

China Yongsheng Limited
(Incorporated in Singapore under Registration No. 197302032R)

UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3) AND FULL YEAR RESULTS

- 1(a) Consolidated statement of comprehensive income for China Yongsheng Limited (the “Company”) and its subsidiaries (the “Group”), together with comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			
	First quarter ended			
	Mar 14	Mar 13	Increase / (decrease)	
	Rmb'000	Rmb'000	Rmb'000	%
Revenue	133,248	128,675	4,573	4%
Cost of sales	(125,835)	(119,224)	6,611	6%
Gross profit	<u>7,413</u>	<u>9,451</u>	<u>(2,038)</u>	<u>(22%)</u>
Other operating income	636	816	(180)	(22%)
Selling and distribution expenses	(3,451)	(4,437)	(986)	(22%)
General and administrative expenses	(9,054)	(9,866)	(812)	(8%)
Other operating expenses	(420)	(115)	305	265%
Share of loss of associate	(3)	(70)	(67)	(96%)
Finance income	3,926	1,936	1,990	103%
Finance expenses	<u>(5,347)</u>	<u>(4,808)</u>	<u>539</u>	<u>11%</u>
Loss before income tax	<u>(6,300)</u>	<u>(7,093)</u>	<u>(793)</u>	<u>(11%)</u>
Income tax expense	<u>(879)</u>	<u>(258)</u>	<u>621</u>	<u>241%</u>
Loss for the period, representing total comprehensive income for the period	<u><u>(7,179)</u></u>	<u><u>(7,351)</u></u>	<u><u>(172)</u></u>	<u><u>(2%)</u></u>

The Group's loss before income tax is arrived at after charging/(crediting) the following:

	Group	
	First quarter ended	
	Mar 14	Mar 13
	Rmb'000	Rmb'000
Depreciation of property, plant and equipment	4,330	4,701
Loss/(Gain) on disposal of property, plant and equipment	56	(285)
Property, plant and equipment written off	1	-
Amortisation of land use rights	46	46
Net allowance for doubtful debts/Bad debts written off	3,144	878
Foreign currency exchange loss/(gain)	49	(23)

1(b)(i) Statements of financial position for the Group and the Company, together with comparative statements as at the end of the immediately preceding financial year

	Group		Company	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Non-current assets				
Property, plant and equipment	111,946	116,067	20	23
Land use rights	7,079	7,125	-	-
Subsidiaries	-	-	236,112	236,112
Due from a subsidiary (non-trade)	-	-	101,816	98,926
Associate	3,665	3,668	-	-
Deferred tax assets	10,889	10,889	-	-
	<u>133,579</u>	<u>137,749</u>	<u>337,948</u>	<u>335,061</u>
Current assets				
Inventories	4,964	4,346	-	-
Trade and other receivables	873,267	903,689	10,768	10,617
Cash and cash equivalents	83,023	83,053	212	415
	<u>961,254</u>	<u>991,088</u>	<u>10,980</u>	<u>11,032</u>
Assets classified as held for sale	22,675	22,675	-	-
	<u>983,929</u>	<u>1,013,763</u>	<u>10,980</u>	<u>11,032</u>
Total assets	<u><u>1,117,508</u></u>	<u><u>1,151,512</u></u>	<u><u>348,928</u></u>	<u><u>346,093</u></u>

	Group		Company	
	31 March 2014 Rmb'000	31 December 2013 Rmb'000	31 March 2014 Rmb'000	31 December 2013 Rmb'000
Capital and reserves				
Share capital	182,405	182,405	653,285	653,285
Reserves	74,297	74,297	-	-
Accumulated profits/(losses)	105,141	112,320	(306,671)	(308,530)
Total equity	<u>361,843</u>	<u>369,022</u>	<u>346,614</u>	<u>344,755</u>
Non-current liability				
Mortgage loans	<u>4,680</u>	<u>6,747</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	472,794	527,471	2,314	1,338
Short-term bank borrowings	251,775	218,850	-	-
Mortgage loans	12,927	15,152	-	-
Income tax payable	5,202	5,983	-	-
	<u>742,698</u>	<u>767,456</u>	<u>2,314</u>	<u>1,338</u>
Liabilities directly associated with assets classified as held for sale	<u>8,287</u>	<u>8,287</u>	<u>-</u>	<u>-</u>
	<u>750,985</u>	<u>775,743</u>	<u>2,314</u>	<u>1,338</u>
Total liabilities	<u>755,665</u>	<u>782,490</u>	<u>2,314</u>	<u>1,338</u>
Total equity and liabilities	<u>1,117,508</u>	<u>1,151,512</u>	<u>348,928</u>	<u>346,093</u>

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

	As at 31 March 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Amount repayable in one year or less, or on demand				
Mortgage loans	12,927	-	15,152	-
Short-term bank borrowings and bills payables	320,375	-	326,575	-
	<u>333,302</u>	<u>-</u>	<u>341,727</u>	<u>-</u>
Amount repayable after one year				
Mortgage loans	<u>4,680</u>	<u>-</u>	<u>6,747</u>	<u>-</u>

Details of any collateral:

Mortgage loans, short-term bank borrowings and bills payables are secured by property, plant and equipment, land use rights, deposits and trade receivables pledged by certain subsidiaries, and guarantees of certain directors, related parties and a non-related party.

