rigorous due diligence process, observe a prudent set of investment guidelines and maintain a high level of financial and risk management discipline.

We expect that the downturn will also compel producers and suppliers of fast moving consumer goods (FMCG) to explore ways to rationalise their end-to-end production processes including packaging to minimise costs. We believe this trend will provide opportunities for us to develop new applications and usage of our aluminium rolling foil for more cost competitive packaging of FMCG. In this way, we hope to create new markets for our aluminium foil products within the FMCG industry.

### **Prudent Capital and Risk Management**

In view of the current economic situation, it is imperative for us to conserve our resources by strengthening the Group's capital base and reducing our exposure to contingent liabilities and counterparty risks.

During the financial year, the Group conducted a rights issue, raising gross proceeds of S\$21.1 million. The proceeds were partly utilised to reduce S\$11.3 million of the Group's borrowings and strengthen our balance sheet and for working capital to increase the output and efficiency of JZLM's aluminium foil rolling production.

We will continue to maintain a flexible capital structure through a balanced use of debt and equity financing to support our acquisitions and capital expenditure to grow our business and maximise value for shareholders.

## **WE EXPECT THE OPERATING ENVIRONMENT IN 2009 TO REMAIN CHALLENGING.**

### **Corporate Governance**

We have put in place 'code of ethics' and 'whistle blowing' policies to ensure that high standards of corporate governance, business ethics and responsibility pervade throughout the Group. We will continuously review and improve our policies, processes, controls and reporting systems to ensure that we are compliant with all regulatory requirements. In addition, we will strive to inculcate among management and staff a culture of honesty and ethical decision making which is more effective in maintaining good corporate governance.

In addition, we will strive for excellence in our governance and transparency practices under the Governance and Transparency Index, which assessed the financial transparency of companies based on their annual announcements.

### **The Challenge going forward in 2009**

We expect the operating environment in 2009 to remain challenging. The global economic crisis will continue to impact heavily on our businesses. There is much uncertainty in the outlook for this year and the key will be to concentrate on debt reduction and cash flow.

However, we believe we will successfully navigate the economic uncertainty. The Board and the management team have the capacity to act, the will to persevere and the determination to apply our best efforts to the task at hand. Therefore, we are cautiously confident that we can deliver reasonable returns to shareholders in 2009.

The Group will stand to benefit from the Chinese government's 4 trillion yuan (US\$585 billion) stimulus plan which was announced in November 2008 to invigorate the Chinese economy. The Chinese authorities have also adopted expansionary policies to increase liquidity in the credit market. In order to mitigate the adverse impact on China's export driven economy caused by the contraction in export markets, the Chinese government has enacted policies to stimulate domestic demand and consumption. This will benefit the Group's aluminium foil rolling business as aluminium foils are widely used in food and beverage, transportation, pharmaceutical and other FMCG packaging industries.

### **Volatile Markets**

The financial and aluminium markets remain volatile.

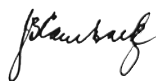
Equity markets across the world, including the Singapore Exchange, have lost more than half of their market capitalisation since October 2008. This has adversely affected SAH's share price which was trading at a level that did not reflect our true value. However, we are confident that when the global markets return to normalcy, our market capitalisation will trend upwards to a level which more closely reflects our performance.

The volatility of the aluminium market will be closely monitored by the Group. The price of aluminium at the London Metal Exchange (LME) declined 41 per cent within 3 months from US\$2,525 per metric ton in September 2008 to US\$1,490 per metric ton in December 2008. The decline in aluminium price will depress the margins of our aluminium foil products in the short term as the stock of our aluminium used in the production of aluminium foils were purchased at a relatively higher price at the beginning of the fourth quarter of 2008. We will reduce inventories of aluminium stock and production volumes to cope with the weakening market and prices of aluminium foil products.

### **Appreciation**

I would like to express my deep appreciation to my fellow Directors for their expert guidance, professionalism and support. On behalf of the Board, I would also like to thank our customers, partners, shareholders and employees for their dedication and generous support.

Yours truly,



**John David Cambridge**

Chairman

25 March 2009

# THE CHALLENGE



- The ongoing economic and credit crisis has affected consumer demand and has negative ramifications on our business.
- Most of the world's major economies are in a recession.
- The financial crisis, the worst in several decades has speeded the downturn and diminished economic growth prospects in the months ahead.
- Government actions to encourage consumer spending and open capital markets, hopefully will shore up consumer demand for goods and services.
- The current credit environment has limited the access to financing and negatively impacted both consumer confidence and spending.
- China holds up amidst all these with an expected growth in its economy in 2009 but at a slower pace.

We will need to confront **THE CHALLENGE** that affects our business in China and the world in the current economic environment.

But there is a bright side in everything  
as long as we are determined and  
do what is required.

**“DETERMINE THE  
THING THAT CAN  
AND SHALL BE  
DONE AND THEN  
WE SHALL FIND  
THE WAY.”**

Abraham Lincoln.

## OUR RESPONSE

We need to build a strong foundation for our business and reinforce our competitive position through initiatives to expand our product offering and geographical presence,

and .....



PREPARE.....

## .....PREPARE FOR WEAKER MARKETS

- ✓ Proactive cost cutting and volume reductions on our aluminium foil rolling business
- ✓ Reduce inventory holding and improve working capital
- ✓ Maintain strong cash and financial position
- ✓ Careful follow-up of counterparty risks

## OUR COMMITMENT

We have been building our business to deliver growth, operating discipline and financial performance for our shareholders. Our continued success will depend on a different approach to growth.

With supply exceeding demand in more industries, competing for a share of contracting markets, while necessary, will not be sufficient to sustain high performance.

To seize new profit and growth opportunities and create new markets for the Group's products, we need to deliver products and services that open and capture new markets space, with a significant leap in demand.

We need to drive costs down while simultaneously driving value up for customers.

Corporate and Shareholder  
Information



Shanghai Asia Holdings

# Annual Report 2008

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## Board of Directors



John David Cambridge

Liu Yi Fang

Liu Jian Zhong



Tung Kum Hon

Yen Wen Hwa

Ronnie Teo Heng Hock



Tay Joo Soon

Liu Ying Kang

Gary Yen

### Board of Directors

John David Cambridge (*Chairman and Independent Director*) • Liu Yi Fang (*Deputy Chairman and Executive Director*)  
Liu Jian Zhong (*Executive Director and Chief Executive Officer*) • Tung Kum Hon (*Executive Director and Chief Financial Officer*)  
Yen Wen Hwa (*Non-executive Director*) • Ronnie Teo Heng Hock (*Independent Director*) • Tay Joo Soon (*Independent Director*)  
Liu Ying Kang (*Non-executive Director*) • Gary Yen (*Non-executive Director*)

## Board of Directors

- **John David Cambridge** is the owner and Chief Executive of JD Cambridge Corporate Services Pty Ltd and was formerly the Chief Executive of the Economic Development Authority and the Department of Industry and Trade, Government of South Australia. He is a graduate of the Royal Military College, Duntroon, the Australian Staff College and the Harvard Advanced Management Programme at the University of Hawaii. He is a Fellow of the Institution of Engineers, Australia and has extensive international business experience having been the architect, builder and Chief Executive of SA Centre for Manufacturing Pty Ltd. He is an independent director of New Toyo International Holdings Ltd and serves on the Board of several other International and Australian companies.
- **Liu Yi Fang** is one of the founders and major shareholder of the Company. He has over 20 years of experience in the printing and paper packaging industry. Liu Yi Fang is the Chairman and Chief Executive Officer of Jiangyin Liantong Enterprise Co., Ltd as well as serving on the boards of various companies in China, including Jiangsu Runhua Sci-Tech Investment Co., Ltd. He is a member of the Jiangsu Committee, Chinese People's Political Consultation Conference.
- **Liu Jian Zhong** is the Chief Executive Officer of the Company. He has held various positions in his career in the cigarette packaging printing business. He is the younger brother of Liu Yi Fang.
- **Tung Kum Hon** is the Chief Financial Officer of the Company. He is a Malaysian Certified Public Accountant and Chartered Accountant. He is a Member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. He has over 20 years experience in public accounting, business advisory and transactions services with Price-waterhouseCoopers, Hong Kong and Malaysia, and KPMG Singapore. He was formerly the Chief Operating Officer of the Bintang Melewar group of companies in Malaysia. He is also a director of Tien Wah Press Holdings Berhad, Malaysia.
- **Yen Wen Hwa** is one of the founders and a major shareholder of the Company. He is also the founder and non-executive Chairman of New Toyo International Holdings Ltd. He has over 36 years' experience in the paper conversion and packaging industry in Asia Pacific.
- **Ronnie Teo Heng Hock** has more than 20 years in the banking and finance industry before becoming the Managing Partner of Financial Reengineering Pte Ltd, a management consultancy company specialising in providing investment advisory services and project financing. He was formerly the General Manager of DBS Finance Ltd and the Chief Executive Officer of DBS Asset Management Ltd. He is a director of Berger International Ltd, Berger Paints Singapore Pte Limited, Sunvic Chemical Holdings Ltd, Behringer Corporation Limited, Uni-Asia Finance Corporation as well as Yeoman 3-Rights Value Asia Fund. He holds a Bachelor of Social Sciences (Hons) degree in Economics from the University of Singapore.
- **Tay Joo Soon** is a proprietor of his own firm, Tay Joo Soon & Co., which was founded in 1970. A practicing Certified Public Accountant, he has over 30 years of experience in the fields of accounting, auditing, taxation and company secretarial work in diverse industries such as manufacturing and retailing. He sits on the board of other public listed companies, namely, Jurong Cement Limited, New Toyo International Holdings Ltd and Tai Sin Electric Limited. He is a Fellow of the Institute of Certified Public Accountants of Singapore, a Fellow of the Institute of Chartered Accountants in Australia, a member of the Malaysian Institute of Certified Public Accountants and a Member of CPA Australia.
- **Liu Ying Kang** is the son of Liu Yi Fang and Special Assistant to the Chairman of Jiangyin Liantong Enterprise Co., Ltd. He holds a Diploma in Business Studies and a Master degree in Business Studies from the Dublin Business School and a Diploma in Management from Suzhou University.
- **Gary Yen** is the Executive Director and Chief Executive Officer of New Toyo International Holdings Ltd. He holds a Bachelor of Commerce Degree (Accounting) from University of Flinders, Australia. He is also the non-executive Deputy Chairman of Tien Wah Press Holdings Berhad.

All the directors were first appointed in 2004 except for Gary Yen who was appointed in 2008, Liu Ying Kang was previously the alternate director to Liu Yi Fang and was appointed as a director in 2008.

## Board Committees

|   |   |
|---|---|
| <p><b>Nomination Committee</b></p> <p>John David Cambridge<br/><i>(Chairman)</i></p> <p>Ronnie Teo Heng Hock<br/><i>(Member)</i></p> <p>Tay Joo Soon<br/><i>(Member)</i></p>                                  | <p><b>Key Terms of Reference</b></p> <ul style="list-style-type: none"> <li>■ Recommend to the Board of Directors, candidates for all directorships and Directors to fill the seats on board committees.</li> <li>■ Satisfy that plans are in place for succession and development of Directors and other senior executives, taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future.</li> <li>■ Review annually the required mix of skills and experience of the Board of Directors, including the core competencies, which non-executive Directors should bring to the Board.</li> <li>■ Assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director.</li> </ul> |
| <p><b>Remuneration Committee</b></p> <p>John David Cambridge<br/><i>(Chairman)</i></p> <p>Ronnie Teo Heng Hock<br/><i>(Member)</i></p> <p>Tay Joo Soon<br/><i>(Member)</i></p>                                | <p><b>Key Terms of Reference</b></p> <ul style="list-style-type: none"> <li>■ The Committee shall determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive, the Executive Directors and such other members of the executive management as it is designated to consider. No individual shall take part in any discussion concerning specifically his or her own remuneration.</li> <li>■ The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.</li> </ul>   |
| <p><b>Audit Committee</b></p> <p>Ronnie Teo Heng Hock<br/><i>(Chairman)</i></p> <p>John David Cambridge<br/><i>(Member)</i></p> <p>Tay Joo Soon<br/><i>(Member)</i></p>                                       | <p><b>Key Terms of Reference</b></p> <ul style="list-style-type: none"> <li>■ The Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.</li> <li>■ Assess the SAH Group's processes relating to its risks and control environment.</li> <li>■ Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors and maintain open lines of communication between the Board of Directors and the auditors.</li> <li>■ Review the Group's arrangements for its employees to raise concerns, in confidence about possible wrongdoing in financial reporting or other matters.</li> </ul>   |
| <p><b>Investment Committee</b></p> <p>John David Cambridge<br/><i>(Chairman)</i></p> <p>Liu Jian Zhong<br/><i>(Member)</i></p> <p>Tung Kum Hon<br/><i>(Member)</i></p> <p>Yen Wen Hwa<br/><i>(Member)</i></p> | <p><b>Key Terms of Reference</b></p> <ul style="list-style-type: none"> <li>■ Study and recommend to the Board any suitable potential investment opportunities in synergistic industries and businesses that would broaden the Group's revenues and further enhance the position the Group as a market leader and progressive printing company in China and add shareholder value to the Company.</li> </ul>  |

## Officers and Employees

| Officers   | Key employees  |   |
|--|--|---|
| John David Cambridge<br><i>(Chairman of the Board)</i>         | Liu Ding Zhong<br><i>(General Manager – Gravure Printing)</i>                                  | <p><b>537</b> Total employees</p> <p>309 employees – Aluminium Foil Rolling</p> <p>183 employees – Gravure Printing</p> |
| Liu Yi Fang<br><i>(Executive Director and Deputy Chairman)</i> | Du Jiang<br><i>(General Manager, Production – Aluminium Foil Rolling)</i>                      |   |
| Liu Jian Zhong<br><i>(Chief Executive Officer)</i>             | Zhu Hong Jun<br><i>(General Manager, Marketing – Aluminium Foil Rolling)</i>                   |   |
| Tung Kum Hon<br><i>(Chief Financial Officer)</i>               | Foo Kok Meng<br><i>(Deputy General Manager, Marketing &amp; Operations – Gravure Printing)</i> |   |
|  | Xu Ming<br><i>(Production Manager – Gravure Printing)</i>                                      |   |
|  | Shao He Hua<br><i>(Deputy General Manager – Finance and Corporate Affairs, China)</i>          |   |
|  | Gao Feng<br><i>(Group Accountant, China)</i>   |   |
|  | Kevin Tse<br><i>(Group Accountant – Corporate Head Office, Singapore)</i>                      |   |
|  |  |   |
|  |  |   |

# OUR PEOPLE

We promote innovative ways to transfer skills, knowledge and practices to all employees, with a view to improving overall performance and productivity.

# Corporate Governance

## Principles of Corporate Governance

- |   |  |    |   |
|---|--|----|---|
| 1 | Principle 1: Board Practices                                 | 9  | Principle 9: Disclosure on Remuneration           |
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| 8 | Principle 8: Level and Mix of Remuneration                   |    |   |

## Corporate Governance

The Company recognises the importance of good governance. This statement outlines the corporate governance practices of the Company in relation to the Code of Corporate Governance (the “Code”) set out in the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

### Principle 1: Board Practices

The Board of Directors meets at least four times a year.

Matters for Board approval include major investment proposals or divestments, announcements of financial results, dividend payments, policy or strategic matters affecting our Company, re-organisations and substantial transactions which have a material impact on our Company.

Below is the attendance of the Directors at meetings of the Board and its committees in 2008:

|                          | <b>Board</b> | <b>Audit Committee</b> | <b>Nominating Committee</b> | <b>Remuneration Committee</b> |
|--------------------------|--------------|------------------------|-----------------------------|-------------------------------|
| No. of meetings held     | 5            | 5                      | 2                           | 2                             |
| No. of meetings attended |              |                        |                             |                               |
| John David Cambridge     | 5            | 5                      | 2                           | 2                             |
| Liu Yi Fang              | 4            | na                     | na                          | na                            |
| Liu Jian Zhong           | 5            | na                     | na                          | na                            |
| Tung Kum Hon             | 5            | na                     | na                          | na                            |
| Yen Wen Hwa              | 5            | na                     | na                          | na                            |
| Ronnie Teo Heng Hock     | 4            | 4                      | 2                           | 2                             |
| Tay Joo Soon             | 5            | 5                      | 2                           | 2                             |
| Gary Yen                 | –*           | na                     | na                          | na                            |
| Liu Ying Kang            | –*           | na                     | na                          | na                            |

na - not a member \* - appointed on 26 November 2008

### Principle 2: Board Composition and Balance

There is a strong and independent element on the Board with Independent Directors forming one-third of the Board.

The Board has nine members, of whom six are non-executive (including three Independent Directors) and three, namely, Liu Yi Fang, Liu Jian Zhong and Tung Kum Hon, are Executive Directors.

### Principle 3: Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate.

### Principle 4: Board Membership and Performance

One-third (or the number nearest to one-third) of the Directors are required to retire from office at each Annual General Meeting (“AGM”). Further, all our Directors are required to retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. In addition, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next AGM of our Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. The Company will be holding its fifth AGM on 28 April 2009.

## Corporate Governance

The dates of first appointment and last re-election of our Directors are as follows:

| <b>Directors</b>     | <b>Date of appointment</b> | <b>Date of last re-election</b> |
|----------------------|----------------------------|---------------------------------|
| John David Cambridge | 26 April 2004              | 28 April 2008                   |
| Liu Yi Fang          | 26 April 2004              | 28 April 2008                   |
| Liu Jian Zhong       | 10 February 2004           | 27 April 2006                   |
| Tung Kum Hon         | 10 February 2004           | 27 April 2006                   |
| Yen Wen Hwa          | 10 February 2004           | 27 April 2006                   |
| Ronnie Teo Heng Hock | 26 April 2004              | 28 April 2008                   |
| Tay Joo Soon         | 26 April 2004              | 26 April 2007                   |
| Gary Yen             | 26 November 2008           | -                               |
| Liu Ying Kang        | 26 November 2008           | -                               |

Our Directors do not have fixed terms of office. They are however subject to retirement by rotation in accordance with Articles 91 to 93 of our Articles of Association.

### **Principle 5: Board Performance**

Our Nominating Committee comprises three Directors, all of whom, including the Chairman, are non-executive and independent. They are John David Cambridge as Chairman, Tay Joo Soon and Ronnie Teo Heng Hock. The duties of our Nominating Committee include re-nomination of Directors taking into consideration each Director's contribution and performance as well as determining annually whether a Director is independent.

Our Nominating Committee assesses the effectiveness of the Board and the contribution by each Director annually taking into account the performance criteria outlined in the Code as well as the Directors' ability and character in resolving matters.

Where a Director has multiple board representations, the Nominating Committee will evaluate whether or not the Director is able to carry out and has been adequately carrying out his or her duties as Director of the Company. Final approval of a candidate for directorship is determined by the full Board.

Each member of our Nominating Committee shall abstain from voting on any resolution in respect of the assessment of his performance, independence or re-nomination as Director.

Details of the Directors' academic and professional qualifications as well as directorships and other appointments are set out on page 17 of this Annual Report. Information regarding the Directors' shareholdings in the Company and related corporations (other than wholly-owned subsidiaries) is set out on page 60.

### **Principle 6: Access to Information**

All Directors are provided with complete, adequate and timely information prior to meetings and on a regular basis to enable them to fulfil their duties properly. Management is also prepared to provide further information and explanation on materials given to Directors and meet to discuss any issue prior to a Board meeting, if required.

In exercising their duties, the Directors have independent access to senior management and the Company secretary. If necessary, the Directors can seek professional advice and services on any areas they deem necessary, at the expense of the Company.

## Corporate Governance

### Principle 7: Procedures for Developing Remuneration Policies

Our Remuneration Committee comprises three Directors, all of whom are non-executive and independent. They are John David Cambridge as Chairman, Ronnie Teo Heng Hock and Tay Joo Soon. Our Remuneration Committee recommends to our Board of Directors the remuneration framework for our Directors and key executives and determine specific remuneration packages for each Executive Director.

The recommendations of our Remuneration Committee are submitted to our Board of Directors for endorsement. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances and bonuses, options and benefits in kind, are covered by our Remuneration Committee.

Each member of our Remuneration Committee abstains from voting on any resolutions in respect of his remuneration package.

### Principle 8: Level and Mix of Remuneration

Non-executive Directors do not have service contracts with the Company and their terms are specified in the Articles of Association of the Company which contain retirement and re-election provisions.

Most non-executive Directors are paid Directors' fees subject to the approval of the Company at AGMs. Executive Directors do not receive Directors' fees.

Our Chief Executive Officer's remuneration package includes variable bonus tied to the performance of the Group. In addition, the Company has granted share options to our Executive Directors.

### Principle 9: Disclosure on Remuneration

The remuneration of our Directors for 2008 is as follows:

| Remuneration Band                              | Directors' Fees (%) | Base/Fixed Salary (%) | Variable or performance-related income/Bonuses (%) | Benefits in Kind (%) | Share Options (%) |
|--|---------------------|-----------------------|--|----------------------|-------------------|
| <b>Above S\$500,000</b>                        |                     |                       |  |                      |                   |
| <b>Executive Director</b>                      |                     |                       |  |                      |                   |
| Liu Jian Zhong                                 | Nil                 | 27.2%                 | 72.8%  | Nil                  | Nil*              |
| <b>S\$250,000 – S\$500,000</b>                 |                     |                       |  |                      |                   |
| <b>Executive Director</b>                      |                     |                       |  |                      |                   |
| Tung Kum Hon                                   | Nil                 | 81.0%                 | 19.0%  | Nil                  | Nil*              |
| <b>Below S\$250,000</b>                        |                     |                       |  |                      |                   |
| <b>Executive Director</b>                      |                     |                       |  |                      |                   |
| Liu Yi Fang                                    | Nil                 | 100%                  | Nil  | Nil                  | Nil*              |
| <b>Non-executive Directors</b>                 |                     |                       |  |                      |                   |
| Yen Wen Hwa                                    | 100%                | Nil                   | Nil  | Nil                  | Nil               |
| Gary Yen                                       | Nil                 | Nil                   | Nil  | Nil                  | Nil               |
| Liu Ying Kang                                  | Nil                 | Nil                   | Nil  | Nil                  | Nil               |
| <b>Non-executive and Independent Directors</b> |                     |                       |  |                      |                   |
| John David Cambridge                           | 100%                | Nil                   | Nil  | Nil                  | Nil               |
| Ronnie Teo Heng Hock                           | 100%                | Nil                   | Nil  | Nil                  | Nil               |
| Tay Joo Soon                                   | 100%                | Nil                   | Nil  | Nil                  | Nil               |

\* No share options were granted in 2008. Details of share options granted to the Executive Directors are set out on pages 61 and 62 of this Annual Report.

## Corporate Governance

The remuneration of the five key executives (who are not Directors) for 2008 is as follows:

| <b>Remuneration Band</b> | <b>Base/<br/>Fixed Salary<br/>(%)</b> | <b>Variable or<br/>performance-<br/>related income/<br/>bonuses<br/>(%)</b> | <b>Benefits<br/>in Kind<br/>(%)</b> |
|--------------------------|---------------------------------------|---|-------------------------------------|
| Below S\$100,000         |                                       |   |                                     |
| Liu Ding Zhong           | 33.3%                                 | 66.7%   | Nil                                 |
| Du Jiang                 | 54.6%                                 | 45.4%   | Nil                                 |
| Zhu Hong Jun             | 54.6%                                 | 45.4%   | Nil                                 |
| Foo Kok Meng             | 100%                                  | Nil   | Nil                                 |
| Shao He Hua              | 68.3%                                 | 31.7%   | Nil                                 |

There are no employees who are immediate family members of a Director and whose remuneration exceeded S\$150,000 per annum for the year ended 31 December 2008.

### Principle 10: Accountability

Our Company announces its financial results on a quarterly basis and other information via SGXNET in accordance with the requirements of the SGX-ST.

### Principle 11: Audit Committee

Our Audit Committee comprises three Directors, all of whom, including the Chairman, are non-executive and independent. They are Ronnie Teo Heng Hock as Chairman, Tay Joo Soon and John David Cambridge.

The Audit Committee meets periodically and performs, inter-alia, the following functions:

- (a) review with the external auditors their audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- (b) review the quarterly, half-yearly and annual financial statements of our Group before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- (c) review the assistance given by our management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management, where necessary);
- (d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;
- (e) review non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;
- (f) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

## Corporate Governance

- (g) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (h) review potential conflicts of interest, if any;
- (i) undertake such other reviews and projects as may be requested by our Board, and will report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- (j) generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

The Company has put in place a whistle-blowing policy for employees to raise, in confidence, concerns about possible improprieties in financial reporting or other matters and for the independent investigation of such matters and appropriate follow-up actions.

### **Principle 12: Internal Controls**

The Board recognises its role in ensuring that management maintains a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Company has outsourced its internal audit functions to PriceWaterhouseCoopers (PwC). PwC has conducted internal audits on the Group's companies in 2008 and its recommendations arising from the internal audits have been or are being implemented by the Group.

### **Principle 13: Internal Audit**

The Company constantly strives to upgrade the internal audit framework of the Group. The internal audit function reports primarily to the Chairman of the Audit Committee.

### **Principle 14: Communication with Shareholders**

Our Company takes a serious view of maintaining full and adequate disclosure, in a timely manner, of material events and matters concerning its businesses through SGXNET, public announcements, press releases, circulars to shareholders and Annual Reports. In addition, our Company has established a website at [www.sah.com.sg](http://www.sah.com.sg) for shareholders and the public to obtain up-to-date information on the Company's activities, announcements and Annual Reports.

### **Principle 15: Greater Shareholders' Participation**

AGMs of our Company provide a key forum for dialogue and interaction with shareholders. At such meetings, shareholders are given the opportunity to air their views and ask the Directors and management questions regarding the Company and the Group.

Shareholders are allowed to vote at general meetings in person or by proxy and equal effect is given to such votes. Separate resolutions are tabled at general meetings on each distinct issue.

Where possible, the chairpersons of the audit, nominating and remuneration committees are present and available to address questions at general meetings.

The Company's external auditors are present to assist the Directors in addressing queries by shareholders.

### **Dealings in Securities**

The Company adopts the Best Practices Guide on dealings in securities issued by the SGX-ST.

It advises its officers not to deal in its securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's financial statements for the full financial year, and ending on the date of the announcement of the relevant results.

In addition, the Company reminds its officers to observe the laws on insider dealing at all times, even during the window periods for them to deal in its securities.

## Corporate Governance

### Risk Management

Risk is an intrinsic aspect of business and is inseparable from opportunity. Recognizing and managing risk is central to the business to ensure an environment where we can confidently grow shareholder value through developing and protecting our people, our assets, our environment and our reputation.

The Company is committed to identifying, evaluating and dealing with all real and potential risks to the Company at regular intervals for the purpose of protecting the interests of the Company, its shareholders, employees and customers and to ensure that the objectives of the Company can be met, to mitigate risk and to increase the Company's competitive advantage.

The Board is ultimately responsible for ensuring that the Company has an adequate and effective risk management system and that this system is reviewed at regular intervals. The Board receives reports from the Audit Committee on risk management issues.

The Audit Committee, on behalf of the Board, reviews the effectiveness of the Company's risk management assessment. Assurance that risks are being effectively identified, monitored, managed and controlled is reported to the Board.

## INTEGRITY AND HONESTY

are at the heart of our business.

We expect our people to maintain high ethical standards in everything they do, both in their work for the company and in their personal lives.

## Corporate Information

### Investor Relations

Our Investor Relations team supports institutional, professional and retail investors from the corporate head office in Singapore.

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#### Registered Address in Singapore

8 Cross Street #11-00 PWC Building,  
Singapore 048424  
+65 6236 3333  
+65 6236 4399

#### Independent Auditors

**The Company**  
KPMG LLP  
16 Raffles Quay #22-00 Hong Leong Building,  
Singapore 048581

Partner-in-charge  
Eng Chin Chin, since 2004

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#### Corporate Head Office in Singapore

47 Scotts Road #04-02 Goldbell Towers,  
Singapore 228233  
+65 6238 2187  
+65 6835 9137

#### Independent Auditors

**Principal Subsidiaries and Associate**  
KPMG Huazhen  
50th Floor, Plaza 66  
1266 Nanjing West Road  
Shanghai 200040, China

Partner-in-charge  
William Gong, since 2007

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#### Registrar and Share Registration Office

Tricor Barbinder Share Registration Services  
8 Cross Street #11-00 PWC Building,  
Singapore 048424  
+65 6236 3333  
+65 6236 4399

#### Internal Auditors

PricewaterhouseCoopers  
8 Cross Street #17-00 PWC Building,  
Singapore 048424

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#### Principal Business Addresses in China

280 Xicheng Road, Jiangyin, Jiangsu 214405, China  
+86 510 8602 5487  
+86 510 8602 9489

#### Company Solicitors in Singapore

David Lim & Partners  
50 Raffles Place #17-01 Singapore Land Tower,  
Singapore 048623

2 Ya Bao Road, Jiangyin, Jiangsu 214443, China  
+86 510 8861 6009  
+86 510 8861 6005

Allen & Gedhill  
One Marina Boulevard #28-00  
Singapore 018989

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#### Company Corporate Secretaries

Lee Wei Hsiung (ACIS)  
Lin Moi Heyang (ACIS)

#### Company Solicitors in China

Jingtian & Gongcheng  
15/F The Union Plaza, 20 Chaoyangmenwai Dajie,  
Beijing 100020, China

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#### Principal Bankers

DBS Bank Ltd, Singapore  
Industrial & Commercial Bank of China  
China CITIC Bank  
Bank of Communications, China  
China Merchants Bank  
AmInvestment Bank Berhad, Malaysia

Hotline:  
K H Tung  
+65 6238 2156  
[kumhon@sah.com.sg](mailto:kumhon@sah.com.sg)

## Shareholder Information

Announcements and Per Share data



### 2008-2009 Major announcements to the SGX-ST

|             |   |
|-------------|---|
| 29 Jan 2008 | Completion of 5% capital contribution in the registered capital of JZLM   |
| 29 Feb 2008 | 2007 Full year financial statement and dividend announcement  |
| 20 Mar 2008 | Completion of the acquisition of 43.9% equity interest in JZLM  |
| 29 Apr 2008 | First Quarter 2008 financial statement and dividend announcement  |
| 6 May 2008  | Issue of consideration shares for the acquisition of 43.9% equity interest in JZLM  |
| 7 Aug 2008  | Second Quarter 2008 financial statement and dividend announcement<br>Proposed acquisition of the remaining 5% equity interest in JZLM   |
| 12 Sep 2008 | Proposed rights Issue of up to 256,042,107 shares of the Company (Rights Shares) at an issue price of S\$0.10 for each Rights Share on the basis of three Rights Shares for every Eight existing shares (3 for 8) held (Rights Issue) |
| 7 Nov 2008  | Third Quarter 2008 financial statement and dividend announcement  |
| 25 Nov 2008 | Completion of the Rights Issue  |
| 12 Dec 2008 | Utilisation of the Rights Issue Proceeds  |
| 27 Feb 2009 | 2008 Full year financial statement and dividend announcement  |

### Share Information (for 2008 unless stated)

|  |                |
|--|----------------|
| Current share price <sup>(1)</sup>             | S\$0.13        |
| 52-week range                                  | S\$0.06 - 0.28 |
| Volume traded (1 year)                         | 19.7 million   |
| IPO share price                                | S\$0.28        |
| Year end share price                           | S\$0.09        |
| No of shares issued                            | 881,906,089    |
| Earnings per share (weighted average)          | S\$0.029       |
| Net asset value per share                      | S\$0.162       |
| Price earnings ratio (times) <sup>(2)</sup>    | 4.5            |
| Price to book per share (times) <sup>(3)</sup> | 0.8            |
| Dividends per share                            | S\$0.01        |
| Dividend yield <sup>(4)</sup>                  | 7.7%           |

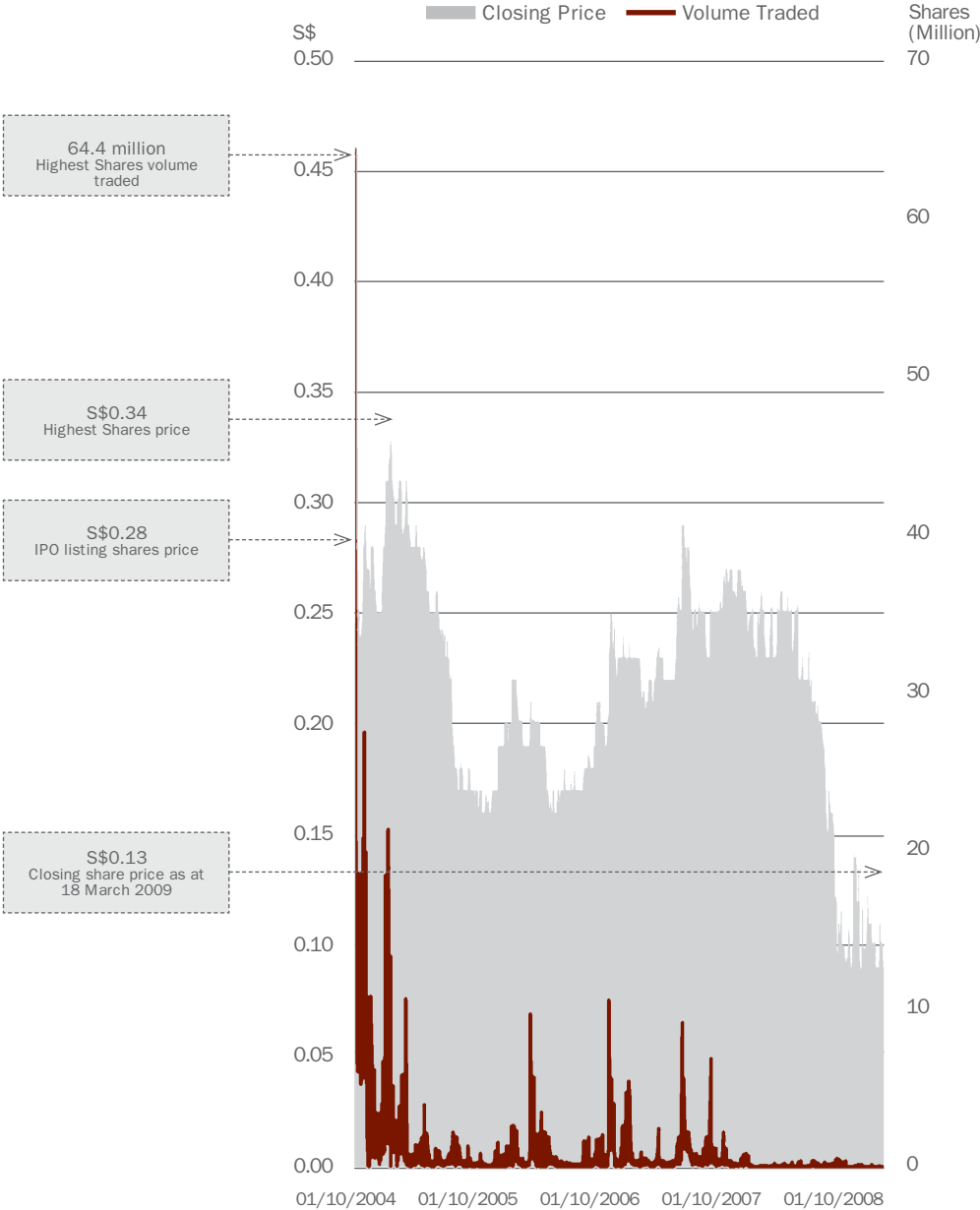
(Translated at RMB:S\$ exchange rate of 4.74:1)

<sup>(1)</sup> As at 18 March 2009<sup>(2)</sup> Current market share price over earnings per share<sup>(3)</sup> Current market share price over net asset value per share<sup>(4)</sup> 2008 Dividend declared over current market share price

# Shareholder Information

Share Price and Trading Volume

## Share Price and Volumes (2004-2009\*)



\* Up to 18 March 2009



# Business and Financial Review

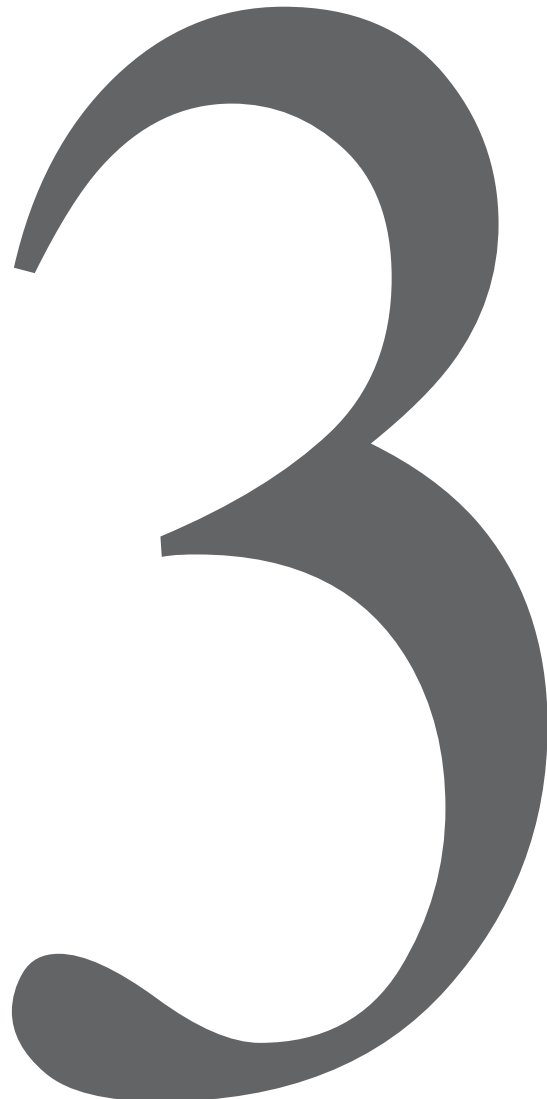


Shanghai Asia Holdings

# Annual Report 2008

## Business and financial review

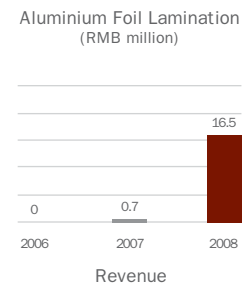
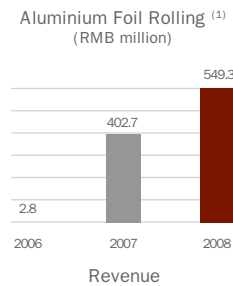
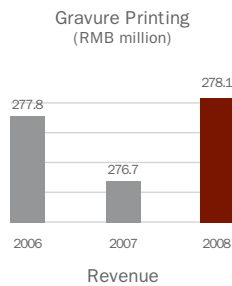
- Our Business 34
- Industry Trends 36
- Risk Factors 38
- 5 Years in the Making 39
- 2008 Corporate Activities 42
- 5 Years Financial Highlights 43
- Key Performance Indicators 44
- Management Discussion and Analysis 46



## Our Business

Shanghai Asia Holdings is a leading integrated provider of high quality packaging and branding solutions to major cigarette manufacturers and the FMCG industry in China.

Our business are divided into three segments



### Gravure Printing

We provide a wide range of high quality packaging and branding solutions to major cigarette manufacturers in China.

We are a leading cigarette packaging printer in China and our customers include the Shanghai Tobacco Group (one of the largest cigarette manufacturers in China and China Tobacco Jiangsu Industrial Corporation, a leading cigarette manufacturer in China.

### Aluminium Foil Rolling

We manufacture and provide high quality thin gauge aluminium foils for the FMCG packaging industry in China and for the export markets.

We are one of the largest and most high-tech thin gauge aluminium foil rolling mills in China with a production capacity of 40,000 metric ton per annum and a revenue of approximate 5% of the thin gauge aluminium foil market in China. Our thin gauge aluminium foils are also exported to the United States, Europe, Middle East and Asia markets.

### Aluminium Foil Lamination

We manufacture and provide high quality aluminium foil laminates to the electrical and electronics industries in China.

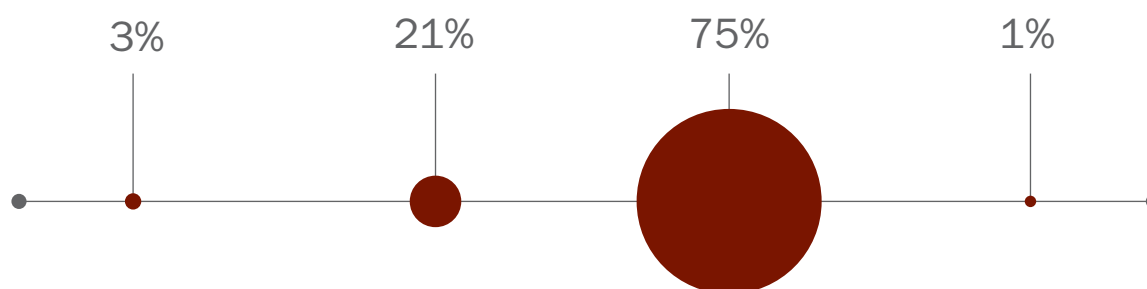
The aluminium foil lamination business is part of our plans to diversify further downstream in the aluminium foil rolling business. It is a joint venture with a major trading group for the manufacture of sale of mylar aluminium foil laminates in China.

<sup>(1)</sup> 12 months revenue

## Our Business

### Our Company at a Glance

Percentage of Group's Total Assets employed in 2008 <sup>(1)</sup>



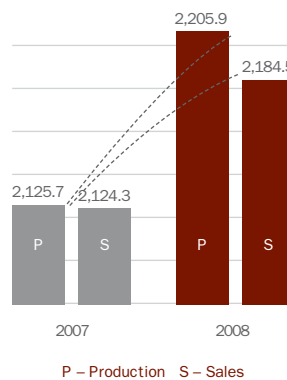
|   |  |  |  |
|---|--|--|--|
| Investment Holding<br>Shanghai Asia Holdings<br>Limited (SAH)<br>(Incorporated in<br>Singapore) | Gravure Printing<br>Jiangyin New Liantong<br>Printing Co., Ltd. (JNLP)<br>(Incorporated in China)              | Aluminium Foil Rolling<br>Jianysu Zhongji<br>Lamination Materials<br>Co., Ltd. (JZLM)<br>(Incorporated in China) | Aluminium Foil Lamination<br>Jiangyin Zhongen<br>Lamination Materials<br>Co., Ltd. (JLMC)<br>(Incorporated in China) |
| Shanghai Asia Company<br>Pte. Ltd. (SACPL)<br>(Incorporated in<br>Singapore)                    | Jiangyin New Liantong<br>Packaging and<br>Lamination Materials<br>Co., Ltd. (JNLPM)<br>(Incorporated in China) | Jiangyin Zhongji<br>Aluminium Industry<br>Co., Ltd. (JAIC)<br>(Incorporated in China)                            |  |

<sup>(1)</sup> After intercompany eliminations

## Industry Trends

### CHINA'S CIGARETTE INDUSTRY STEADY GROWTH IN 2008

China Cigarettes production and sales ('billions)



---

Cigarette production - Increase of 80.2 billion cigarettes or 3.8% over 2007

Cigarette sales – increase of 56.2 billion or 2.6% over 2007

Cigarette sales – Grade 1, 2 and 3 cigarettes sales went up by 1.3%, 3.5% and 1.8% respectively over 2007

Inventories – as at 31 December 2008 up 29.45 billion cigarettes year-on-year

In 2008, the total number of cigarette brands in China was 155, down 20 brands from 175 in 2007.