1(c) Consolidated statement of cash flows for the Group, together with comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	First quarter ended	
	31 March 2014	31 March 2013
	Rmb'000	Rmb'000
Operating activities		
Loss before income tax	(6,300)	(7,093)
Adjustments for:		
Depreciation of property, plant and equipment	4,330	4,701
Loss/(Gain) on disposal of property, plant and equipment	56	(285)
Property, plant and equipment written off	1	-
Amortisation of land use rights	46	46
Allowance for impairment loss on trade receivables/Bad debts written off	3,144	646
Allowance for impairment loss on other receivables/Bad debts written off	-	232
Share of loss of associate	3	70
Finance income	(3,926)	(1,936)
Finance expenses	5,347	4,808
Operating cash flows before movements in working capital	2,701	1,189
Trade and other receivables	30,306	32,408
Inventories	(618)	806
Trade and other payables	(54,985)	(30,325)
Cash (used in)/generated from operations	(22,596)	4,078
Income tax paid	(1,660)	(1,357)
Net cash (used in)/from operating activities	(24,256)	2,721

	Group	
	First quarter ended	
	31 March 2014	31 March 2013
	Rmb'000	Rmb'000
Investing activities		
Purchase of property, plant and equipment	(19)	(1,991)
Proceeds from disposal of property, plant and equipment	52	1,396
Amount received from the intended sale of a subsidiary	-	3,245
Interest received	434	376
Net cash from investing activities	467	3,026
Financing activities		
Mortgage loan repayments	(4,292)	(3,985)
Loan from related party	-	12,000
Repayment of loans from related party	-	(4,000)
Repayments of short-term bank borrowings	(51,000)	(42,400)
Proceeds from short-term bank borrowings	83,925	80,532
Interest paid	(4,874)	(3,878)
Decrease/(Increase) in pledged bank balances	7,711	(28,760)
Net cash from financing activities	31,470	9,509
Net increase in cash and cash equivalents	7,681	15,256
Cash and cash equivalents at beginning of the period	20,943	6,946
Cash and cash equivalents at end of the period	28,624	22,202
Cash and cash equivalents include:		
Cash at bank and in hand	83,023	125,452
Assets classified as held for sale	23	23
Deposits pledged	(54,422)	(103,273)
	28,624	22,202

1(d)(i) Statements for the Group and the Company showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital Rmb'000	Reserves Rmb'000	Accumulated profits Rmb'000	Total equity Rmb'000
<u>Group</u>				
At 1 January 2013	182,405	69,838	112,578	364,821
Loss for the period, representing total comprehensive income for the period	-	-	(7,351)	(7,351)
At 31 March 2013	182,405	69,838	105,227	357,470
At 1 January 2014	182,405	74,297	112,320	369,022
Loss for the period, representing total comprehensive income for the period	-	-	(7,179)	(7,179)
At 31 March 2014	182,405	74,297	105,141	361,843

	Share capital Rmb'000	Accumulated losses Rmb'000	Total equity Rmb'000
<u>Company</u>			
At 1 January 2013	653,285	(301,099)	352,186
Loss for the period, representing total comprehensive income for the period	-	(2,212)	(2,212)
At 31 March 2013	653,285	(303,311)	349,974
At 1 January 2014	653,285	(308,530)	344,755
Profit for the period, representing total comprehensive income for the period	-	1,859	1,859
At 31 March 2014	653,285	(306,671)	346,614

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company did not issue any new capital during the financial period ended 31 March 2014.

There are no outstanding convertibles or treasury shares as at 31 March 2014 and 31 March 2013 respectively.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company did not hold any treasury shares as at the end of the current financial period reported on and as at the end of the immediately preceding financial year. The total number of issued shares of the Company as at 31 March 2014 and as at 31 December 2013 is 1,663,900,000.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in section 5 below, the Group has adopted the same accounting policies and methods of computation for the current financial period ended 31 March 2014 as compared with the audited consolidated financial statements for the financial year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted various new/revised Financial Reporting Standards (FRS) and Interpretations of FRSs (INT FRSs) which took effect for the financial year beginning on 1 January 2014. The adoption of these new/revised FRS and INT FRSs did not result in any significant impact on the financial statements of the Group.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	First quarter ended	
	31 March 2014	31 March 2013
	Rmb	Rmb
(a) Based on weighted average number of ordinary shares (cents/share)	(0.43)	(0.44)
(b) Based on fully diluted basis (cents/share)	(0.43)	(0.44)
Weighted average number of shares ('000) in issue used for calculation of earnings per share	1,663,900	1,663,900

Earnings per share is calculated based on the Group's loss for the period attributable to the equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial period.

The Group does not have any potential dilutive ordinary shares in existence for the financial periods ended 31 March 2014 and 31 March 2013.