The average single-brand output was 14.25 billion cigarettes (285,000 cases) in 2008, up 2.1 billion cigarettes (42,000 cases), or 17.3 percent, over the 12.15 billion cigarettes (243,000 cases) in 2007.

In 2008, the sales of Grades One and Two cigarettes went up year-on-year. The annual sales volume of cigarette brands greater than 50 billion cigarettes (1 million cases) in the year was 13. The annual sales value of cigarette brands greater than RMB10 billion (US\$1.43 billion) was 21.

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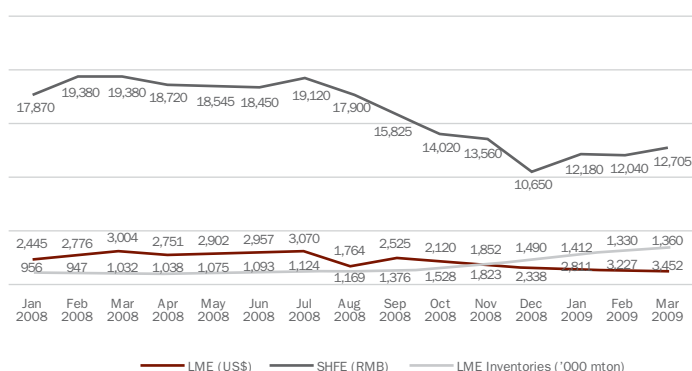
China's cigarette industry steady growth in 2008 is expected to continue in 2009

(source: [www.tobaccochina.com](http://www.tobaccochina.com))

## Industry Trends

### VOLATILE ALUMINIUM PRICE AND HIGHER INVENTORIES

Aluminium price <sup>(1)</sup> and inventories



<sup>(1)</sup> Cash price LME – London Metal Exchange SHFE – Shanghai Future Metal Exchange

Primary aluminium consumption seen up by about 5% in 2008, and world demand expected to contract in 2009.

Demand still driven by China; US market is weak and Europe is weakening.

Declining consumption and weaker markets outside China.

Increasing inventories levels – LME official opening stock as at 25 March 2009 was 3.4 million metric tons.

LME metal pricing for primary aluminium rose to a peak of US\$3,292 per metric ton in July 2008 and had since declined steeply in the second half of 2008. Closing price for the metal as at 25 March 2009 was US\$1.360 per metric ton.

The LME Official Prices forward curve showed an upward trend with a 15-months forward price of US\$1,538 per metric ton as at 25 March 2009.

The price differential and arbitrage between the LME and the SHFE has narrowed.

### Aluminium Outlook for 2009 - Volatile Aluminium Price and Higher Inventories

(source: LME and SHFE)

# RISK FACTORS

Our financial condition and results of operations depend to a major extent on China and the worldwide economic conditions. Uncertainty about current global economic conditions poses a risk that could adversely impact the demand of our products. These and other economic factors have, and may continue to have, a material impact on our financial condition and results of operations.

**Risks relating to the Group's Business and Industry** The Group is subject to significant competition • The Group's customers may be willing to accept substitutes for its aluminium foil products • The Group relies on the cigarette manufacturing industry in China • The Group relies on major customers for a significant portion of its sales for its gravure printing business and the Group does not have long term supply contracts with its customers • The Group relies on key suppliers and any disruption in its supply of raw materials may adversely affect its business • The Group is subject to fluctuation in the price of its raw materials • The Group's profitability could be adversely affected due to the fluctuations in the difference between the prevailing LME and SHFE aluminium prices • The Group's indebtedness may affect its business and financial condition and/or limit cash flow available for the Group's operations • The Group's liquidity may be adversely affected by the slower turnover of inventories and trade and bills receivables than that of trade and bills payable • The Group is subject to the credit risk of its customers • The Group is subject to foreign exchange rate fluctuations and government control of currency conversion • Global or regional economic, political and social conditions could adversely affect the Group's business and operating results • Changes to international trade regulations, quotas, tariffs and duties may affect price of and demand for its products.

**Risks relating to China** The Group has benefited from preferential tax incentives and tax benefits, which may expire or be revoked or changed in the future, and its financial performance may also be adversely affected by the New Enterprise Income Tax Law • Introduction of new laws or policies or changes to existing laws or policies (or their interpretation application and/or enforcement by the relevant authorities) by the Chinese government may adversely affect the Group's business. • Changes in China tax laws, regulations, policies, concessions, incentives and treatment may materially and adversely affect the Group's financial condition and results of operations • China's economic, political and social conditions and government policies could adversely affect the Group's business • Inflation in China could adversely affect the Group's profitability and growth.

(Please refer to Appendix 3 of the Offer Information Statement by the Company dated 29 October 2008 for a detailed write-up of the risk factors)

# FIVE YEARS IN THE MAKING

(2004-2008)

“.....SINCE THE COMPANY’S LISTING IN 2004, SHANGHAI ASIA HOLDINGS HAS GROWN FROM A LEADING CIGARETTE PACKAGING PRINTER TO BE ONE OF THE LARGEST THIN GAUGE ALUMINIUM FOIL ROLLING COMPANIES IN CHINA THAT IS RECOGNISED BY MAJOR PLAYERS IN THE INDUSTRY.”

Liu Jian Zhong, CEO of Shanghai Asia Holdings



Shanghai Asia Holdings  
2008 Annual Report

[www.sah.com.sg](http://www.sah.com.sg)

# FIVE YEARS IN



Incorporation of Shanghai Asia Holdings for the IPO on the SGX-ST

IPO – Shanghai Asia's IPO attracts major local and global investors

Acquisition of 10% equity interest in Beijing Jinhui Printing Co., Ltd, a printing company of the Shanghai Tobacco Group, China.



Proposed joint investment in the construction of an aluminium foil rolling mill for the production of this gauge aluminium foil.

Incorporation of JZLM for the proposed joint investment with 46% equity interest held by the Group.

Ground breaking and commencement of construction of JZLM's new aluminium foil rolling factory in Jiangyin, China.



Winner of the inaugural Singapore Corporate Awards for newly listed companies – Best Annual Report (Bronze Award).

Construction of JZLM's aluminium foil rolling factory in Jiangyin, China.

2004

2005

2006

# THE MAKING

(2004-2008)



Incorporation of Jiangyin Zhongji Aluminium Industries Co., Ltd.

Incorporation of Jiangyin Zhonghen Laminated Materials Co., Ltd. and investment in the manufacture of Mylar laminated foils

Completion of installation of JZLM's 3 new German imported Achenbach high-tech aluminium foil rolling mills and commencement of commercial production of thin gauge aluminium foils for the China and export markets.

Subscription and acquisition of a controlling equity interest in JZLM and expansion of the Group's business in the manufacture of thin gauge aluminium foil for packaging industry in China.

**DISCLAIMER**  
THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISORS.

A copy of the Offer Memorandum (as defined herein) has been lodged with the Ministry Authority of Securities Regulation. The Authority assumes no responsibility for the contents of this Offer Memorandum. Investors' enquiries of the Offer Memorandum with the authority does not imply that the Securities and Exchange Commission or any other regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the Rights Shares or subscription being offered by Applicant.

Investor approval has been obtained from the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of the Rights Shares on the Main Board of the SGX-ST, except all conditions after all subscription selling. Receipts have been issued and the method set forth in The Central Depository (Public) Act ("CDA") have been implemented.

The SGX-ST assumes no responsibility for the accuracy or integrity of any of the statements made, reports prepared and analyses presented in this Offer Memorandum. It provides general information for the SGX-ST for the benefit and circulation of the Rights Shares on the Main Board of the SGX-ST. It is to be used as an indication of the merits of Singapore Aluminium Limited ("Company"), its subsidiaries, the Shares on which the Rights Shares are being offered, and the Rights Shares.

No Rights Shares shall be offered or allotted on the basis of this Offer Memorandum (other than the receipt after the date of lodgment of the Offer Memorandum)



Completion of the proposed subscription and acquisition of the remaining equity interests in JZLM that the Group not already held.

Completion of a Rights Issue of new ordinary shares in the Company raising S\$21 million for to pare down debts and provide working capital for the Group

Completion of the installation of JZLM's additional 2 local aluminium foil rolling mills.

20  
09 Going  
Forward

2007

2008

Going Forward

## 2008 Corporate Activities

Acquisition of a 51% controlling equity interests in JZLM in 1Q <sup>(1)</sup>2008.

Acquisition of the remaining equity interests in JZLM in 2Q2008.

Completion of an US\$18 million offshore bank loan to fund the capital expenditure expansion of JZLM in 2Q2008.

Completion of the installation of JZLM's additional 2 local aluminium foil rolling mills in 4Q2008.

Completion of the Rights Issue in November 2008, raising an additional S\$21.1 million to pare down debts and provide working capital for the Group.

Repaid S\$11.3 million in Group's debts in November 2008.

<sup>(1)</sup> Q - Quarter



## 5 Years Financial Highlights

### Company Financials

(All figures in RMB million unless otherwise stated)

| Year ended 31 December   | 2004   | 2005    | 2006   | 2007   | 2008    |
|--|--------|---------|--------|--------|---------|
| <b>Income Statement Analysis</b>   |        |         |        |        |         |
| Revenue  | 307.3  | 284.4   | 277.8  | 277.4  | 843.8   |
| Gross profit   | 99.9   | 87.3    | 90.7   | 93.8   | 160.3   |
| Other income   | 3.6    | 0.5     | 3.7    | 3.3    | -       |
| Distribution expenses  | (3.4)  | (2.6)   | (2.5)  | (2.9)  | (10.5)  |
| Administrative expenses  | (12.3) | (15.1)  | (13.6) | (14.1) | (26.7)  |
| Other expenses   | -      | (0.1)   | (0.1)  | -      | (2.0)   |
| Profit from operating activities   | 87.8   | 70.0    | 78.1   | 80.1   | 121.2   |
| Finance income/(expense) (net)   | -      | 1.2     | 0.5    | 0.1    | (12.4)  |
| Depreciation and amortisation  | 6.5    | 8.8     | 9.6    | 9.6    | 35.3    |
| Share of profit/(loss) of an associate                                   | -      | (0.4)   | 0.4    | 4.9    | 0.9     |
| Profit before income tax   | 87.8   | 70.8    | 78.9   | 85.2   | 109.7   |
| Income tax expense   | (11.2) | (6.2)   | (9.8)  | (15.8) | (15.7)  |
| Profit for the year  | 76.6   | 64.5    | 69.2   | 69.4   | 94.0    |
| Earnings per share (RMB cents)   | 16.7   | 12.5    | 13.4   | 13.4   | 13.8    |
| EBITDA   | 94.3   | 77.8    | 87.6   | 93.9   | 161.2   |
| Profit margins on revenue:   |        |         |        |        |         |
| Gross  | 32.5%  | 30.7%   | 32.6%  | 33.8%  | 19.0%   |
| Operating  | 28.6%  | 24.6%   | 28.1%  | 28.9%  | 14.4%   |
| Profit before income tax   | 28.6%  | 24.9%   | 28.4%  | 30.7%  | 13.0%   |
| Profit for the year  | 24.9%  | 22.7%   | 24.9%  | 25.0%  | 11.1%   |
| EBITDA   | 30.7%  | 27.4%   | 31.5%  | 33.9%  | 19.1%   |
| <b>Balance Sheet Analysis</b>  |        |         |        |        |         |
| Property, plant and equipment  | 66.9   | 70.1    | 62.1   | 55.2   | 579.1   |
| Associate  | -      | 57.9    | 100.7  | 126.8  | -       |
| Other investments  | 6.8    | 11.6    | 11.6   | 11.6   | 11.6    |
| Inventories  | 17.5   | 12.2    | 14.3   | 17.4   | 132.8   |
| Trade and other receivables  | 77.5   | 116.0   | 113.1  | 133.8  | 338.2   |
| Cash and cash equivalents  | 160.4  | 55.2    | 92.9   | 78.2   | 213.0   |
| Current assets   | 255.5  | 183.4   | 220.2  | 229.5  | 684.0   |
| Total assets   | 329.4  | 326.0   | 397.6  | 425.9  | 1,383.0 |
| Trade and other payables   | 88.2   | 80.8    | 94.2   | 82.0   | 413.4   |
| Financial liabilities  | 22.8   | -       | 15.3   | -      | 286.4   |
| Current liabilities  | 116.6  | 82.4    | 111.8  | 85.5   | 620.1   |
| Total liabilities  | 116.6  | 82.4    | 111.8  | 85.5   | 703.6   |
| Shareholders' equity   | 212.7  | 243.6   | 285.8  | 338.5  | 677.9   |
| Net asset value per share (RMB cents)                                    | 41.1   | 47.0    | 55.2   | 65.3   | 76.9    |
| Return on equity   | 36.0%  | 26.5%   | 24.2%  | 20.5%  | 18.4%   |
| <b>Cash Flows</b>  |        |         |        |        |         |
| Cash flow from operating activities                                      | 142.7  | 28.9    | 106.0  | 38.4   | 188.8   |
| Cash flow from investing activities                                      | (42.3) | (76.6)  | (56.1) | (22.5) | (38.3)  |
| Cash flow from financing activities                                      | 38.4   | (62.5)  | (25.2) | (41.3) | (120.1) |
| Change in cash position  | 138.8  | (105.2) | 24.7   | (26.2) | 30.4    |
| Cash and cash equivalents at year end<br>(inclusive of pledged deposits) | 160.4  | 55.2    | 92.9   | 78.2   | 213.0   |
| Free cash flow (FCF)   | 100.3  | (12.5)  | 104.5  | 35.8   | 83.1    |
| FCF/share (RMB cents)  | 19.4   | (2.4)   | 20.2   | 6.9    | 9.4     |

EBITDA – Earnings before interests, tax, depreciation and amortisation.

## Key Performance Indicators

The Group is dedicated to increasing shareholder value and consequently focuses on optimizing profitability while efficiently managing its use of capital.

The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation.

| <b>Key Performance Indicators</b>          |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Year ended 31 December</b>              | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> |
| <b>Per Share Data (S\$) <sup>(1)</sup></b> |             |             |             |             |             |
| Net asset value                            | 0.085       | 0.097       | 0.110       | 0.129       | 0.162       |
| Earnings                                   | 0.034       | 0.026       | 0.027       | 0.026       | 0.029       |
| Dividends                                  | 0.01263     | 0.0115      | 0.012       | 0.012       | 0.010       |
| Payout ratio (% of net earnings)           | 41.5%       | 44.9%       | 44.9%       | 45.5%       | 44.5%       |
| Price: High                                | 0.30        | 0.34        | 0.25        | 0.31        | 0.28        |
| Price: Low                                 | 0.23        | 0.16        | 0.16        | 0.20        | 0.06        |
| P/E Ratio: High                            | 8.7         | 13.2        | 9.3         | 11.8        | 9.6         |
| P/E: Low                                   | 6.7         | 6.2         | 6.0         | 7.6         | 2.1         |
| Free Cash Flow                             | 0.040       | (0.005)     | 0.040       | 0.014       | 0.020       |
| <b>Expanded Ratio Analysis</b>             |             |             |             |             |             |
| EBIT (RMB million)                         | 87.8        | 69.0        | 78.0        | 84.3        | 125.9       |
| % Operating Income Growth                  | 14.3        | (20.3)      | 11.6        | 2.6         | 51.3        |
| % Operating Margin                         | 28.6        | 24.6        | 28.1        | 28.9        | 14.4        |
| % Return on Assets                         | 23.3        | 19.8        | 17.4        | 16.3        | 6.8         |
| % Return on Equity                         | 36.0        | 26.5        | 24.2        | 20.6        | 18.4        |
| % Long Term Debt of Capitalisation         | -           | -           | -           | -           | 22.2        |
| % Total Debt of Capitalisation             | 3.2         | -           | 2.6         | -           | 76.1        |
| Debt/EBITDA multiple                       | 0.2         | -           | 0.2         | -           | 1.8         |
| Price/Revenue                              | 2.3         | 1.1         | 2.1         | 2.6         | 0.5         |
| Price/EBITDA                               | 7.5         | 6.1         | 6.8         | 9.1         | 2.3         |
| Price/Pretax earnings                      | 8.0         | 6.7         | 7.6         | 8.3         | 3.4         |
| Price/Net earnings                         | 8.1         | 7.4         | 8.6         | 10.2        | 4.0         |
| % Total shareholder return                 | na          | (23.4)      | 25.7        | 20.0        | (48.9)      |

<sup>(1)</sup> Translated at year end foreign exchange rate of RMB:S\$  
na - not applicable (Company was listed in 2004)

# Key Performance Indicators

## Explanations

### **Total Shareholder Return (TSR)**

TSR represents the weighted average total return earned on an investment in the Company's shares made at the beginning of the year. The return includes the change in share price and assumes that dividends received were re-invested in additional shares of the Company.

### **Return on Equity**

Return on equity is defined as net income or loss divided by average shareholders' equity (computed on the basis of the beginning and ending balance for a given year). Return on equity measures the Company's effectiveness in generating net income on a given capital base from our shareholders. The Group's key goal in the coming years is to achieve a return on equity of not less than 20%.

### **Operating Income Growth and Operating Margin**

Operating Income is calculated as operating income before amortization and unusual items that are non-recurrent revenue or expense items such as gains or losses on asset disposals. Operating Margin is calculated by dividing Operating Income with revenue. Operating Income growth and Operating Margin are used as they allow comparisons with companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Operating Income indicators assess the Group's ability to seize growth opportunities in a cost effective manner, to finance its ongoing operations, and to service its debt (if any). Operating Income is a proxy for cash flow generated from operations excluding the impact of the capital structure chosen. Operating Income is one of the key metrics used to value the Group's business and its financial strength.

### **Earnings Before Income Taxes (EBIT)**

Earnings before income taxes provides key insights on how the Group maximizes the value of its business. Excluding income taxes from the profitability measure removes an often volatile and non-controllable factor.

### **Earnings Per Share (EPS)**

Earnings per share is calculated by dividing net profit by the number of Company's shares in issue at the end of the year.

### **Free Cash Flow**

Free Cash Flow is defined as cash flow from operations less capital expenditures (including assets under capital lease which are not reflected in the statements of cash flow). It is an indicator to measure our business' ability to repay debt (if any), distribute capital to its shareholders and finance its growth. Free cash flow per share is calculated by dividing free cash flow with the number of Company's shares in issue at the end of the year.

## Management Discussion and Analysis

### SHANGHAI ASIA HOLDINGS POSTED 35.4% INCREASE IN 2008 NET PROFIT TO RMB94.0 MILLION ON A RECORD REVENUE OF RMB843.8 MILLION

The current global economic downturn caused by the on-going credit and liquidity crisis in the United States and elsewhere has led to a slowdown in the world's major economies and this has affected the demand for the Group's exports of aluminium foil products in the fourth quarter 2008. Going forward, the demand for aluminium foil products will be based more on competitive pricing.

Whilst we expect our gravure printing business to be sustained, the outlook of the aluminium foil market is expected to be highly volatile and challenging.



Liu Jian Zhong  
*(Chief Executive Officer)*

Our financial condition and results of operations depend much on worldwide economic conditions. These economic conditions have recently deteriorated significantly in many countries in which we do business in. The current financial turmoil affecting the banking system and financial markets has resulted in a tightening in the credit markets and low liquidity in many financial markets.

We need to maintain a strong cash and financial position and careful follow-up of counterparty risks of customers we trade with.



Tung Kum Hon  
*(Chief Financial Officer)*

# Management Discussion and Analysis

## 2008 FINANCIAL HIGHLIGHTS AND REVIEW

- Revenue up 204.2% to RMB843.8 million
- Gross profit rose 70.9% to RMB160.3 million
- Net profit increased by 35.4% to RMB94.0 million
- Return on average shareholders' equity – 18.4%
- Cash from operations increased by 388.8% to RMB187.7 million
- Cash and cash equivalents up 172.4% to RMB213.0 million
- Net debt <sup>(1)</sup>/EBITDA <sup>(2)</sup> at 0.5 times

<sup>(1)</sup> Net debt – Total financial liabilities less cash and cash equivalent

<sup>(2)</sup> EBITDA - Earnings before interest, taxation, depreciation and amortization

The Group continued to maintain its position as a leading cigarette packaging printer in China today.

The Group's investment in the aluminium foil rolling business has proven its success and the Group recorded revenue of RMB549.3 million from the business in 2008. It was a greenfield investment by the Group with an initial investment of US\$15.0 million or 46% equity interests in JZLM. This was further increased to 100% when the Group subscribed for a further 5% equity interests in JZLM on 29 January 2008 and acquired the remaining 49% equity interests during the year.

Our aluminium foil rolling mill is one of the largest and most high-tech thin gauge aluminium foil rolling mills in China.

## RESULTS OF OPERATIONS

| (All figures in RMB'000 except as indicated)                                 | %     | 2008      | 2007                  | Variance<br>+/- % |
|--|-------|-----------|-----------------------|-------------------|
| <b>Revenue – Business segments</b>   |       |           |                       |                   |
| Gravure printing   | 33.0  | 278,081   | 276,730               | +0.5              |
| Aluminium foil rolling   | 65.1  | 549,258   | -                     | +100.0            |
| Aluminium foil lamination  | 1.9   | 16,467    | 661                   | nm                |
|  | 100.0 | 843,806   | 277,391               | +204.2            |
| <b>Revenue – Geographical segments</b>                                       |       |           |                       |                   |
| China  | 62.6  | 528,067   | 277,391               | +90.4             |
| Outside China  | 37.4  | 315,739   | -                     | +100.0            |
|  | 100.0 | 843,806   | 277,391               | +204.2            |
| <b>Sales volume</b> (excluding aluminium scraps sales) (mton) <sup>(1)</sup> |       |           |                       |                   |
| Aluminium foil rolling   |       | 19,393    | 11,357 <sup>(2)</sup> | 70.8              |
| <b>Cost of Sales</b>   |       | (683,528) | (183,583)             | +272.3            |
| <b>Gross Profit</b>  |       | 160,278   | 93,808                | +70.9             |
| <b>Net Profit</b>  |       | 93,983    | 69,404                | +35.4             |

<sup>(1)</sup> mton – metric ton

<sup>(2)</sup> For information purposes only. The sales and revenue of the aluminium foil rolling business were not consolidated in the Group's results in 2007.

nm - not meaningful

## Management Discussion and Analysis

### Revenues

Group revenue increased 204.2% to RMB843.8 million compared to RMB277.4 million for 2007. For the fourth quarter 2008, Group revenue rose 198.5% to RMB212.8 million compared to RMB71.3 million in the same quarter 2007.

The increase in Group revenues was mainly from the consolidation of the revenues of aluminium foil rolling business during the year. Aluminium foil rolling revenues represent a new revenue stream for the Group with effect from 29 January 2008.

Prior to the acquisition of the additional equity interests in JZLM on 29 January 2008, the revenues of JZLM were not consolidated, only the share of its results was equity accounted by the Group as a share of results in an associate.

### Gravure printing

Gravure printing business reported no major change from 2007. Revenues reported in 2008 were RMB278.1 million. For 2008, it accounts for 33.0% of the Group's total revenue for the financial year (2007: 99.8%).

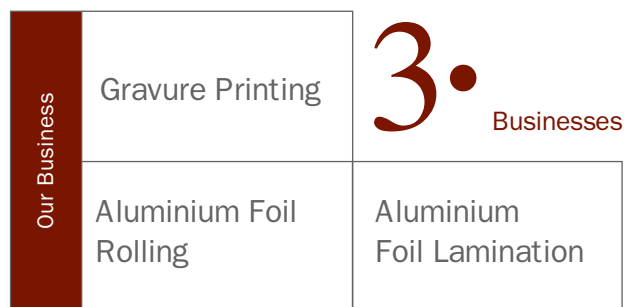
For the 11 months 2008, the cigarette and tobacco industry in China reported growth in sales volume of 4.7% with Grade 1 and 2 cigarettes sales volume increasing by 1.1% and 3.5% respectively (source: Tobacco China online).

### Aluminium foil rolling

The aluminium foil rolling business reported revenue of RMB549.3 million for the 11 months of February to December 2008. The revenue of RMB44.0 million for January 2008 was not consolidated in the Group revenue as explained earlier.

Including the revenue for January 2008, the total revenue for the aluminium foil rolling business in 2008 was RMB567.4 million, an increase of 40.9% over the revenue of RMB402.7 million in 2007 (included for information purposes only – the revenue of 2007 was non-consolidated).

Sales volume (excluding aluminium scrap sales) of aluminium foils products increased by 70.8% from 11,357 mtons to 19,393 mtons in 2008.



## Management Discussion and Analysis

Most of our aluminium foil rolling business is conducted under a conversion model, which allows us to pass through increases or decreases in the price of aluminium to our customers.

However, there is normally a price lag associated with the price we pay for the aluminium and the price we charge our customers after the aluminium is processed. The sharp drop in aluminium price of 41.0% in the fourth quarter 2008 had impacted our margins in the fourth quarter 2008 as the average price we pay for the aluminium purchased earlier (stock-up in the run-up of production on the two new local assembled aluminium foil rolling lines) was generally above the price of the metal at sale.

Aluminium material cost represents approximately 70% - 80% of our production input costs.

The aluminium foil rolling business segment is now the largest business segment of the Group and it accounted for 65.1% of the Group's total revenue for 2008.

### **Aluminium foil lamination**

The Group's aluminium foil lamination commenced commercial production in November 2007. Revenue reported in 2008 was RMB16.5 million, up from RMB0.7 million in 2007.

ZLMC utilises the thin gauge aluminium foil manufactured by JZLM for the production of Mylar laminated foils.

### **Cost of sales and gross profit margin**

The Group's cost of sales increased to RMB683.5 million in 2008 from RMB183.6 million for 2007, an increase of RMB499.9 million or 272.3%.

Gross profit for 2008 was RMB160.3 million, up from RMB93.8 million in 2007, an increase of RMB66.5 million or 70.9%.

The average gross profit margin of the gravure printing business in 2008 was 36.0% (2007:33.8%).

Average gross profit margin of the aluminium foil rolling business in 2008 was 11.0%, a decrease from the 14.5% recorded in the previous third quarter 2008. As stated earlier, the aluminium foil rolling business was affected in the fourth quarter 2008 by the sharp drop in the LME average cash price for aluminium of 41.0% during that period.

Overall the average gross profit margin for the Group in 2008 was 19.0%.

## Management Discussion and Analysis

### Distribution, administrative and operating expenses

Distribution, administrative and operating expenses (SG&A) were RMB39.1 million for 2008 compared to RMB17.0 million for 2007. The increase was mainly due to the consolidation of JZLM results in 2008. SG&A for 2008 as a percentage of revenues was 4.6% compared to 6.1% for 2007.

### Finance income and expenses

Finance income comprises interest income on fixed deposits placed with financial institutions. The Group's finance income for 2008 was RMB9.7 million, comprised mainly of interest income on fixed deposits placed with financial institutions. As at 31 December 2008, the Group had fixed deposits of RMB163.6 million, of which RMB91.5 million relates to JZLM. Interest income earned by JZLM on its fixed deposits was RMB3.9 million in 2008.

Finance expenses comprise interest expense on financial liabilities and bank charges and facility fees. The Group's finance expense increased from RMB1.2 million in 2007 to RMB22.1 million in 2008. The increase was due mainly to the consolidation of the finance expense of JZLM after the Group acquired the remaining equity interests in JZLM from its remaining shareholders. The increase was also due to an offshore term loan obtained by the Company for the financing of the 2nd phase expansion program of JZLM and for its working capital. JZLM initial borrowings were to finance the construction of the aluminium foil rolling mill. The initial project on the aluminium foil rolling mill was US\$50.0 million of which US\$32.8 million was finance by equity from its shareholders and the balance was by bank borrowings.

### Income tax expense

The Group's subsidiaries (except for SACPL, which was incorporated in Singapore) operate under China tax jurisdictions and are subject to income tax at 25% on its business income. Most of the Group's China subsidiaries enjoyed various tax holiday benefits where there were no taxes or reduced taxes on their business income. JZLM and ZLMC business income are currently not subject to income taxes. Tax expense of RMB15.7 million in 2008, representing an effective Group tax rate on profit before tax of 14.4%. The corporate income tax in China is 25%.

### EBITDA

| (RMB'000)                      | 2008    | 2007     | Variance<br>+/- % |
|--------------------------------|---------|----------|-------------------|
| Gravure printing               | 95,985  | 99,461   | -3.5              |
| Aluminium foil rolling         | 73,315  | 4,934    | nm                |
| Aluminium foil lamination      | (1,517) | (371)    | +308.7            |
| Others – corporate head office | (6,602) | (10,096) | -34.6             |
|                                | 161,181 | 93,928   | 71.6              |

Group's EBITDA (which measures the cash generation of the business) for 2008 was RMB161.2 million compared to RMB93.9 million for 2007, an increase of 71.7%.

Based on the Group's net interest expense <sup>(1)</sup> of RMB12.4 million for 2008, the Group's EBITDA/net interest cover is 13.0 times. Based on the Group's total financial liabilities of RMB286.4 million and its cash and cash equivalents of RMB213.0 million less pledged cash deposits of RMB145.0 million as at 31 December 2008, the Group's net debt <sup>(2)</sup>/EBITDA ratio is 1.3 times.

<sup>(1)</sup> Net of interest income and expense

<sup>(2)</sup> Total liabilities less cash and cash equivalents (net of pledged deposits)

## Management Discussion and Analysis

### Profit for the year

Net profit for 2008 was RMB94.0 million compared to RMB69.4 million of 2007, an increase of 35.4%. Each of the segments of our business recorded a net profit except for the aluminium foil lamination business which recorded a modest loss of RMB1.5 million in 2008.

Our return on average shareholders' equity was 18.4% for 2008 compared to 22.2% for 2007.

### BALANCE SHEET, LIQUIDITY AND CAPITAL RESOURCES

On 12 September 2008, the Company announced a renounceable non-underwritten rights issue (the "Rights Issue") of up to 258,042,107 new ordinary shares in the Company (each ordinary share, a "Share" and each new Share to be issued pursuant to the Rights Issue, a "Rights Share"), at an issue price of S\$0.10, on the basis of three Rights Shares for every eight existing Shares in the Company (3 for 8) held by shareholder of the Company as at the books closure date, fractional entitlements to be disregarded.

The Rights Issue was 85.9 % subscribed, raising S\$21.1 million (gross) for the Group. The proceeds of the Rights Issue were used partly to pare down the Group borrowings to strengthen the Group's balance sheet and for the working capital of JZLM. The Group had reduced its total financial liabilities in the fourth quarter 2008 to RMB286.4 million as of 31 December 2008 from RMB329.5 million as of 30 September 2008.

In 2007, the Group had no financial liability. The financial liabilities (bank borrowings) in 2008 were mainly for JZLM's capital expenditure on the construction of its new aluminium rolling mill and the 2nd phase expansion of its aluminium rolling mill project. The total project costs (including land costs) incurred on the JZLM's aluminium rolling mill to-date was approximately RMB585.9 million, of which RMB263.5 million was financed by its shareholders' equity and the balance was through bank borrowings.

Our liquidity remains satisfactory as evidenced by our current ratio of approximately 1.1 times as of 31 December 2008. The Group's current assets and liabilities as of 31 December 2008 were RMB613.9 million (including cash of RMB213.0 million) and RMB550.1 million respectively. As at 31 December 2008, the Group has RMB71.5 million of unutilized trade credit facilities available for working capital purposes.

### Cash and cash equivalents

Cash and cash equivalents were RMB213.0 million as of 31 December 2008, representing 31.1% of the Group's current assets as at that date. Cash per share was RMB0.24, an increase from RMB0.15 as at 31 December 2007.

**CASH & CASH EQUIVALENTS**

RMB213.0 million as of 31 December 2008  
Cash per share was RMB0.24

## Management Discussion and Analysis

### Financial Position

| (All figures in RMB million)  | 2008    | 2007  |
|-------------------------------|---------|-------|
| Property, plant and equipment | 579.1   | 55.2  |
| Associate                     | -       | 126.8 |
| Other investments             | 11.6    | 11.6  |
| Inventories                   | 132.8   | 17.4  |
| Trade and other receivables   | 338.2   | 133.8 |
| Cash and cash equivalents     | 213.0   | 78.2  |
| Current assets                | 683.9   | 229.5 |
| Total assets                  | 1,382.6 | 425.9 |
| Trade and other payables      | 413.4   | 82.0  |
| Financial liabilities         | 202.9   | -     |
| Current liabilities           | 620.1   | 85.5  |
| Total liabilities             | 703.6   | 85.5  |
| Shareholders' equity          | 677.9   | 338.5 |

### Inventories

Inventories were RMB132.8 million as of 31 December 2008 and RMB17.4 million as of 31 December 2007. The increase in inventories as at 31 December 2008 was mainly due to JZLM's inventories of RMB108.3 million.

The Group's inventory days on cost of sales increased from 35 days as of 31 December 2007 to 71 days as of 31 December 2008, mainly due to JZLM's higher inventory holdings of RMB108.3 million at year end. JZLM increased its production output with the two new local assembled aluminium rolling mills commissioned in the fourth quarter 2008. The inventories built up is to meet its sales demand of 1,700 to 1,800 mtons per month, and there is normally a lead time in the ordering of raw materials of a month and 15-20 days lead time in work in progress.

### Trade and other receivables

Trade receivables increased from RMB110.2 million as of 31 December 2007 to RMB317.6 million as of 31 December 2008, representing an average receivable days on sales of 107.1 days compared to 145.0 days as of 31 December 2007. A major portion of the Group's receivables in JZLM were receivables for export sales on average export credit terms of less than 45 days.

### Trade and other payables

Trade and other payables increased from RMB82.0 million as of 31 December 2007 to RMB413.4 million as of 31 December 2008, mainly due to JZLM's payables of RMB236.0 million for its raw materials purchases and capital expenditure on the foil rolling mill project.

Trade payables accounted for RMB319.6 million of the total payables as of 31 December 2008. The Group's trade payable days on cost of sales increased from 158 days as of 31 December 2007 to 175.5 days as of 31 December 2008. A major portion of the Group's purchases were funded through trade credit facilities from banks as shown by the increased in bankers acceptances payable from RMB38.6 million as of 31 December 2007 to RMB273.5 million as of 31 December 2008.

As of 31 December 2008, trade payables included a deposit of RMB4.2 million from a related corporation for the supply of thin gauge aluminium foils.

## Management Discussion and Analysis

### Shareholders' equity

Shareholders' equity increased to RMB677.9 million as of 31 December 2008 compared to RMB338.5 million as of 31 December 2007 mainly due to:

1. undistributed profits attributable to shareholders for the year;
2. the issue of 152,512,286 new ordinary shares by the Company of RMB195.1 million in second quarter 2008 for the acquisition of the additional 43.9% equity interests in JZLM on 5 May 2008; and
3. the Company's Rights Issue of 211,393,803 new ordinary shares of RMB93.1 million.

### Financial liabilities

| (RMB'000)                   | As at<br>31/12/2008 | As at<br>31/12/2007 |
|-----------------------------|---------------------|---------------------|
| US\$ term loan due 2010     | 96,091              | -                   |
| RMB term loan               | 190,000             | -                   |
| S\$ finance lease liability | 276                 | -                   |
|                             | 286,367             | -                   |
| Amount due within a year    | 202,860             | -                   |
| Amount due after a year     | 83,507              | -                   |
|                             | 286,367             | -                   |

The financial liabilities are for the capital expenditure on the construction of the new aluminium foil rolling mill of JZLM and for its working capital. In second quarter 2008, the Group raised US\$15 million (equivalent to RMB103.5 million) from an offshore term loan to finance the capital expenditure on the 2nd phase aluminium foil rolling expansion program of JZLM.

Completion of the Rights Issue in November 2008, raising an additional S\$21.1 million to pare down debts and provide working capital for the Group.

Repaid S\$11.3 million in Group's debts in November 2008.

STRENGTHEN  
FINANCIAL  
POSITION  
AND  
REDUCE  
DEBT



## Management Discussion and Analysis

### Cash Flows

Our statements of cash flows are summarised below:

| (All figures in RMB'000)                         | 2008      | 2007     |
|--|-----------|----------|
| Operating profit before working capital changes  | 161,110   | 86,207   |
| Decrease/(increase) in working capital           | 43,145    | (33,290) |
| Cash generated from operations                   | 204,255   | 52,917   |
| Income taxes paid                                | (15,467)  | (14,519) |
| Net cash from operating activities               | 188,788   | 38,398   |
| Net cash used in investing activities            | (38,289)  | (22,495) |
| Net cash used in financing activities            | (120,147) | (42,082) |
| Increase/(decrease) in cash and cash equivalents | 30,352    | (26,179) |

### Increase in cash from operations and improved liquidity

- Cash from operations increased to RMB188.8 million and free cash flow<sup>(1)</sup> during the year was RMB83.1 million.
- Cash and cash equivalent as at 31 December 2008 was RMB213.0 million, up from RMB78.2 million as at 31 December 2007.
- Net decrease in total debt<sup>(2)</sup> of RMB43.2 million in the fourth quarter 2008.

<sup>(1)</sup> Cash from operations less capital expenditure

<sup>(2)</sup> Net decrease in total debt is measured by comparing the total financial liabilities as of 31 December 2008 to the preceding quarter-end balances for the three months period ended 30 September 2008.

Operating profits mainly consisted of profit generated during the financial year, net of interest income, interest expenses, depreciation and amortization and impairment of long term investments. The increase in results from operating activities in 2008 compared to 2007 of RMB41.0 million was mainly due to the operating profit generated by JZLM of RMB38.2 million during the year.

The cash generated from operating activities in 2008 was RMB188.9 million compared to RMB38.4 million in 2007, an increase of 3.9 times. The increase was mainly due to the cash flows generated from the operations of JZLM and credit financing through bankers acceptances.

The net cash used in investing activities in 2008 of RMB38.3 million was mainly for the acquisition of the remaining 5.1% equity interest in JZLM of RMB26.8 million and capital expenditure incurred by JZLM on its 2<sup>nd</sup> phase expansion of its aluminium rolling mill project.

In 2008, the Group repaid RMB190.4 million of its bank borrowings and pledged an additional RMB105.4 million of its fixed deposits with banks for trade credit facilities, mainly for JZLM.

## Management Discussion and Analysis

# SEGMENTAL INFORMATION

The Group's operations are all managed and located in China.

China is the largest market for the Group's printed cigarette packaging and aluminium foil rolled products. North America, Europe and Asia Pacific are the major markets for the Group's exports of aluminium foil rolled products in 2008.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

The Group comprises the following main business and geographical segments in 2008:

| (RMB'000)                         | <b>Gravure<br/>printing</b> | <b>Aluminium<br/>foil<br/>rolling</b> | <b>Aluminium<br/>foil<br/>lamination</b> | <b>Total</b>   |
|-----------------------------------|-----------------------------|---------------------------------------|--|----------------|
| Sales (external sales)            |                             |                                       |  |                |
| - China                           | 278,081                     | 254,497                               | 16,467                                   | 549,045        |
| - North America                   | -                           | 95,384                                | -  | 95,384         |
| - European Union                  | -                           | 19,043                                | -  | 19,043         |
| - Asia Pacific                    | -                           | 134,405                               | -  | 134,405        |
| - Others                          | -                           | 45,929                                | -  | 45,929         |
|                                   | <u>278,081</u>              | <u>549,258</u>                        | <u>16,467</u>                            | <u>843,806</u> |
| Results from operating activities | 86,495                      | 38,250                                | 7,061                                    | 131,806        |
| Other operations' expenses        |                             |                                       |  | (10,600)       |
| Net finance expenses              |                             |                                       |  | (12,362)       |
| Share of profit from associate    |                             |                                       |  | 888            |
| Profit before income tax          |                             |                                       |  | <u>109,732</u> |
| Income tax expense                |                             |                                       |  | (15,749)       |
| Profit for the financial year     |                             |                                       |  | <u>93,983</u>  |

Gravure printing and China market was only major business and geographical segments in 2007.



Statutory Reports and  
Financial Statements

The first part of the document discusses the importance of maintaining accurate records in a business setting. It highlights how proper record-keeping can help in decision-making, legal compliance, and financial management. The text emphasizes that records should be organized, up-to-date, and easily accessible to relevant personnel.

Next, the document addresses the challenges of data management in the digital age. With the increasing volume of data generated by various sources, businesses face the task of storing, securing, and analyzing this information effectively. The text suggests implementing robust data management systems and protocols to ensure data integrity and security.

The third section focuses on the role of technology in streamlining business operations. It explores how automation and digital tools can reduce manual errors, improve efficiency, and enhance customer service. The document encourages businesses to invest in technology that aligns with their strategic goals and operational needs.

Finally, the document concludes by emphasizing the importance of continuous learning and adaptation. In a rapidly changing business environment, organizations must stay updated on the latest trends and technologies to remain competitive. The text encourages a culture of innovation and ongoing professional development for all employees.

Shanghai Asia Holdings

# Annual Report 2008

## Statutory reports and financial statements

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Prepared under Singapore Financial Reporting Standards. The financial statements were authorized for issue by the Board of Directors on 25 March 2009

## Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the year ended 31 December 2008.

### Directors

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

|                      |                                 |
|----------------------|---------------------------------|
| John David Cambridge |                                 |
| Liu Yi Fang          |                                 |
| Liu Jian Zhong       |                                 |
| Tung Kum Hon         |                                 |
| Yen Wen Hwa          |                                 |
| Ronnie Teo Heng Hock |                                 |
| Tay Joo Soon         |                                 |
| Liu Ying Kang        | (Appointed on 26 November 2008) |
| Gary Yen             | (Appointed on 26 November 2008) |

### Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of Directors who held office at the end of the year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

| Name of director and corporation<br>in which interests are held |   | Holdings at<br>beginning of<br>the year/date of<br>appointment | Holdings<br>at end of<br>the year |
|---|---|--|-----------------------------------|
| Liu Yi Fang   |   |  |                                   |
| Shanghai Asia Holdings Limited                                  |   |  |                                   |
| - ordinary shares   | - deemed interests                        | 155,298,000  | 285,189,141                       |
| - options to subscribe for ordinary shares at                   | - S\$0.28 between 1/10/2005 and 30/9/2010 | 6,600,000  | 6,600,000                         |
| Liu Jian Zhong  |   |  |                                   |
| Shanghai Asia Holdings Limited                                  |   |  |                                   |
| - ordinary shares   | - interests held                          | 1,000,000  | 12,220,000                        |
|   | - deemed interests                        | 11,220,000   | -                                 |
| - options to subscribe for ordinary shares at                   | - S\$0.28 between 1/10/2005 and 30/9/2010 | 8,800,000  | 8,800,000                         |
| Tung Kum Hon  |   |  |                                   |
| Shanghai Asia Holdings Limited                                  |   |  |                                   |
| - options to subscribe for ordinary shares at                   | - S\$0.28 between 1/10/2005 and 30/9/2010 | 2,200,000  | 2,200,000                         |
| Yen Wen Hwa   |   |  |                                   |
| Shanghai Asia Holdings Limited                                  |   |  |                                   |
| - ordinary shares   | - deemed interests                        | 165,532,000  | 299,470,247                       |
| Liu Ying Kang   |   |  |                                   |
| Shanghai Asia Holdings Limited                                  |   |  |                                   |
| - ordinary shares   | - deemed interests                        | 155,298,000  | 285,189,141                       |

By virtue of Section 7 of the Act, Liu Yi Fang, Yen Wen Hwa and Liu Ying Kang are deemed to have interests in the shares of the subsidiaries of the Company, at the beginning of the year/date of appointment and at the end of the year.