7. **Net asset value for the Group and the Company per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
- (a) **current financial period reported on; and**
- (b) **immediately preceding financial year.**

	Group		Company	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	Rmb	Rmb	Rmb	Rmb
Net asset value per ordinary share based on issued share capital as at the end of the period (cents/share)	21.75	22.18	20.83	20.72
Number of shares in issue as at end of the period ('000)	1,663,900	1,663,900	1,663,900	1,663,900

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Performance – 1st Quarter of FY2014

Gross profit

Gross profit decreased from Rmb9.5 million in the first quarter of FY2013 to Rmb7.4 million in the first quarter of FY2014 mainly due to lower gross profit margin and lower construction activities experienced in this quarter. The decrease in gross profit margin is due to the proportionate increase in average unit cost of production being greater than the proportionate increase in average unit selling price of concrete sales.

Other operating income

Other operating income decreased from Rmb0.8 million in the first quarter of FY2013 to Rmb0.6 million in the first quarter of FY2014 mainly due to the absence of gain on disposal of property, plant and equipment and lower subsidy income for the current quarter. The decrease is partially offset by the increase in rental income.

Selling and distribution expenses

Selling and distribution expenses decreased from Rmb4.4 million in the first quarter of FY2013 to Rmb3.5 million in the first quarter of FY2014 mainly due to lower marketing expenses incurred during the period.

Other operating expenses

Other operating expenses increased from Rmb0.1 million in the first quarter of FY2013 to Rmb0.4 million in the first quarter of FY2014 mainly due to an increase in depreciation of plant and equipment rented out to third parties.

Share of loss of associate

The decrease in share of loss of associate was due to lower losses reported by the associate.

Finance income

The effect of the discounting of trade receivables which are contractually collectible after one year is debited against revenue whereas the subsequent unwinding effect of discounting is recognised as finance income. Finance income increased from Rmb1.9 million in the first quarter of FY2013 to Rmb3.9 million in the first quarter of FY2014 mainly due to higher unwinding effect of the discounting in the first quarter of FY2014.

Finance expenses

Finance expenses increased from Rmb4.8 million in the first quarter of FY2013 to Rmb5.3 million in the first quarter of FY2014 mainly due to increased borrowings.

Income tax expense

Income tax expense of Rmb0.9 million incurred in the first quarter of FY2014 was attributable to taxable income generated by certain profitable subsidiaries.

Review of Financial Position

Inventories increased from Rmb4.3 million as at 31 December 2013 to Rmb5.0 million as at 31 March 2014 mainly due to an increase in raw materials inventories.

Mortgage loans decreased from Rmb21.9 million as at 31 December 2013 to Rmb17.6 million as at 31 March 2014 due to repayment made during the period.

Trade and other payables decreased from Rmb527.5 million as at 31 December 2013 to Rmb472.8 million as at 31 March 2014 mainly due to decrease in bills payables.

Short-term bank borrowings increased from Rmb218.9 million as at 31 December 2013 to Rmb251.8 million as at 31 March 2014 mainly due to increase in short-term bank loans.

Income tax payable decreased from Rmb6.0 million as at 31 December 2013 to Rmb5.2 million as at 31 March 2014 mainly due to income tax paid during the period.

Review of Cash Flows

The Group reported negative cash flows from operating activities of Rmb24.3 million in the first quarter of FY2014 mainly due to movements in working capital, where the decrease in trade and other payables is greater than the decrease in trade and other receivables. However, with the proceeds from short-term bank borrowings which are recorded under cash flows from financing activities, the Group maintained cash and bank balances of Rmb83.0 million as at 31 March 2014.

Cash flows from investing activities in the first quarter of FY2014 amounting to Rmb0.5 million were mainly attributable to interest received during the period.

Cash flows from financing activities in the first quarter of FY2014 amounting to Rmb31.5 million were mainly attributable to net proceeds from short-term bank borrowings.

9. Where a forecast, or a prospect statement, has been previously disclosed to the shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to the shareholders.

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group continues to operate in a challenging and competitive environment amidst the continued measures instituted by the PRC government to regulate the building and housing industries.

- 11. Dividend**

(a) *Current Financial Period Reported On*

Any dividend declared during the current financial period reported on?

Nil

(b) *Corresponding period of the immediately Preceding Financial Year*

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil

(c) *Date Payable.*

Not applicable.

(d) *Book closure date.*

Not applicable.

- 12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared/recommendeded.

13. Interested Person Transactions ("IPT")

If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The aggregate value of transactions entered into by the Group with interested persons and their affiliates, as defined in the SGX Listing Manual, is less than S\$100,000.

The Group does not have any general mandate from shareholders for the current financial period pursuant to Rule 920.

Confirmation By The Board

We, Sun Jianming and Zhao Deming, being two Directors of China Yongsheng Limited (the “Company”), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the 3 months period ended 31 March 2014 as set out above to be false or misleading in any material aspect.

For and on behalf of the Board

Sun Jianming

Zhao Deming