Except as disclosed in this report, no Director who held office at the end of the year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the year, or date of appointment if later, or at the end of the year.

There were no changes in any of the above mentioned interests in the Company between the end of the year and 21 January 2009.

Except as disclosed under the "Share options" section of this report, neither at the end of nor at any time during the year was the Company a party to any arrangement whose objects are, or one of whose objects is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Notes 18 and 32 to the financial statements and below, since the end of the last year, no Director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### Share options

The Shanghai Asia Holdings Limited Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 29 July 2004. The Scheme is administered by the Company's Remuneration Committee, comprising three Directors, John David Cambridge (Chairman), Ronnie Teo Heng Hock and Tay Joo Soon.

Other information regarding the Scheme is set out below:

- The exercise price of the option is S\$0.28, based on the issue price of the Company's shares under the initial public offering.
- The options vest 14 months after the date of grant (the Vesting Period).
- Unless they are cancelled, have lapsed prior to the expiry date or that specified by the Remuneration Committee, the options granted will expire 60 months after the Vesting Period.

At the end of the year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

| Date of grant of options | Exercise price per share | Options outstanding at 1/1/2008 | Options cancelled | Options outstanding at 31/12/2008 | Number of option holders at 31/12/2008 | Exercise period        |
|--------------------------|--------------------------|---------------------------------|-------------------|-----------------------------------|--|------------------------|
| 29/7/2004                | S\$ 0.28                 | 17,600,000                      | -                 | 17,600,000                        | 3                                      | 1/10/2005 to 30/9/2010 |

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries at the end of the year.

Details of options granted to Directors of the Company under the Scheme are as follows:

| Name of Director | Options granted for year ended 31/12/2008 | Aggregate options granted since commencement of Scheme to 31/12/2008 | Aggregate options exercised since commencement of Scheme to 31/12/2008 | Aggregate options outstanding as at 31/12/2008 |
|------------------|---|--|--|--|
| Liu Yi Fang      | -   | 6,600,000  | -  | 6,600,000                                      |
| Liu Jian Zhong   | -   | 8,800,000  | -  | 8,800,000                                      |
| Tung Kum Hon     | -   | 2,200,000  | -  | 2,200,000                                      |
|                  | -   | 17,600,000   | -  | 17,600,000                                     |

Except as disclosed above, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme since the commencement of the Scheme to the end of the year.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

#### **Audit Committee**

The members of the Audit Committee during the year and at the date of this report are:

- Ronnie Teo Heng Hock (Chairman), non-executive and independent Director
- John David Cambridge, non-executive and independent Director
- Tay Joo Soon, non-executive and independent Director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held five meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the Directors of the Company for adoption provided by the Company's officers to the internal and external auditors; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



**John David Cambridge**

Director



**Liu Jian Zhong**

Director

25 March 2009


## Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 66 to 100 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors



**John David Cambridge**

*Director*



**Liu Jian Zhong**

*Director*

25 March 2009

# Independent Auditors' Report

Members of the Company  
Shanghai Asia Holdings Limited

We have audited the accompanying financial statements of Shanghai Asia Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 66 to 100.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) 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 Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 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.

**Opinion**

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**KPMG LLP**

**KPMG LLP**

*Public Accountants and*

*Certified Public Accountants*

**Singapore**

25 March 2009

# Balance Sheets

As at 31 December 2008

|   | Note | Group            |                | Company        |                |
|---|------|------------------|----------------|----------------|----------------|
|   |      | 2008             | 2007           | 2008           | 2007           |
|   |      | RMB'000          | RMB'000        | RMB'000        | RMB'000        |
| <b>Non-current assets</b>                                   |      |                  |                |                |                |
| Property, plant and equipment                               | 3    | 579,137          | 55,211         | 793            | 29             |
| Lease prepayments   | 4    | 25,664           | 2,766          | -              | -              |
| Intangible assets   | 5    | 82,290           | -              | -              | -              |
| Subsidiaries  | 6    | -                | -              | 54,107         | 54,107         |
| Amount due from a subsidiary                                | 7    | -                | -              | 312,992        | 112,818        |
| Loan to a subsidiary  | 8    | -                | -              | 122,814        | -              |
| Associate   | 9    | -                | 126,787        | -              | -              |
| Other investments   | 10   | 11,600           | 11,600         | -              | -              |
| Non-financial asset   | 11   | -                | 64             | -              | -              |
|   |      | 698,691          | 196,428        | 490,706        | 166,954        |
| <b>Current assets</b>                                       |      |                  |                |                |                |
| Inventories   | 12   | 132,789          | 17,429         | -              | -              |
| Trade and other receivables                                 | 13   | 338,161          | 133,840        | 91,330         | 40,765         |
| Cash and cash equivalents                                   | 15   | 212,990          | 78,195         | 23,866         | 7,964          |
|   |      | 683,940          | 229,464        | 115,196        | 48,729         |
| <b>Total assets</b>   |      | <b>1,382,631</b> | <b>425,892</b> | <b>605,902</b> | <b>215,683</b> |
| <b>Equity attributable to equity holders of the Company</b> |      |                  |                |                |                |
| Share capital   | 16   | 440,915          | 152,648        | 440,915        | 152,648        |
| Reserves  | 17   | 236,966          | 185,803        | 63,330         | 58,765         |
|   |      | 677,881          | 338,451        | 504,245        | 211,413        |
| <b>Minority interest</b>                                    |      | <b>1,141</b>     | <b>1,937</b>   | <b>-</b>       | <b>-</b>       |
| <b>Total equity</b>   |      | <b>679,022</b>   | <b>340,388</b> | <b>504,245</b> | <b>211,413</b> |
| <b>Non-current liabilities</b>                              |      |                  |                |                |                |
| Financial liabilities                                       | 19   | 83,507           | -              | 83,507         | -              |
|   |      | 83,507           | -              | 83,507         | -              |
| <b>Current liabilities</b>                                  |      |                  |                |                |                |
| Trade and other payables                                    | 20   | 413,411          | 81,955         | 5,290          | 4,270          |
| Financial liabilities                                       | 19   | 202,860          | -              | 12,860         | -              |
| Current tax payable   |      | 3,831            | 3,549          | -              | -              |
|   |      | 620,102          | 85,504         | 18,150         | 4,270          |
| <b>Total liabilities</b>                                    |      | <b>703,609</b>   | <b>85,504</b>  | <b>101,657</b> | <b>4,270</b>   |
| <b>Total equity and liabilities</b>                         |      | <b>1,382,631</b> | <b>425,892</b> | <b>605,902</b> | <b>215,683</b> |

The accompanying notes from an integral part of these financial statements.

# Consolidated Income Statement

Year ended 31 December 2008

|  | Note | 2008<br>RMB'000 | 2007<br>RMB'000 |
|--|------|-----------------|-----------------|
| <b>Revenue</b>                                   | 22   | 843,806         | 277,391         |
| Cost of sales                                    |      | (683,528)       | (183,583)       |
| <b>Gross profit</b>                              |      | 160,278         | 93,808          |
| Other (expenses)/income                          |      | (1,955)         | 3,342           |
| Distribution expenses                            |      | (10,461)        | (2,893)         |
| Administrative expenses                          |      | (26,656)        | (14,061)        |
| <b>Results from operating activities</b>         |      | 121,206         | 80,196          |
| Finance income                                   |      | 9,740           | 1,219           |
| Finance expense                                  |      | (22,102)        | (1,155)         |
| <b>Net finance (expense)/income</b>              | 24   | (12,362)        | 64              |
| Share of profit of an associate                  |      | 888             | 4,934           |
| <b>Profit before income tax</b>                  |      | 109,732         | 85,194          |
| Income tax expense                               | 25   | (15,749)        | (15,790)        |
| <b>Profit for the year</b>                       | 23   | 93,983          | 69,404          |
| <b>Attributable to:</b>                          |      |                 |                 |
| Equity holders of the Company                    |      | 91,783          | 69,644          |
| Minority interest                                |      | 2,200           | (240)           |
| <b>Profit for the year</b>                       |      | 93,983          | 69,404          |
| <b>Earnings per share</b>                        |      |                 |                 |
| Basic and diluted earnings per share (RMB cents) | 26   | 13.78           | 13.44           |

The accompanying notes from an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

Year ended 31 December 2008

|  | Note | Share<br>capital | Statutory<br>reserve | Enterprise<br>expansion<br>reserve |
|--|------|------------------|----------------------|------------------------------------|
|  |      | RMB'000          | RMB'000              | RMB'000                            |
| <b>Group</b>   |      |                  |                      |                                    |
| At 1 January 2007  |      | 152,648          | 21,800               | 6,486                              |
| Profit for the year  |      | -                | -                    | -                                  |
| Total recognised income and<br>expense for the year                  |      | -                | -                    | -                                  |
| Transfer to statutory reserve  |      | -                | 5,757                | -                                  |
| Incorporation of a subsidiary  |      | -                | -                    | -                                  |
| Final dividend paid to shareholders                                  | 21   | -                | -                    | -                                  |
| At 31 December 2007  |      | 152,648          | 27,557               | 6,486                              |
| At 1 January 2008  |      | 152,648          | 27,557               | 6,486                              |
| Profit for the year  |      | -                | -                    | -                                  |
| Total recognised income and<br>expense for the year                  |      | -                | -                    | -                                  |
| Issue of consideration shares for the<br>acquisition of a subsidiary | 16   | 195,139          | -                    | -                                  |
| Issue of rights shares   | 16   | 93,128           | -                    | -                                  |
| Transfer to statutory reserve  |      | -                | 6,649                | -                                  |
| Acquisition of minority interest                                     |      | -                | -                    | -                                  |
| Final dividend paid to shareholders                                  | 21   | -                | -                    | -                                  |
| At 31 December 2008  |      | 440,915          | 34,206               | 6,486                              |

The accompanying notes from an integral part of these financial statements.

| <b>Merger deficit</b> | <b>Accumulated profit</b> | <b>Total attributable to equity holders of the Company</b> | <b>Minority interest</b> | <b>Total equity</b> |
|-----------------------|---------------------------|--|--------------------------|---------------------|
| RMB'000               | RMB'000                   | RMB'000  | RMB'000                  | RMB'000             |
| (4,439)               | 109,316                   | 285,811  | -                        | 285,811             |
| -                     | 69,644                    | 69,644   | (240)                    | 69,404              |
| -                     | 69,644                    | 69,644   | (240)                    | 69,404              |
| -                     | (5,757)                   | -  | -                        | -                   |
| -                     | -                         | -  | 2,177                    | 2,177               |
| -                     | (17,004)                  | (17,004)   | -                        | (17,004)            |
| (4,439)               | 156,199                   | 338,451  | 1,937                    | 340,388             |
| (4,439)               | 156,199                   | 338,451  | 1,937                    | 340,388             |
| -                     | 91,783                    | 91,783   | 2,200                    | 93,983              |
| -                     | 91,783                    | 91,783   | 2,200                    | 93,983              |
| -                     | -                         | 195,139  | -                        | 195,139             |
| -                     | -                         | 93,128   | -                        | 93,128              |
| -                     | (6,649)                   | -  | -                        | -                   |
| -                     | -                         | -  | (2,996)                  | (2,996)             |
| -                     | (40,620)                  | (40,620)   | -                        | (40,620)            |
| (4,439)               | 200,713                   | 677,881  | 1,141                    | 679,022             |

# Consolidated Cash Flow Statement

Year ended 31 December 2008

|  | Note | 2008      | 2007     |
|--|------|-----------|----------|
|  |      | RMB'000   | RMB'000  |
| <b>Operating activities</b>  |      |           |          |
| Profit for the year  |      | 93,983    | 69,404   |
| Adjustments for:   |      |           |          |
| Depreciation and amortisation  |      | 35,345    | 9,583    |
| Loss on disposal of property, plant and equipment                    |      | 817       | -        |
| Interest income  |      | (4,677)   | (1,219)  |
| Interest expense   |      | 20,781    | 370      |
| Share of profit of an associate                                      |      | (888)     | (4,934)  |
| Re-investment tax rebate   |      | -         | (2,787)  |
| Income tax expense   |      | 15,749    | 15,790   |
|  |      | 161,110   | 86,207   |
| Changes in working capital:  |      |           |          |
| Inventories  |      | 32,920    | (3,150)  |
| Trade and other receivables  |      | 12,989    | (17,888) |
| Trade and other payables   |      | (2,764)   | (12,252) |
| Cash generated from operations                                       |      | 204,255   | 52,917   |
| Income taxes paid  |      | (15,467)  | (14,519) |
| <b>Cash flows from operating activities</b>                          |      | 188,788   | 38,398   |
| <b>Investing activities</b>  |      |           |          |
| Interest received  |      | 3,574     | 1,219    |
| Investment in an associate   |      | -         | (21,162) |
| Purchase of property, plant and equipment                            |      | (105,667) | (2,552)  |
| Acquisition of additional equity interest in a subsidiary            | 28   | (26,814)  | -        |
| Acquisition of a subsidiary, net of cash acquired                    | 28   | 90,618    | -        |
| Investment in an associate   |      | -         | (21,162) |
| <b>Cash flows used in investing activities</b>                       |      | (38,289)  | (22,495) |
| <b>Financing activities</b>  |      |           |          |
| Interest paid  |      | (20,427)  | (370)    |
| Dividends paid   |      | (40,620)  | (17,004) |
| Proceeds from borrowings   |      | 143,647   | 1,000    |
| Repayment of borrowings  |      | (190,449) | (16,285) |
| Deposits pledged   |      | (105,426) | (11,600) |
| Proceeds from issue of rights shares                                 |      | 93,128    | -        |
| Proceeds from minority interest's investment in a subsidiary         |      | -         | 2,177    |
| <b>Cash flows used in financing activities</b>                       |      | (120,147) | (42,082) |
| <b>Net increase/(decrease) in cash and cash equivalents</b>          |      | 30,352    | (26,179) |
| Cash and cash equivalents at beginning of year                       |      | 38,595    | 64,887   |
| Effect of exchange rate changes on balances held in foreign currency |      | (983)     | (113)    |
| <b>Cash and cash equivalents at end of year</b>                      | 15   | 67,964    | 38,595   |

The accompanying notes from an integral part of these financial statements.

# Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 25 March 2009.

## 1 Domicile and activities

Shanghai Asia Holdings Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 8 Cross Street, #11-00 PWC Building, Singapore 048424.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interests in an associate.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

The financial statements are presented in Renminbi (RMB) which is the Company's functional currency. All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to make judgements, 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 estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 5 – assumptions of recoverable amounts relating to goodwill impairment
- Note 28 – valuation of assets, liabilities and contingent liabilities acquired in business combinations
- Note 29 – valuation of financial instruments

The accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

### 2.2 Consolidation

#### *Business combinations*

For acquisition of subsidiaries under common control, the identifiable assets and liabilities were accounted for at their historical costs, in a manner similar to the pooling-of-interests method of accounting. Any excess or deficiency between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount recorded for the share capital acquired is taken to shareholder's equity as a merger reserve/deficit.

For acquisition of subsidiaries accounted under the purchase method, the cost of acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Any excess or deficiency of the purchase consideration over the net fair value of the identifiable assets, liabilities and contingent liabilities is accounted as goodwill or negative goodwill. Goodwill is stated at cost less impairment losses and is tested annually for impairment. Negative goodwill is recognised in the income statement in the period of acquisition.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

#### *Associates*

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income, equity movements, expenses of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### *Accounting for subsidiaries and associates by the Company*

Investments in subsidiaries and associates are stated in the Company's balance sheet at cost less accumulated impairment losses.

### 2.3 Foreign currency transactions

Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement.

## 2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Construction-in-progress is not depreciated. Depreciation on other property, plant and equipment is recognised in the income statement on the straight-line basis over the estimated useful lives (or lease term, if shorter) of an item of property, plant and equipment.

The estimated useful lives are as follows:

|                               |               |
|-------------------------------|---------------|
| Leasehold buildings           | 20 years      |
| Office fittings and equipment | 3 to 5 years  |
| Plant and machinery           | 5 to 15 years |
| Motor vehicles                | 5 years       |

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

## 2.5 Intangible assets

### *Goodwill*

Goodwill and negative goodwill arise on the acquisition of subsidiaries and associates.

### *Acquisitions on or after 1 January 2005*

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates is presented together with investments in associates.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in Note 2.9. Negative goodwill is recognised immediately in the income statement.

### *Acquisitions of minority interest*

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

## 2.6 Financial instruments

### *Non-derivative financial instruments*

Non-derivative financial instruments comprise other investments, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables. Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the cash flow statement, cash and cash equivalents exclude bank deposits held to secure bank facilities.

These non-derivative financial instruments are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, these non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

### *Available-for-sale financial assets*

The Group's investments in equity securities are classified as available-for-sale financial assets if they are not classified in any of the other categories. Subsequent to initial recognition, they are generally measured at fair value and changes therein, other than for impairment losses, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

When the fair value of unquoted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

### *Impairment of financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset measured at fair value is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

Impairment losses in respect of financial assets measured at amortised cost and available-for-sale debt securities are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses once recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in fair value of such assets is recognised directly in equity.

#### *Share capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### 2.7 Non-financial assets

Transferable country club memberships are stated at cost less accumulated amortisation and impairment losses. The cost is amortised on straight-line basis over 5 years.

#### 2.8 Leases

##### *Lease prepayment*

Leases of land use rights are classified as operating leases. The prepaid lease payments are amortised in the income statement on a straight-line basis over their lease terms of 50 years

##### *Operating leases*

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

#### 2.9 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated cost necessary to make the sale.

## 2.11 Employee benefits

### *Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

### *Share-based payments*

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

## 2.12 Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The members of the executive committee of the Company are considered as key management personnel of the Company.

## 2.13 Revenue recognition

### *Sale of goods*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

#### 2.14 Finance income and expense

Finance income comprises interest income on funds invested and net foreign currency gains that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings and net foreign currency losses. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

#### 2.15 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 2.16 Intra-group financial guarantees

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements, and accounts for them as such. The Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

#### 2.17 Government grants

Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received. Grants related to assets are deducted against the carrying value of the related assets.

**3 Property, plant and equipment**

|  | <b>Leasehold<br/>buildings</b> | <b>Office<br/>fittings and<br/>equipment</b> | <b>Plant and<br/>machinery</b> | <b>Motor<br/>vehicles</b> | <b>Construction-<br/>in-progress</b> | <b>Total</b> |
|--|--------------------------------|--|--------------------------------|---------------------------|--------------------------------------|--------------|
|  | RMB'000                        | RMB'000                                      | RMB'000                        | RMB'000                   | RMB'000                              | RMB'000      |
| <b>Group</b>   |                                |  |                                |                           |                                      |              |
| <b>Cost</b>  |                                |  |                                |                           |                                      |              |
| At 1 January 2007                                    | 6,605                          | 581  | 88,528                         | 2,938                     | -                                    | 98,652       |
| Additions  | 308                            | 15   | 2,229                          | -                         | -                                    | 2,552        |
| At 31 December 2007                                  | 6,913                          | 596  | 90,757                         | 2,938                     | -                                    | 101,204      |
| Additions  | 38,514                         | 1,089  | 30,184                         | 967                       | 34,913                               | 105,667      |
| Assets acquired in business<br>combination (Note 28) | 41,491                         | 2,689  | 394,894                        | 1,458                     | 13,404                               | 453,936      |
| Disposal   | (83)                           | (29)   | (2,685)                        | -                         | -                                    | (2,797)      |
| At 31 December 2008                                  | 86,835                         | 4,345  | 513,150                        | 5,363                     | 48,317                               | 658,010      |
| <b>Accumulated depreciation</b>                      |                                |  |                                |                           |                                      |              |
| At 1 January 2007                                    | 454                            | 374  | 33,916                         | 1,789                     | -                                    | 36,533       |
| Depreciation charge for<br>the year                  | 304                            | 149  | 8,483                          | 524                       | -                                    | 9,460        |
| At 31 December 2007                                  | 758                            | 523  | 42,399                         | 2,313                     | -                                    | 45,993       |
| Depreciation charge for<br>the year                  | 3,386                          | 408  | 30,345                         | 657                       | -                                    | 34,796       |
| Disposal   | (3)                            | (20)   | (1,893)                        | -                         | -                                    | (1,916)      |
| At 31 December 2008                                  | 4,141                          | 911  | 70,851                         | 2,970                     | -                                    | 78,873       |
| <b>Carrying amount</b>                               |                                |  |                                |                           |                                      |              |
| At 1 January 2007                                    | 6,151                          | 207  | 54,612                         | 1,149                     | -                                    | 62,119       |
| At 31 December 2007                                  | 6,155                          | 73   | 48,358                         | 625                       | -                                    | 55,211       |
| At 31 December 2008                                  | 82,694                         | 3,434  | 442,299                        | 2,393                     | 48,317                               | 579,137      |
| <b>Company</b>                                       |                                |  |                                |                           |                                      |              |
| <b>Cost</b>  |                                |  |                                |                           |                                      |              |
| At 1 January 2007                                    | -                              | 84   | -                              | -                         | -                                    | 84           |
| Additions  | -                              | 8  | -                              | -                         | -                                    | 8            |
| At 31 December 2007                                  | -                              | 92   | -                              | -                         | -                                    | 92           |
| Additions  | -                              | 303  | -                              | 616                       | -                                    | 919          |
| Disposals  | -                              | (21)   | -                              | -                         | -                                    | (21)         |
| At 31 December 2008                                  | -                              | 374  | -                              | 616                       | -                                    | 990          |
| <b>Accumulated depreciation</b>                      |                                |  |                                |                           |                                      |              |
| At 1 January 2007                                    | -                              | 35   | -                              | -                         | -                                    | 35           |
| Depreciation charge for<br>the year                  | -                              | 28   | -                              | -                         | -                                    | 28           |
| At 31 December 2007                                  | -                              | 63   | -                              | -                         | -                                    | 63           |
| Depreciation charge for<br>the year                  | -                              | 51   | -                              | 103                       | -                                    | 154          |
| Disposals  | -                              | (20)   | -                              | -                         | -                                    | (20)         |
| At 31 December 2008                                  | -                              | 94   | -                              | 103                       | -                                    | 197          |
| <b>Carrying amount</b>                               |                                |  |                                |                           |                                      |              |
| At 1 January 2007                                    | -                              | 49   | -                              | -                         | -                                    | 49           |
| At 31 December 2007                                  | -                              | 29   | -                              | -                         | -                                    | 29           |
| At 31 December 2008                                  | -                              | 280  | -                              | 513                       | -                                    | 793          |

Included in the carrying amount of property, plant and equipment of the Group are assets with carrying amount of RMB513,000 (2007: Nil), which are acquired under finance leases.

#### 4 Lease prepayments

|   | Note | Group<br>RMB'000 |
|---|------|------------------|
| <b>Cost</b>                             |      |                  |
| At 1 January and 31 December 2007       |      | 2,912            |
| Assets acquired in business combination | 28   | 23,331           |
| Additions                               |      | 52               |
| Disposal                                |      | (595)            |
| At 31 December 2008                     |      | 25,700           |
| <b>Accumulated amortisation</b>         |      |                  |
| At 1 January 2007                       |      | 87               |
| Amortisation                            |      | 59               |
| At 31 December 2007                     |      | 146              |
| Amortisation                            |      | 485              |
| Disposals                               |      | (595)            |
| At 31 December 2008                     |      | 36               |
| <b>Carrying amount</b>                  |      |                  |
| At 1 January 2007                       |      | 2,825            |
| At 31 December 2007                     |      | 2,766            |
| At 31 December 2008                     |      | 25,664           |

#### 5 Intangible assets

|   | Note | Goodwill on<br>consolidation<br>RMB'000 |
|---|------|---|
| <b>Group</b>                              |      |   |
| <b>Cost</b>                               |      |   |
| At 1 January and 31 December 2007         |      | -                                       |
| Acquisitions through business combination | 28   | 72,032                                  |
| Acquisition of minority interest          | 28   | 10,258                                  |
| At 31 December 2008                       |      | 82,290                                  |
| <b>Carrying amount</b>                    |      |   |
| At 31 December 2008                       |      | 82,290                                  |

##### Impairment testing for cash-generating units containing goodwill

Goodwill is primarily allocated to the cash-generating units within the thin gauge aluminium materials segment operating largely in China.

The recoverable amount of the cash-generating units is based on value-in-use. These calculations use cash flow projections based on financial budgets approved by the Group's management covering a four-year period from 2009 to 2012 for the aluminium foil rolling business segment.

The growth rate does not exceed the average historical growth rate over the long term for the aluminium foil rolling industry. Value-in-use was determined by discounting the future cash flows generated from the continuing use of the cash-generating units and was based on the following key assumptions:

1. Gross margins of between 5% to 14%.
2. Growth rate of sales volume between 1% to 32%.
3. Discount rate of between 12.5% to 13% that takes into account the relevant market interest, debt to equity structure and inflation rates as well as the business and financial risks relating to aluminium foil rolling business, the prevailing risk free rate, equity risk premium and betas of available listed companies.

## 5 Intangible assets (cont'd)

Management determined the key assumptions based on past performance and its expectations of market developments, and the specific risks relating to the aluminium foil rolling industry are based on historical data from both external and internal sources.

## 6 Subsidiaries

|                            | Company |         |
|----------------------------|---------|---------|
|                            | 2008    | 2007    |
|                            | RMB'000 | RMB'000 |
| Investment in subsidiaries | 54,107  | 54,107  |

Details of the subsidiaries are as follows:

| Name of subsidiary  | Principal activity                                  | Place of incorporation and business | Effective equity held by the Group |      |
|---|---|-------------------------------------|------------------------------------|------|
|   |   |                                     | 2008                               | 2007 |
|   |   |                                     | %                                  | %    |
| Shanghai Asia Company Pte. Ltd. (SACPL)                                   | Investment holding                                  | Singapore                           | 100                                | 100  |
| Jiangyin New Liantong Printing Co., Ltd (JNLP)                            | Gravure printing of packaging products              | People's Republic of China (China)  | 100                                | 100  |
| Jiangyin New Liantong Packaging and Lamination Materials Co., Ltd (JNLPM) | Manufacturing of packaging and lamination materials | China                               | 100                                | 100  |
| Jiangyin Zhongji Aluminium Industries Co., Ltd                            | Manufacturing of thin gauge aluminium foil          | China                               | 100                                | 100  |
| Jiangyin Zhongen Lamination Materials Co., Ltd                            | Manufacturing of polyester laminated foil           | China                               | 52                                 | 52   |
| Jiangsu Zhongji Lamination Materials Co., Ltd (JZLM)                      | Manufacturing of thin gauge aluminium foil          | China                               | 100                                | 46   |

KPMG LLP Singapore is the auditor of SACPL. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries (JNLP, JNLPM and JZLM). For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

Following the Company's announcement on 6 November 2007, Group has on 28 January 2008, through its wholly-owned subsidiary, SACPL, completed its capital contribution (the Capital Contribution) for the subscription of the remaining 5.0% of unsubscribed equity interest in the registered capital of JZLM and the shares acquisition (the Shares Acquisition) to acquire an additional 43.9% equity interest in JZLM (the First Investment).

On 7 August 2008, the Group has through SACPL, entered into a sale and purchase agreement with TongBao (Hong Kong) Shipping Co., Limited (TongBao) for the acquisition of the remaining 5.1% equity interest in JZLM held by TongBao (the Second Investment). The Second Investment was completed on 11 September 2008.

Following the additional investments above, JZLM became a 100% subsidiary of the Group on 11 September 2008.

**7 Amount due from a subsidiary**

|  | <b>Company</b> |             |
|--|----------------|-------------|
|  | <b>2008</b>    | <b>2007</b> |
|  | RMB'000        | RMB'000     |
| Amount due from a subsidiary (non-trade) | 312,992        | 112,818     |

The amount due from a subsidiary are unsecured. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the entity's net investment in the subsidiary, it is stated at cost.

**8 Loan to a subsidiary**

The loan to a subsidiary is for its capital expenditure during the year. The loan bears interest of 6% (2007: Nil) per annum and matures in two years.

**9 Associate**

|                            | <b>Group</b> |             |
|----------------------------|--------------|-------------|
|                            | <b>2008</b>  | <b>2007</b> |
|                            | RMB'000      | RMB'000     |
| Investment in an associate | *            | 121,901     |
| Share of profit/(loss)     | *            | 4,886       |
|                            | *            | 126,787     |

Details of the associate are as follows:

| <b>Name of associate</b>                      | <b>Principal activity</b>                  | <b>Place of incorporation and business</b> | <b>Effective equity held by the Group</b> |             |
|---|--|--|---|-------------|
|   |  |  | <b>2008</b>                               | <b>2007</b> |
|   |  |  | %   | %           |
| Jiangsu Zhongji Lamination Materials Co., Ltd | Manufacturing of thin gauge aluminium foil | China                                      | *   | 46          |

Other member firms of KPMG International are auditors of JZLM, a significant foreign-incorporated associate. For this purpose, an associated company is considered significant as defined under the Singapore Exchange Limited Listing Manual if the Group's share of its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

**9 Associate (cont'd)**

The summarised financial information relating to an associate (which has not been adjusted for the percentage of ownership held by the Group) is as follows:

|                               | <b>Group</b> |             |
|-------------------------------|--------------|-------------|
|                               | <b>2008</b>  | <b>2007</b> |
|                               | RMB'000      | RMB'000     |
| <b>Assets and liabilities</b> |              |             |
| Assets                        | *            | 814,673     |
| Liabilities                   | *            | (540,368)   |
| <b>Results</b>                |              |             |
| Revenue                       | 47,620       | 402,739     |
| Profit for the year           | 1,931        | 10,726      |

\* During the year, the Group increased its equity interest in the associate from 46% to 100% and hence, JZLM became a subsidiary of the Group (Note 6).

**10 Other investments**

|  | <b>Group</b> |             |
|--|--------------|-------------|
|  | <b>2008</b>  | <b>2007</b> |
|  | RMB'000      | RMB'000     |
| Available-for-sale unquoted equity securities, at cost | 11,600       | 11,600      |

The available-for-sale unquoted equity securities were carried at cost since the fair value cannot be reliably measured.

**11 Non-financial asset**

|                                   | <b>Transferable<br/>country club<br/>membership</b> |
|-----------------------------------|---|
|                                   | RMB'000   |
| <b>Group</b>                      |   |
| <b>Cost</b>                       |   |
| At 1 January and 31 December 2007 | 321   |
| At 1 January and 31 December 2008 | 321   |
| <b>Accumulated amortisation</b>   |   |
| At 1 January 2007                 | 193   |
| Amortisation charge for the year  | 64  |
| At 31 December 2007               | 257   |
| Amortisation charge for the year  | 64  |
| At 31 December 2008               | 321   |
| <b>Carrying amount</b>            |   |
| At 1 January 2007                 | 128   |
| At 31 December 2007               | 64  |
| At 31 December 2008               | -   |

**12 Inventories**

|                               | Group   |         |
|-------------------------------|---------|---------|
|                               | 2008    | 2007    |
|                               | RMB'000 | RMB'000 |
| Raw materials and consumables | 67,348  | 7,214   |
| Work-in-progress              | 22,941  | 2,279   |
| Finished goods                | 42,500  | 7,936   |
|                               | 132,789 | 17,429  |

In 2008, raw materials and consumables, and changes in finished goods and work-in-progress, recognised in cost of sales, amounted to RMB563,743,000 (2007: RMB181,093,000).

**13 Trade and other receivables**

|                                       | Note | Group   |         | Company |         |
|---------------------------------------|------|---------|---------|---------|---------|
|                                       |      | 2008    | 2007    | 2008    | 2007    |
|                                       |      | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables                     |      | 153,849 | 39,627  | -       | -       |
| Bankers acceptance receivable         |      | 132,319 | 44,200  | -       | -       |
| Other receivables                     |      | 1,628   | 3,145   | 14      | 104     |
| Net receivables                       |      | 287,796 | 86,972  | 14      | 104     |
| Deposits                              |      | 152     | 19,248  | 152     | 155     |
| Prepayments                           |      | 18,136  | 923     | 5,980   | 113     |
| Interest receivable                   |      | -       | 2       | -       | 2       |
| Amounts due from related corporations | 14   | 32,077  | 26,695  | 85,184  | 40,391  |
|                                       |      | 338,161 | 133,840 | 91,330  | 40,765  |

Outstanding balances with related corporations are unsecured. There is no allowance for doubtful debts arising from the outstanding balances.

Concentration of credit risk relating to trade receivables, bankers acceptance receivable and trade amounts due from an affiliated corporation is limited to the Group's many varied customers.

There is no concentration of credit risk with respect to the customers of Jiangsu Zhongji Lamination Materials Co., Ltd as the company has a large number of customers.

There is no concentration of credit risk with respect to the customers of Jiangyin New Liantong Printing Co., Ltd and Jiangyin New Liantong Packaging and Lamination Materials Co., Ltd. Due mainly to the specialised nature of the gravure printing business, the Group transacts with a number of major customers and an affiliated corporation, which together accounted for 19.9% (2007: 50.8%) of the Group's total trade receivables, bankers acceptance receivable and trade amounts due from affiliated corporations at the balance sheet date.

The maximum exposure to credit risk for net receivables and amounts due from related corporations is represented by the carrying amount of these receivables at the balance sheet date.

The Group's most significant customer, a major cigarette industrial group in China, accounts for RMB31,873,000 (2007: RMB39,354,000) of the trade receivables carrying amount at the balance sheet date.

**13 Trade and other receivables (cont'd)**

The ageing of trade receivables, bankers acceptance receivable and trade amounts due from affiliated corporations at the reporting date is:

|                         | <b>2008</b>    | <b>2007</b>    |
|-------------------------|----------------|----------------|
|                         | RMB'000        | RMB'000        |
| <b>Group</b>            |                |                |
| Not past due            | 282,824        | 110,148        |
| Past due 0 - 30 days    | 22,715         | -              |
| Past due 31 - 60 days   | 5,245          | 20             |
| Past due 61 - 90 days   | 2,853          | -              |
| Past due 91 - 120 days  | 1,273          | -              |
| Past due after 121 days | 2,702          | -              |
|                         | <u>317,612</u> | <u>110,168</u> |

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables and trade amounts due from affiliated corporations. These receivables are mainly arising by customers that have a good record with the Group.

**14 Amounts due from related corporations**

|                            | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------------|---------------|---------------|----------------|---------------|
|                            | <b>2008</b>   | <b>2007</b>   | <b>2008</b>    | <b>2007</b>   |
|                            | RMB'000       | RMB'000       | RMB'000        | RMB'000       |
| Amounts due from/(to):     |               |               |                |               |
| - a subsidiary:            |               |               |                |               |
| - trade                    | -             | -             | 120,107        | 40,037        |
| - non-trade                | -             | -             | (35,556)       | -             |
| - an associate (non-trade) | -             | 207           | -              | 207           |
| - affiliated corporations: |               |               |                |               |
| - trade                    | 31,444        | 26,341        | -              | -             |
| - non-trade                | 633           | 147           | 633            | 147           |
|                            | <u>32,077</u> | <u>26,695</u> | <u>85,184</u>  | <u>40,391</u> |

Trade amounts due from a subsidiary relate to dividend receivables.

The non-trade amounts due from a subsidiary, an associate and affiliated corporations are unsecured, interest-free and are repayable on demand. Affiliated companies are defined as companies, other than subsidiaries and associates, in which certain directors have substantial financial interests.

**15 Cash and cash equivalents**

|  | <b>Group</b>  |               | <b>Company</b> |              |
|--|---------------|---------------|----------------|--------------|
|  | <b>2008</b>   | <b>2007</b>   | <b>2008</b>    | <b>2007</b>  |
|  | RMB'000       | RMB'000       | RMB'000        | RMB'000      |
| Cash at bank and in hand                             | 49,373        | 32,219        | 2,749          | 1,588        |
| Fixed deposits with banks                            | 163,617       | 45,976        | 21,117         | 6,376        |
|  | 212,990       | 78,195        | <u>23,866</u>  | <u>7,964</u> |
| Deposits pledged                                     | (145,026)     | (39,600)      |                |              |
| Cash and cash equivalents in the cash flow statement | <u>67,964</u> | <u>38,595</u> |                |              |

The weighted average effective interest rates per annum relating to cash and cash equivalents at the balance sheet date for the Group and the Company are 2.35% (2007: 3.13%) and 0.05% (2007: 3.32%), respectively. Interest rates reprice at intervals of less than 3 months.

Deposits pledged includes deposits of certain subsidiaries pledged as security for trade credit facilities obtained from banks of RMB140,500,000 (2007: RMB39,600,000). The Company had also pledged deposits amounting to RMB 4,526,000 (2007: Nil) as security for a bank loan.

## 16 Share capital

|   | <b>Group and Company</b> |                      |
|---|--------------------------|----------------------|
|   | <b>2008</b>              | <b>2007</b>          |
|   | <b>No. of shares</b>     | <b>No. of shares</b> |
|   | ('000)                   | ('000)               |
| <b>Fully paid ordinary shares, with no par value:</b>             |                          |                      |
| At 1 January  | 518,000                  | 518,000              |
| Issue of consideration shares for the acquisition of a subsidiary | 152,512                  | -                    |
| Issue of right shares   | 211,394                  | -                    |
| At 31 December  | 881,906                  | 518,000              |

On 5 May 2008, the Company issued 152,512,286 new ordinary shares as consideration shares for the acquisition of the additional 43.9% equity interest in JZLM (note 28) at the agreed price of S\$0.28 per share, to the minority shareholders of JZLM, including the shareholders of the Company. The quoted market price of the consideration shares at the date of the acquisition was S\$0.25 per share.

On 26 November 2008, the Company completed its exercise of renounceable non-underwritten rights issue, on the basis of three rights shares for every eight existing shares (3 for 8) held by shareholders of the Company. Pursuant to the exercise, 211,393,803 fully paid new ordinary shares were issued on 26 November 2008 at an issue price of S\$0.10 for each rights share and the share capital of the Company increased by a total sum of approximately RMB 93,128,000 after deducting estimated costs incurred of RMB 1,334,000 for the exercise.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, unless voting by show of hands is applied according to the Company's Articles of Association. All shares rank equally with regards to the Company's residual assets.

### *Capital management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on equity, which the Group defines as profit for the year divided by total shareholders' equity excluding minority interest. The Board also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

**17 Reserves**

|                              | Group   |         | Company |         |
|------------------------------|---------|---------|---------|---------|
|                              | 2008    | 2007    | 2008    | 2007    |
|                              | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Statutory reserve            | 34,206  | 27,557  | -       | -       |
| Enterprise expansion reserve | 6,486   | 6,486   | -       | -       |
| Merger deficit               | (4,439) | (4,439) | -       | -       |
| Accumulated profits          | 200,713 | 156,199 | 63,330  | 58,765  |
|                              | 236,966 | 185,803 | 63,330  | 58,765  |

*Statutory reserve*

The subsidiaries incorporated in China are required to transfer 10% of their profits after taxation, as determined under the accounting principles and relevant financial regulations of China, to the statutory reserve until the reserve balance reaches 50% of registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory reserve can be used to make good previous years' losses, if any, and may be converted to paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

*Enterprise expansion reserve*

Appropriation to the enterprise expansion reserve is made at the discretion of the Board of Directors of the subsidiaries incorporated in China. The enterprise expansion reserve can be converted to paid-up capital and to acquire property, plant and equipment.

*Merger deficit*

The merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling-of-interests method of accounting.

*Accumulated profits*

The accumulated profits of the Group includes accumulated profits of RMB5,774,000 (2007: accumulated profits of RMB4,886,000) attributable to an associate.

**18 Employee share options**

The Shanghai Asia Holdings Limited Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting on 29 July 2004. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, John David Cambridge (Chairman), Ronnie Teo Heng Hock and Tay Joo Soon.

Information regarding the Scheme are as follows:

- The exercise price of the option is S\$0.28, based on the issue price of the Company's shares under the initial public offering.
- The options vest 14 months after the date of grant (the Vesting Period).
- Unless they are cancelled, have lapsed prior to the expiry date or that specified by the Remuneration Committee, the options granted will expire 60 months after the Vesting Period.

At the end of the year, details of the options granted pursuant to the service agreements on the unissued ordinary shares of the Company are as follows:

| Date of grant of options | Exercise price per share | Options outstanding at 1/1/2008 | Options cancelled | Options outstanding at 31/12/2008 | Number of option holders at 31/12/2008 | Exercise period        |
|--------------------------|--------------------------|---------------------------------|-------------------|-----------------------------------|--|------------------------|
| 29/7/2004                | S\$ 0.28                 | 17,600,000                      | -                 | 17,600,000                        | 3                                      | 1/10/2005 to 30/9/2010 |

## 19 Financial liabilities

|                                | Group   |         | Company |         |
|--------------------------------|---------|---------|---------|---------|
|                                | 2008    | 2007    | 2008    | 2007    |
|                                | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <b>Non-current liabilities</b> |         |         |         |         |
| Secured bank loans             | 83,297  | -       | 83,297  | -       |
| Finance lease liabilities      | 210     | -       | 210     | -       |
|                                | 83,507  | -       | 83,507  | -       |
| <b>Current liabilities</b>     |         |         |         |         |
| Secured bank loans             | 202,794 | -       | 12,794  | -       |
| Finance lease liabilities      | 66      | -       | 66      | -       |
|                                | 202,860 | -       | 12,860  | -       |
|                                | 286,367 | -       | 96,367  | -       |

The secured bank loans comprise:

(a) Term loans of RMB190,000,000 (2007: Nil), secured by the following:

- (1) plant and machinery held by a subsidiary with a carrying amount of RMB230,000,000 (2007: Nil);
- (2) lease prepayment held by a subsidiary with a carrying amount of RMB150,000,000 (2007: Nil); and
- (3) corporate guarantees given by the Group and related corporation.

The term loans are repayable within a year.

(b) A bank loan amounting to RMB96,090,000 (2007: Nil), secured by the Company's shares in a subsidiary. The loan is repayable in quarterly instalments over a period of two years.

### Finance lease liabilities

At 31 December 2008, the Group and Company have obligations under finance lease that are payable as follows:

|  | Principal | Interest | Payments | Principal | Interest | Payments |
|--|-----------|----------|----------|-----------|----------|----------|
|  | 2008      | 2008     | 2008     | 2007      | 2007     | 2007     |
|  | RMB'000   | RMB'000  | RMB'000  | RMB'000   | RMB'000  | RMB'000  |
| Payable within 1 year                      | 66        | 9        | 75       | -         | -        | -        |
| Payable after 1 year<br>but within 5 years | 210       | 26       | 236      | -         | -        | -        |
| <b>Total</b>                               | 276       | 35       | 311      | -         | -        | -        |

**19 Financial liabilities (cont'd)****Terms and debt repayment schedule**

Terms and conditions of outstanding loans and borrowings are as follows:

|                           | <b>Nominal<br/>interest rate</b> | <b>Year of<br/>maturity</b> | <b>2008<br/>Carrying<br/>amount</b> | <b>2007<br/>Carrying<br/>amount</b> |
|---------------------------|----------------------------------|-----------------------------|-------------------------------------|-------------------------------------|
|                           |                                  |                             | RMB'000                             | RMB'000                             |
| <b>Group</b>              |                                  |                             |                                     |                                     |
| RMB floating rate loans   | 5.29 to 7.02%                    | 2009                        | 169,000                             | -                                   |
| RMB fixed rate loans      | 6.33 to 7.47%                    | 2009                        | 21,000                              | -                                   |
| US\$ floating rate loan   | Libor + 2.2 to 2.5%              | 2010                        | 96,091                              | -                                   |
| Finance lease liabilities | 2.5%                             | 2013                        | 276                                 | -                                   |
|                           |                                  |                             | 286,367                             | -                                   |
| <b>Company</b>            |                                  |                             |                                     |                                     |
| US\$ floating rate loan   | Libor +2.2 to 2.5%               | 2010                        | 96,091                              | -                                   |
| Finance lease liabilities | 2.5%                             | 2013                        | 276                                 | -                                   |
|                           |                                  |                             | 96,367                              | -                                   |

The following are the expected contractual undiscounted cash outflows of financial liabilities, trade and other payables, including interest payments:

|   | <b>Carrying<br/>amount</b> | <b>Cash flows</b>                 |                          |                                |
|---|----------------------------|-----------------------------------|--------------------------|--------------------------------|
|   |                            | <b>Contractual<br/>cash flows</b> | <b>Within<br/>1 year</b> | <b>Within 1 to<br/>5 years</b> |
|   | RMB'000                    | RMB'000                           | RMB'000                  | RMB'000                        |
| <b>Group</b>                                |                            |                                   |                          |                                |
| <b>2008</b>                                 |                            |                                   |                          |                                |
| <b>Non-derivative financial liabilities</b> |                            |                                   |                          |                                |
| RMB floating rate loans                     | 169,000                    | 172,329                           | 172,329                  | -                              |
| RMB fixed rate loans                        | 21,000                     | 21,832                            | 21,832                   | -                              |
| US\$ floating rate loans                    | 96,091                     | 101,423                           | 16,579                   | 84,844                         |
| Finance lease liabilities                   | 276                        | 311                               | 75                       | 236                            |
| Trade and other payables                    | 413,411                    | 413,411                           | 413,411                  | -                              |
|   | 699,778                    | 709,306                           | 624,226                  | 85,080                         |
| <b>2007</b>                                 |                            |                                   |                          |                                |
| <b>Non-derivative financial liabilities</b> |                            |                                   |                          |                                |
| Trade and other payables                    | 81,955                     | 81,955                            | 81,955                   | -                              |

|   | Carrying amount | Cash flows             |               |                     |
|---|-----------------|------------------------|---------------|---------------------|
|   |                 | Contractual cash flows | Within 1 year | Within 1 to 5 years |
|   | RMB'000         | RMB'000                | RMB'000       | RMB'000             |
| <b>Company</b>                              |                 |                        |               |                     |
| <b>2008</b>                                 |                 |                        |               |                     |
| <b>Non-derivative financial liabilities</b> |                 |                        |               |                     |
| Variable interest rate loans                | 96,091          | 101,423                | 16,579        | 84,844              |
| Finance lease liabilities                   | 276             | 311                    | 75            | 236                 |
| Trade and other payables                    | 5,290           | 5,290                  | 5,290         | -                   |
|   | 101,657         | 107,024                | 21,944        | 85,080              |
| <b>2007</b>                                 |                 |                        |               |                     |
| <b>Non-derivative financial liabilities</b> |                 |                        |               |                     |
| Trade and other payables                    | 4,270           | 4,270                  | 4,270         | -                   |

## 20 Trade and other payables

|   | Group   |         | Company |         |
|---|---------|---------|---------|---------|
|   | 2008    | 2007    | 2008    | 2007    |
|   | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade payables and accrued operating expenses | 45,829  | 40,627  | 5,290   | 4,146   |
| Other payables                                | 10,586  | 2,143   | -       | 124     |
| Bankers acceptance (secured)                  | 273,500 | 38,600  | -       | -       |
| Discounted bankers acceptance                 | 70,000  | -       | -       | -       |
| Amounts due to:                               |         |         |         |         |
| - affiliated corporations:                    |         |         |         |         |
| - trade                                       | 9,265   | 548     | -       | -       |
| - non-trade                                   | 4,231   | 37      | -       | -       |
|   | 413,411 | 81,955  | 5,290   | 4,270   |

The non-trade amounts due to affiliated corporations are unsecured, interest-free and are repayable on demand. The bankers acceptance are secured by deposits pledged by certain subsidiaries (see Note 15).

## 21 Dividends

|   | Group   |         |
|---|---------|---------|
|   | 2008    | 2007    |
|   | RMB'000 | RMB'000 |
| One-tier tax exempt final dividend paid of 6.1 RMB<br>(2007: 3.28 RMB) cents per share in respect of prior year | 40,620  | 17,004  |

After the balance sheet date, the Directors proposed a one-tier tax exempt final dividend of 1.0 Singapore cents (2007: 1.2 Singapore cents) per share (equivalent to 4.74 RMB cents) (2007: 6.1 RMB cents) per share at 31 December 2008 which has not been provided for.

## 22 Revenue

Revenue of the Group consists of sales of paper packaging materials, thin gauge aluminium foil and aluminium lamination materials.

## 23 Profit for the year

The following items have been included in arriving at profit for the year:

|   | Group   |         |
|---|---------|---------|
|   | 2008    | 2007    |
|   | RMB'000 | RMB'000 |
| Dividend income from available-for-sale unquoted equity securities  | 1,135   | 1,154   |
| Operating lease expense   | 516     | 679     |
| Non-audit fees paid to:   |         |         |
| - auditors of the Company   | 7       | 29      |
| - other auditors  | 336     | 285     |
| Staff costs included in:  |         |         |
| - production costs  | 12,719  | 3,576   |
| - administrative expenses   | 10,657  | 7,540   |
| Contributions to defined contribution plans included in staff costs | 3,922   | 118     |
| Re-investment tax rebate  | -       | (2,787) |

Re-investment tax rebate comprised grant receivable during 2007 from the Tax Bureau in China in relation to the Group's investment in the associate. The grant received must be repaid if the re-invested amount is withdrawn within five years.

## 24 Finance income and expense

|   | Group    |         |
|---|----------|---------|
|   | 2008     | 2007    |
|   | RMB'000  | RMB'000 |
| <b>Recognised in the income statement</b> |          |         |
| Interest income:                          |          |         |
| - bank deposits                           | 4,677    | 1,219   |
| Foreign exchange gain                     | 5,063    | -       |
| Finance income                            | 9,740    | 1,219   |
| Interest expense:                         |          |         |
| - paid/payable to banks                   | (20,781) | (370)   |
| - finance lease liabilities               | (50)     | -       |
| Foreign exchange loss                     | -        | (785)   |
| Bank charges                              | (1,271)  | -       |
| Finance expense                           | (22,102) | (1,155) |
| Net finance (expenses)/income             | (12,362) | 64      |

**25 Income tax expense**

|   | <b>Group</b> |             |
|---|--------------|-------------|
|   | <b>2008</b>  | <b>2007</b> |
|   | RMB'000      | RMB'000     |
| <b>Current tax expenses</b>                                   |              |             |
| Current year  | 15,749       | 15,790      |
| <b>Reconciliation of effective tax rate</b>                   |              |             |
| Profit before income tax                                      | 109,732      | 85,194      |
| Income tax using applicable China tax rate at 25% (2007: 27%) | 27,433       | 23,002      |
| Expenses not deductible for tax purposes                      | 3,297        | 1,711       |
| Income not subject to tax                                     | (549)        | (752)       |
| Effect of tax concessions                                     | (15,297)     | (9,069)     |
| Effect of different tax rates in other countries              | 841          | 891         |
| Others  | 24           | 7           |
|   | 15,749       | 15,790      |

The subsidiaries, JNLPM and JZLM, were granted tax concession by the tax authority of China whereby they were exempted from China income tax for two consecutive years from the first year they record assessable profits on a cumulative basis, with a 50% reduction in tax liability in the following three years. JNLPM recorded its first year of assessable profit in 2005 and enjoyed a 50% reduction in tax liability during the year. JZLM recorded its first year of assessable profit in 2007 and enjoyed tax exemption from China income tax.

**26 Earnings per share**

|   | <b>Group</b>         |                      |
|---|----------------------|----------------------|
|   | <b>2008</b>          | <b>2007</b>          |
|   | RMB'000              | RMB'000              |
| Basic and diluted earnings per share is based on:                         |                      |                      |
| Net profit attributable to ordinary shareholders                          | 91,783               | 69,644               |
|   | <b>No. of shares</b> | <b>No. of shares</b> |
|   | ('000)               | ('000)               |
| Issued ordinary shares at beginning of the year                           | 518,000              | 518,000              |
| Effect of consideration shares issued for the acquisition of a subsidiary | 44,271               | -                    |
| Effect of rights shares issued  | 103,896              | -                    |
| Weighted average number of ordinary shares at the end of the year         | 666,167              | 518,000              |

The options disclosed in Note 18 are potential ordinary shares but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

## 27 Segment reporting

Following the Group's acquisition of the remaining interests in JZLM as stated in Note 28, the Group's main businesses include those relating to the manufacture and sale of paper packaging materials, manufacturing and sale of thin gauge aluminium foil and aluminium lamination materials. All its significant operations are located in China. Accordingly, segmental information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and expenses, corporate assets, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### Business segments

The Group comprises the following main business segments:

|                           |   |  |
|---------------------------|---|--|
| Gravure printing          | : | Gravure printing of packaging products as well as manufacturing of packaging and lamination materials. |
| Aluminium foil rolling    | : | Manufacturing of thin gauge aluminium foil.  |
| Aluminium foil lamination | : | Manufacturing of polyester laminated foil  |
| Other operations          | : | Investment holdings  |

| <b>Business segments</b>          | <b>Gravure printing</b> | <b>Aluminium foil rolling</b> | <b>Aluminium foil lamination</b> | <b>Other operations</b> | <b>Eliminations</b> | <b>Total operations</b> |
|-----------------------------------|-------------------------|-------------------------------|----------------------------------|-------------------------|---------------------|-------------------------|
|                                   | RMB'000                 | RMB'000                       | RMB'000                          | RMB'000                 | RMB'000             | RMB'000                 |
| <b>2008 Results</b>               |                         |                               |                                  |                         |                     |                         |
| Total external revenue            | 278,081                 | 549,258                       | 16,467                           | -                       | -                   | 843,806                 |
| Inter-segment revenue             | -                       | 8,718                         | -                                | -                       | (8,718)             | -                       |
| <b>Total-segment revenue</b>      | <b>278,081</b>          | <b>557,976</b>                | <b>16,467</b>                    | <b>-</b>                | <b>(8,718)</b>      | <b>843,806</b>          |
| Results from operating activities | 86,495                  | 38,250                        | 7,061                            | (10,600)                |                     | 121,206                 |
| Net finance expenses              |                         |                               |                                  |                         |                     | (12,362)                |
| Share of profit in associate      |                         |                               |                                  |                         |                     | 888                     |
| Income tax expense                |                         |                               |                                  |                         |                     | (15,749)                |
| <b>Profit for the year</b>        |                         |                               |                                  |                         |                     | <b>93,983</b>           |
| <b>Assets and liabilities</b>     |                         |                               |                                  |                         |                     |                         |
| Segment assets                    | 272,542                 | 968,866                       | 15,546                           | 43,387                  |                     | 1,300,341               |
| Unallocated assets                |                         |                               |                                  |                         |                     | 82,290                  |
| <b>Total assets</b>               |                         |                               |                                  |                         |                     | <b>1,382,631</b>        |
| Segment liabilities               | 89,679                  | 505,637                       | 2,777                            | 101,685                 |                     | 699,778                 |
| Unallocated liabilities           |                         |                               |                                  |                         |                     | 3,831                   |
| <b>Total liabilities</b>          |                         |                               |                                  |                         |                     | <b>703,609</b>          |
| <b>Other segment information</b>  |                         |                               |                                  |                         |                     |                         |
| Capital expenditure               | 2,155                   | 101,465                       | 1,128                            | 919                     |                     | 105,667                 |
| Depreciation and amortisation     | 12,538                  | 22,506                        | 146                              | 155                     |                     | 35,345                  |

In 2007, the Group's main businesses are those relating to the manufacturing and sale of paper packaging materials.

## 28 Acquisition of subsidiary and minority interest

### *Acquisition of additional equity interests in JZLM*

On 6 November 2007, the Group had, through its wholly-owned subsidiary, SACPL, entered into a capital contribution agreement (the Capital Contribution) for the subscription of the remaining 5.0% of unsubscribed equity interest in the registered capital of JZLM and a shares acquisition agreement (the Shares Acquisition) to acquire an additional 43.9% equity interest in JZLM (the Proposed Investments).

On 29 January 2008, the Capital Contribution of US\$1,640,000 was registered with the relevant industry and commerce administration in China. With the completion of the Capital Contribution, the Group's equity interest in JZLM was increased from 46.0% as at 31 December 2007 to 51.0%. JZLM became a subsidiary of the Company with effect from 29 January 2008.

On 25 February 2008, the shareholders of the Company had, at an extraordinary meeting, approved the Shares Acquisition. On 11 March 2008, the Shares Acquisition was registered with the relevant industry and commerce administration in China. With the Capital Contribution and Share Acquisition completed, the Group's equity interest in JZLM was 94.9% as at 11 March 2008.

The aggregate purchase consideration paid was RMB231,300,000, comprising US\$1,640,000 or RMB11,800,000 equivalent for the Capital Contribution paid in cash on 29 January 2008, and RMB219,500,000 for the Shares Acquisition to be satisfied by the issue of 152,512,286 consideration shares by the Company at the agreed price of S\$0.28 per share, to the minority shareholders of JZLM, including the shareholders of the Company, New Toyo International Holdings Ltd (NTIH) and Hong Ji International Holdings Limited (Hong Ji).

The effect of acquisition of additional interests in JZLM from 46.0% to 94.9%, calculated based on the carrying values of assets and liabilities of JZLM as at 29 January 2008 and the fair value (i.e. quoted market price) of the consideration shares as at 11 March 2008 of S\$0.25 per share, is set out below:

|  | <b>Recognised<br/>values</b> |
|--|------------------------------|
|  | RMB'000                      |
| Property, plant and equipment                    | 453,936                      |
| Lease prepayments                                | 23,331                       |
| Inventories                                      | 148,282                      |
| Trade and other receivables                      | 145,222                      |
| Cash and cash equivalents                        | 102,518                      |
|  | <u>873,289</u>               |
| Trade and other payables                         | (263,866)                    |
| Interest-bearing liabilities                     | (333,169)                    |
| Total liabilities                                | <u>(597,035)</u>             |
| Net identifiable assets                          | 276,254                      |
| Minority interests                               | (12,672)                     |
| Amounts previously accounted for as an associate | (127,675)                    |
| Net identifiable assets acquired                 | 135,907                      |
| Goodwill on acquisition                          | 72,032                       |
| Total purchase consideration                     | 207,939                      |
| Consideration satisfied by issue of new shares   | (195,139)                    |
|  | <u>12,800</u>                |
| Consideration satisfied in cash                  | 11,800                       |
| Expenses relating to the acquisition             | 100                          |
| Less: Cash and cash equivalents acquired         | (102,518)                    |
| Net cash inflow on acquisition                   | <u>(90,618)</u>              |

## **28 Acquisition of subsidiary and minority interest (cont'd)**

The recognised values of net identifiable assets acquired is preliminarily assessed based on their carrying values as at 29 January 2008 which management believe approximated their fair value.

The goodwill recognised on the acquisition of JZLM is attributable mainly to the anticipated profitability of the acquired business and synergies to be achieved from integrating the acquired business into Group's existing businesses.

In the eleven months to 31 December 2008, JZLM contributed a net profit of RMB 34,985,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2008, Group revenue would have been RMB605,596,000 and net profit would have been RMB36,951,000.

### ***Acquisition of minority interests***

On 11 September 2008, the Group acquired the remaining 5.1% equity interest in JZLM for RMB26,814,000 in cash, increasing its ownership from 94.9% to 100%. The carrying value of JZLM's net assets in the consolidated financial statements on the date of acquisition was RMB306,990,000. The Group recognised a decrease in minority interest of RMB15,656,000 and increase of goodwill of RMB10,258,000 as a result of the acquisition.

## **29 Financial risk management**

### *Overview*

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

### *Credit risk*

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Credit quality of customers is assessed after taking into account their financial position and past experience with the customers.

The Group reviews, and if required, establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group is exposed to credit risk in connection with the financial guarantees it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantees.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

### *Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

*Interest rate risk*

The Group's exposure to changes in interest rates relates primarily to its interest-earning financial assets and interest-bearing financial liabilities. These comprise mainly deposits in banks and interest-bearing borrowings. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

*Sensitivity analysis*

For short-term fixed deposits with banks and variable rate financial assets and liabilities, a change of 1% in interest rate at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

|                | 31 December 2008 |             | 31 December 2007 |             |
|----------------|------------------|-------------|------------------|-------------|
|                | 1% increase      | 1% decrease | 1% increase      | 1% decrease |
|                | RMB'000          | RMB'000     | RMB'000          | RMB'000     |
| Profit or loss | (1,225)          | 1,225       | 460              | (460)       |

*Foreign currency risk*

The Group is exposed to foreign currency risk on trade and other receivables, cash and cash equivalents, financial liabilities and trade and other payables held that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the Singapore dollars, Euro and the United States dollars.

There is no formal hedging policy with respect to foreign exchange exposure. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

|  | 31 December 2008 |         |           | 31 December 2007 |         |           |
|--|------------------|---------|-----------|------------------|---------|-----------|
|  | Singapore dollar | Euro    | US dollar | Singapore dollar | Euro    | US dollar |
|  | RMB'000          | RMB'000 | RMB'000   | RMB'000          | RMB'000 | RMB'000   |
| <b>Group</b>                               |                  |         |           |                  |         |           |
| Trade and other receivables                | 5,293            | -       | 29,974    | 631              | 4       | 16        |
| Cash and cash equivalents                  | 20,235           | 55      | 6,603     | 5,609            | 1,409   | 2,482     |
| Financial liabilities                      | (276)            | -       | (96,091)  | -                | -       | -         |
| Trade and other payables                   | (3,318)          | -       | -         | (131)            | -       | -         |
|  | 21,934           | 55      | (59,514)  | 6,109            | 1,413   | 2,498     |
| <b>Company</b>                             |                  |         |           |                  |         |           |
| Amount due from a subsidiary (non-current) | -                | -       | -         | 118              | -       | 13,439    |
| Loan to a subsidiary                       | -                | -       | 122,814   | -                | -       | -         |
| Trade and other receivables                | (56,567)         | 3       | 27,787    | 631              | 4       | 16        |
| Cash and cash equivalents                  | 18,958           | 29      | 4,877     | 4,087            | 1,409   | 2,467     |
| Financial liabilities                      | (276)            | -       | (96,091)  | -                | -       | -         |
| Trade and other payables                   | (3,290)          | -       | -         | (124)            | -       | -         |
|  | (41,175)         | 32      | 59,387    | 4,712            | 1,413   | 15,922    |

**29 Financial risk management** (cont'd)*Sensitivity analysis*

A 10% strengthening of Renminbi against the following currencies at the reporting date would increase (decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

|                         | <b>Group<br/>Profit<br/>before tax</b> | <b>Company<br/>Profit<br/>before tax</b> |
|-------------------------|--|--|
|                         | RMB'000                                | RMB'000                                  |
| <b>31 December 2008</b> |  |  |
| Singapore dollar        | (2,193)                                | 4,118                                    |
| Euro                    | (6)                                    | (3)                                      |
| US dollar               | 5,951                                  | (5,939)                                  |
| <b>31 December 2007</b> |  |  |
| Singapore dollar        | (611)                                  | (471)                                    |
| Euro                    | (141)                                  | (141)                                    |
| US dollar               | (250)                                  | (1,592)                                  |

A 10% weakening of Renminbi against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

*Estimation of fair values*

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company.

*Investment in equity securities*

The equity securities do not have a quoted market price in an active market. The fair value of the unquoted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investments or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. These securities are stated at cost less any impairment losses.

*Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing liabilities) are assumed to approximate their fair values. All other financial assets and liabilities are discounted to determine their fair values.

At the balance sheet date, the fair value of financial assets and liabilities are not materially different from their carrying amounts.

### 30 Commitments

At 31 December 2008, the Group has the following commitments:

|   | Group   |         |
|---|---------|---------|
|   | 2008    | 2007    |
|   | RMB'000 | RMB'000 |
| Capital commitments:                              |         |         |
| Contracted but not provided for                   |         |         |
| - Acquisition of equity interests of an associate | -       | 231,300 |
| - Contract to purchase plant and machinery        | -       | 82,563  |
|   | -       | 313,863 |

At 31 December 2008, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

|                                 | Group   |         | Company |         |
|---------------------------------|---------|---------|---------|---------|
|                                 | 2008    | 2007    | 2008    | 2007    |
|                                 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year                   | 899     | 566     | 599     | 380     |
| After 1 year but within 5 years | 1,199   | 221     | 1,199   | -       |
|                                 | 2,098   | 787     | 1,798   | 380     |

### 31 Contingent liability

The Group has given corporate guarantees for the banking facilities of the subsidiary amounting to RMB70,000,000 at 31 December 2008 (2007: RMB133,350,000).

### 32 Related parties

#### *Key management personnel compensation*

Compensation payable to key management personnel comprise:

|                              | Group   |         |
|------------------------------|---------|---------|
|                              | 2008    | 2007    |
|                              | RMB'000 | RMB'000 |
| Short-term employee benefits | 7,503   | 6,482   |
| Post-employment benefits     | 54      | 52      |
|                              | 7,557   | 6,534   |

Certain directors also participate in the Company's Share Option Scheme. No share options were granted to the directors of the Company during the year (see Note 18).

#### *Acquisition of additional equity interests in JZLM*

On 6 November 2007, the Company announced that the Group has entered into a share purchase agreement to acquire an additional 43.9% equity interest in JZLM, from NTIH, Hong Ji and a third party company for a total purchase consideration of RMB219,500,000 (Note 28). The purchase consideration paid by the Group to NTIH and Hong Ji was RMB80,000,000 and RMB75,000,000, respectively. Mr Yen Wen Hwa and Mr Liu Yi Fang have a substantial financial interest in NTIH and Hong Ji respectively.

**32 Related parties (cont'd)***Other related parties transactions*

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

|   | <b>2008</b> | <b>Group<br/>2007</b> |
|---|-------------|-----------------------|
|   | RMB'000     | RMB'000               |
| <u>Related corporations</u>                                   |             |                       |
| Jiangyin Liantong Enterprise Co., Ltd and its group companies |             |                       |
| - Sales of finished goods                                     | 86,154      | 113,807               |
| - Provision of outside processing services                    | 3,845       | 5,088                 |
| - Purchase of raw materials                                   | 29,006      | 19,348                |
| <hr/>   |             |                       |
| NTIH and its group companies                                  |             |                       |
| - Sales of finished goods                                     | 53,723      | 27,061*               |

\* Sales by an associate and as such are not included in the revenue of the Group.

**33 New accounting standards and interpretations not yet adopted**

The Group has not applied the following standards (including its consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 1 (revised 2008) *Presentation of Financial Statements*
- FRS 23 (revised 2007) *Borrowing Costs*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 102 *Share-based Payment – Vesting Conditions and Cancellations*
- FRS 108 *Operating Segments*
- Improvements to FRSs 2008
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*

FRS 1 (revised 2008) will become effective for the Group's financial statements for the year ending 31 December 2009. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. FRS 1 (revised 2008) does not have any impact on the Group's financial position or results.

FRS 23 (revised 2007) will become effective for financial statements for the year ending 31 December 2009. FRS 23 (revised 2007) removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's current policy to capitalise borrowing costs is consistent with the requirement in the revised FRS 23.

The amendments to FRS 32 and FRS 1 on puttable financial instruments will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if and only if they meet certain conditions. The Group does not issue such puttable financial instruments and thus the application of these amendments is not expected to have any significant impact on the Group's financial statements.

The amendments to FRS 39 on eligible hedged items will become effective for the Group's financial statements for the year ending 31 December 2010. The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in two particular situations: (i) the designation of a one-sided risk in a hedged item; and (ii) the designation of inflation in particular situations. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

The amendments to FRS 101 and FRS 27 on the cost of an investment in a subsidiary, jointly controlled entity or associate will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments remove the definition of "cost method" currently set out in FRS 27, and instead require an entity to recognise all dividend from a subsidiary, jointly controlled entity or associate as income in its separate financial statements when its right to receive the dividend is established. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

The amendments to FRS 102 on vesting conditions and cancellations will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments clarify the definition of vesting conditions and provide the accounting treatment for non-vesting conditions and cancellations. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see note 30). Under FRS 108, the Group will present segment information in respect of its operating segments.

Improvements to FRSs 2008 will become effective for the Group's financial statements for the year ending 31 December 2009, except for the amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* which will become effective for the year ending 31 December 2010. Improvements to FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

### **33 New accounting standards and interpretations not yet adopted (cont'd)**

INT FRS 113 will become effective for the Group's financial statements for the year ending 31 December 2009. INT FRS 113 concludes that where entities grant award credits as incentives to customers to buy their goods or services (e.g. loyalty points or free products), such customer loyalty programmes should be accounted for by taking a multiple sales approach, i.e. by deferring some of the revenue received from the initial sales transaction, to be recognised as revenue as and when the entity provides the goods or services promised under the customer loyalty programmes. The application of this Interpretation is not expected to have any significant impact on the Group's financial statements.

INT FRS 116 will become effective for the Group's financial statements for the year ending 31 December 2009. INT FRS 116 provides guidance on identifying foreign currency risks and hedging instruments that qualify for hedge accounting in the hedge of a net investment in a foreign operation. It also explains how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The application of this Interpretation is not expected to have any significant impact on the Group's financial statements.

Other than FRS 1 (revised 2008) and improvements to FRSs 2008, the initial application of these standards (including their consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

# Supplementary Information

(SGX-ST Listing Manual Disclosure requirements)

The first part of the document discusses the importance of maintaining accurate records in a business setting. It highlights how proper record-keeping can help in decision-making, legal compliance, and financial management. The text emphasizes that records should be organized, up-to-date, and easily accessible to relevant personnel.

Next, the document addresses the challenges of data management in the digital age. It notes that while digital storage offers convenience and scalability, it also introduces risks such as data loss, security breaches, and information overload. The author suggests implementing robust backup strategies and security protocols to mitigate these risks.

The third section focuses on the role of technology in enhancing business operations. It explores how automation and data analytics can streamline processes, reduce errors, and provide valuable insights into customer behavior and market trends. The text encourages businesses to invest in modern technology solutions that align with their strategic goals.

Finally, the document concludes by emphasizing the importance of a strong organizational culture. It argues that a culture of transparency, collaboration, and continuous learning is essential for long-term success. The author calls for leadership to foster an environment where employees feel empowered to contribute their best work and ideas.

## Supplementary Information

(SGX-ST Listing Manual disclosure requirements)

### 1 Directors' remuneration

Company's directors receiving remuneration from the Group:

|                                | Number of directors |      |
|--------------------------------|---------------------|------|
|                                | 2008                | 2007 |
| <b>Remuneration of:</b>        |                     |      |
| S\$500,000 and above           | 1                   | 1    |
| S\$250,000 to below S\$500,000 | 1                   | 1    |
| Below S\$250,000               | 5                   | 5    |
|                                | 7                   | 7    |

### 2 Group properties

Description of properties held by the Group are as follows:

| Location  | Description   | Tenure                              |
|---|---|-------------------------------------|
| No. 280 Xicheng Road Jiangyin, Jiangsu 214405<br>People's Republic of China | Single-storey factory with annexed office block used by subsidiaries for their operations | 50-year lease from<br>29 April 2003 |
| No. 2 Yabao Avenue Jiangyin, Jiangsu 214443<br>People's Republic of China   | Factory with annexed office block used by subsidiaries for their operation                | 50-year lease from<br>13 June 2005  |
| No. 2 Yabao Avenue Jiangyin, Jiangsu 214443<br>People's Republic of China   | Warehouse with annexed staff hostel used by subsidiaries for their operation              | 50-year lease from<br>16 June 2006  |

### 3 Interested person transactions

The aggregate value of transactions entered into by the Group with interested persons and their affiliates, as defined in the SGX-ST Listing Manual, are as follows:

| Interested person  | Aggregate value of<br>all transactions<br>conducted under a<br>shareholders'<br>mandate pursuant<br>to Rule 920 of the<br>SGX-ST Listing Manual | Aggregate<br>value of<br>all other<br>transactions |
|--|---|--|
|  | RMB'000   | RMB'000  |
| <b>Related corporations</b>  |   |  |
| Jiangyin Liantong Enterprise Co., Ltd and its group companies      |   |  |
| - Sales of finished goods  | 86,154  | -  |
| - Provision of outside processing services                         | 3,845   | -  |
| - Purchase of raw materials  | 29,006  | -  |
| <b>New Toyo International Holdings Ltd and its group companies</b> |   |  |
| - Sales of finished goods  | 53,723  | -  |

#### **4 Material contracts**

Except as disclosed in Note 32 to the financial statements, there are no other material contracts entered into between the Company and its subsidiaries during the year involving the interest of the chief executive officer or any Director or controlling shareholder of the Company.

#### **5 Non-audit fees**

The amount of fees billed and billable by KPMG Singapore in relation to non-audit services provided for the year ended 31 December 2008 was S\$2,200 (2007: S\$5,700).

## Statistics of Shareholdings

As at 17 March 2009

Class of share : ordinary share

Voting rights : 1 vote per ordinary share

Distribution of shareholders by size of shareholdings as at 17 March 2009

| Size of Shareholdings | No. of Shareholders | %             | No. of Shares      | %             |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 - 999               | 2                   | 0.20          | 1,100              | -             |
| 1,000 - 10,000        | 438                 | 44.79         | 2,226,575          | 0.25          |
| 10,001 - 1,000,000    | 516                 | 52.76         | 50,427,000         | 5.72          |
| 1,000,001 and above   | 22                  | 2.25          | 829,251,414        | 94.03         |
| <b>Total</b>          | <b>978</b>          | <b>100.00</b> | <b>881,906,089</b> | <b>100.00</b> |

As at 17 March 2009, approximately 19.6% of the shareholding is held by the public and thus Rule 723 of the SGX-ST Listing Manual is complied with.

Twenty largest shareholders as at 17 March 2009

| Shareholder's Name                             | No. of Shares      | %            |
|--|--------------------|--------------|
| 1. Hong Ji International Holdings Limited      | 285,189,141        | 32.34        |
| 2. New Toyo Ventures Pte Ltd                   | 221,118,436        | 25.07        |
| 3. United Overseas Bank Nominees Pte Ltd       | 80,240,186         | 9.10         |
| 4. Ji Yuan Investment Holdings Ltd             | 61,618,651         | 6.99         |
| 5. Bao Qin International Holdings Limited      | 50,596,750         | 5.74         |
| 6. China Dragon Investment Group Limited       | 37,267,000         | 4.23         |
| 7. Lee Kah Bao                                 | 15,346,000         | 1.74         |
| 8. Liu Jian Zhong                              | 12,220,000         | 1.39         |
| 9. Raffles Nominees Pte Ltd                    | 9,742,000          | 1.10         |
| 10. Chia Kee Koon                              | 8,242,000          | 0.93         |
| 11. DBS Vickers Securities (Singapore) Pte Ltd | 7,223,875          | 0.82         |
| 12. Citibank Nominees Singapore Pte Ltd        | 7,060,750          | 0.80         |
| 13. Phillip Securities Pte Ltd                 | 5,985,375          | 0.68         |
| 14. UOB Kay Hian Pte Ltd                       | 5,718,000          | 0.65         |
| 15. DB Nominees (Singapore) Pte Ltd            | 5,283,000          | 0.60         |
| 16. DBS Nominees Pte Ltd                       | 4,167,250          | 0.47         |
| 17. Yee Seow Leng                              | 3,169,000          | 0.36         |
| 18. Chiang Kok Meng                            | 2,400,000          | 0.27         |
| 19. EK Capital Pte. Ltd.                       | 1,887,000          | 0.21         |
| 20. Chin Meng Kay                              | 1,870,000          | 0.21         |
| <b>Total</b>                                   | <b>826,344,414</b> | <b>93.70</b> |

Substantial shareholders as at 17 March 2009 (as shown in the Register of Substantial Shareholders)

| Name                                       | Direct Interest | Deemed Interest            |
|--|-----------------|----------------------------|
| 1. New Toyo Ventures Pte Ltd               | 299,470,247     | -                          |
| 2. Hong Ji International Holdings Limited  | 285,189,141     | -                          |
| 3. Ji Yuan Investment Holdings Ltd         | 61,618,651      | -                          |
| 3. Bao Qin International Holdings Limited  | 50,596,750      | -                          |
| 5. New Toyo International Holdings Limited | -               | 299,470,247 <sup>(a)</sup> |
| 6. Yen Wen Hwa                             | -               | 299,470,247 <sup>(a)</sup> |
| 7. Liu Yi Fang                             | -               | 285,189,141 <sup>(b)</sup> |
| 8. Zhou Hui Ling                           | -               | 285,189,141 <sup>(b)</sup> |
| 9. Liu Ying Kang                           | -               | 285,189,141 <sup>(b)</sup> |

### Note

<sup>(a)</sup> Deemed to be interested in all the shares held by New Toyo Ventures Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

<sup>(b)</sup> Deemed to be interested in all the shares held by Hong Ji International Holdings Limited by virtue of Section 7 of the Companies Act, Cap. 50.



Notice of Annual General Meeting  
Proxy Form

The first part of the document discusses the importance of maintaining accurate records in a business setting. It highlights how proper record-keeping can help in decision-making, legal compliance, and financial management. The text emphasizes that records should be organized, up-to-date, and easily accessible.

Next, the document addresses the challenges of data management in the digital age. It notes that while digital storage offers convenience, it also introduces risks such as data loss, security breaches, and information overload. Solutions like cloud storage, encryption, and regular backups are suggested to mitigate these risks.

The third section focuses on the role of technology in streamlining business processes. It describes how automation and software solutions can reduce manual errors, save time, and improve overall efficiency. Examples include using accounting software for invoicing and project management tools for task delegation.

Finally, the document concludes by stressing the importance of employee training and awareness. It suggests that regular training sessions can help employees understand the value of data and the correct procedures for handling information. This, in turn, leads to a more professional and organized business environment.

# Notice of 5<sup>th</sup> Annual General Meeting

SHANGHAI ASIA HOLDINGS LIMITED  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 200309262D)

NOTICE IS HEREBY GIVEN that the 5<sup>th</sup> Annual General Meeting of the Company will be held at 39 Scotts Road, Ballroom 3, Sheraton Towers, Singapore 228230 on 28 April 2009 at 10.00 a.m. to transact the following business:

## As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To declare a final tax exempt (1-tier) dividend of 1.0 Singapore cents per ordinary share for the financial year ended 31 December 2008. **(Resolution 2)**
3. To approve the Directors' fees of S\$225,000 for the financial year ended 31 December 2008. **(Resolution 3)**
4. To re-elect Mr Yen Hwa who is retiring in accordance with Article 91(b) of the Company's Articles of Association. **(Resolution 4)**
5. To re-elect Mr Liu Jian Zhong who is retiring in accordance with Article 91(b) of the Company's Articles of Association. **(Resolution 5)**
6. To re-elect Mr Tung Kum Hon who is retiring in accordance with Article 91(b) of the Company's Articles of Association. **(Resolution 6)**
7. To re-elect Mr Liu Ying Kang who is retiring in accordance with Article 97 of the Company's Articles of Association. **(Resolution 7)**
8. To re-elect Mr Gary Yen who is retiring in accordance with Article 97 of the Company's Articles of Association. **(Resolution 8)**
9. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

## As Special Business

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

10. Authority to issue shares and convertible securities **(Resolution 10)**

"That:

- (a) pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), approval be and is hereby given to the Directors of the Company to:
  - (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided that:

- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of the Company's total number of issued shares excluding treasury shares, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of the Company's total number of issued shares excluding treasury shares, and for the purpose of this Resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:
- (a) new shares arising upon the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that the Ordinary Resolution is passed; and
- (b) any subsequent bonus issue, consolidation or subdivision of shares;
- (ii) the 50% limit in (i) above may be increased to 100% for the Company to undertake pro rata renounceable rights issues; and
- (iii) such authority shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

*(See Explanatory Note 1)*

11. Authority to issue shares (other than on a pro rata basis) with a maximum discount of 20% **(Resolution 11)**

"That subject to and pursuant to the share issue mandate in Resolution 10 being obtained, authority be and is hereby given to the Directors to issue new shares other than on a pro rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than a 20% discount for new shares to the weighted average price per share determined in accordance with the requirements of the SGX-ST."

*(See Explanatory Note 2)*

12. Renewal of Shareholders' Mandate for Interested Person Transactions **(Resolution 12)**

"That

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the SGX-ST, for the Company, its subsidiaries and associated companies (if any), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in the Appendix, with any person who falls within the classes of Interested Persons as described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions as set out in the Appendix (the "Shareholders' Mandate");

- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier;
- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 which may be prescribed by the SGX-ST from time to time; and
- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution."

*(See Explanatory Note 3)*

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

### **Notice of Books Closure**

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 15 May 2009 for the purpose of determining Members' entitlements to the final dividend to be proposed at the 5<sup>th</sup> Annual General Meeting of the Company to be held on 28 April 2009.

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5.00 p.m. on 14 May 2009 by the Company's Share Registrar, Tricor Barbinder Share Registration Services, 8 Cross Street, #11-00 PWC Building, Singapore 048424 will be registered to determine Members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares in the Company as at 5.00 p.m. on 14 May 2009 will be entitled to such proposed dividend.

The proposed final dividend, if approved at the 5<sup>th</sup> Annual General Meeting, will be paid on 29 May 2009.

By Order of the Board

**Lee Wei Hsiung**  
Company Secretary  
9 April 2009

**Notes:**

1. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. A proxy need not be a Member of the Company.
3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Cross Street, #11-00 PWC Building, Singapore 048424 not later than 48 hours before the time appointed for the Meeting.

**Explanatory Notes:**

1. Ordinary Resolution 10, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company provided that the aggregate number of shares and convertible securities to be issued does not exceed 50% per cent of the Company's total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the Company's total number of issued shares excluding treasury shares for such purposes as they consider would be in the interests of the Company. The total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this resolution is passed after adjusting for new shares arising from the conversion of convertible securities on issue at the time the resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

The above 50% limit may be increased to 100% for the Company to undertake pro rata renounceable rights issues, which is one of the new measures introduced by the Singapore Exchange Limited, in consultation with the Monetary Authority of Singapore, which took effect on 20 February 2009 to accelerate and facilitate listed issuers' fund raising efforts and will be in effect until 31 December 2010.

2. Ordinary Resolution 11, if passed, will empower the Directors to issue new shares other than on a pro rata basis to shareholders of the Company at a discount exceeding 10% but not more than 20% to the weighted average price per share determined in accordance with the requirements of the SGX-ST. This is also one of the new measures introduced by the Singapore Exchange Limited, in consultation with the Monetary Authority of Singapore, which took effect on 20 February 2009 to accelerate and facilitate listed issuers' fund raising efforts and will be in effect until 31 December 2010.
3. Ordinary Resolution 12 relates to the renewal of a mandate given by Shareholders on 28 April 2008 allowing the Company, its subsidiaries and associated companies (if any) or any of them to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST. Please refer to the Appendix to this Notice of Annual General Meeting for details.

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# PROXY FORM

SHANGHAI ASIA HOLDINGS LIMITED  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 200309262D)

**Important**

1. For investors who have used their CPF monies to buy the Company's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.  
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (Name)  
of \_\_\_\_\_ (Address)

being a \*member/members of SHANGHAI ASIA HOLDINGS LIMITED ("the Company"), hereby appoint:

| Name | Address | NRIC/Passport Number | Proportion of shareholding (%) |
|------|---------|----------------------|--------------------------------|
|------|---------|----------------------|--------------------------------|

and/or (delete as appropriate)

| Name | Address | NRIC/Passport Number | Proportion of shareholding (%) |
|------|---------|----------------------|--------------------------------|
|------|---------|----------------------|--------------------------------|

as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 39 Scotts Road, Ballroom 3, Sheraton Towers, Singapore 228230 on 28 April 2009 at 10.00 a.m. and at any adjournment thereof.

\*I/we direct \*my/our \*proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "✓" in the spaces provided hereunder. If no specific directions as to voting are given, the \*proxy/proxies will vote or abstain from voting at \*his/their discretion.

| No  | Resolution   | For                      | Against                  |
|-----|--|--------------------------|--------------------------|
| 1.  | To receive and adopt the Audited Financial Statements and Reports for the financial year ended 31 December 2008.     | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.  | To approve a final dividend of 1.0 Singapore cents per share for the financial year ended 31 December 2008.          | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.  | To approve Directors' fees.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.  | To re-elect Mr Yen Hwa who is retiring pursuant to Article 91(b) of the Company's Articles of Association.           | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.  | To re-elect Mr Liu Jian Zhong who is retiring pursuant to Article 91(b) of the Company's Articles of Association.    | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.  | To re-elect Mr Tung Kum Hon who is retiring pursuant to Article 91(b) of the Company's Articles of Association.      | <input type="checkbox"/> | <input type="checkbox"/> |
| 7.  | To re-elect Mr Liu Ying Kang who is retiring in accordance with Article 97 of the Company's Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8.  | To re-elect Mr Gary Yen who is retiring in accordance with Article 97 of the Company's Articles of Association.      | <input type="checkbox"/> | <input type="checkbox"/> |
| 9.  | To re-appoint KPMG LLP as auditors and authorise the Directors to fix their remuneration.                            | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. | To authorise Directors to issue shares and convertible securities.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. | To authorise Directors to issue shares (other than on a pro rata basis) with a maximum discount of 20%.              | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. | To approve the renewal of Shareholders' Mandate for Interested Person Transactions.                                  | <input type="checkbox"/> | <input type="checkbox"/> |

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009

\_\_\_\_\_  
Signature(s) of Member(s) / Common Seal

\*Delete accordingly

**IMPORTANT: PLEASE READ NOTES BELOW**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 8 Cross Street, #11-00 PWC Building, Singapore 048424 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

FOLD HERE

## HAVE YOU VOTED?

FOLD HERE

Affix  
Postage  
Stamp

**The Company Secretary  
Shanghai Asia Holdings Limited  
8 Cross Street #11-00  
PWC Building  
Singapore 048424**

PLEASE GLUE AND SEAL ALONG THE EDGE

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## SHAREHOLDER INFORMATION

The shares of Shanghai Asia Holdings Limited, are listed on the Singapore Stock Exchange under the ticker symbol SI-T57. Further information regarding our shares or for copy of our latest announcements, including financial statements, can be obtained from the SGX-ST website or our company website at [www.sah.com.sg](http://www.sah.com.sg).

We provide detailed financial reporting and analysis, including comments on the progress of our business and key initiatives.

### Investor Relations

Our investor relations team supports institutional, professional and retail investors.

Contact:

K H Tung

47 Scotts Road #04-02, Goldbell Towers

Singapore 228233

+65 6238 2187

[kumhon@sah.com.sg](mailto:kumhon@sah.com.sg).

Registrar and Share Registration Office

Tricor Barbinder Share Registration Services

8 Cross Street #11-00 PWC Building

Singapore 048424

+65 6236 3333

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Note:

This Annual Report contains statements on the general market conditions of the cigarette and retail consumer industries and economic data of China quoted from information announced and statements, press and media releases published by (1) the State Tobacco Monopoly Administration of China, (2) China National Tobacco Corporation, (3) the National Bureau of Statistics of China and other sources. The Company has not verified the accuracy of such information, statements, press and media releases made by these authorities and other sources.

Annual Report

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