

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

UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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 Second quarter ended				Group Half year ended			
	30 June 15 Rmb'000	30 June 14 Rmb'000	Increase / (decrease) Rmb'000	%	30 June 15 Rmb'000	30 June 14 Rmb'000	Increase / (decrease) Rmb'000	%
Revenue	74,302	190,305	(116,003)	(61)	147,535	323,553	(176,018)	(54)
Cost of sales	(68,397)	(167,399)	(99,002)	(59)	(138,186)	(293,234)	(155,048)	(53)
Gross profit	5,905	22,906	(17,001)	(74)	9,349	30,319	(20,970)	(69)
Other operating income	8,234	2,083	6,151	295	8,625	2,719	5,906	217
Selling and distribution expenses	(1,615)	(2,938)	(1,323)	(45)	(4,271)	(6,389)	(2,118)	(33)
General and administrative expenses	(5,548)	(5,703)	(155)	(3)	(13,877)	(14,757)	(880)	(6)
Other operating expenses	(239)	(336)	(97)	(29)	(655)	(756)	(101)	(13)
Share of profit/(loss) of associate	44	1,178	(1,134)	(96)	(109)	1,175	(1,284)	(109)
Finance income	3,774	1,097	2,677	244	11,730	5,023	6,707	134
Finance expenses	(4,335)	(4,774)	(439)	(9)	(8,224)	(10,121)	(1,897)	(19)
Profit before income tax	6,220	13,513	(7,293)	(54)	2,568	7,213	(4,645)	(64)
Income tax expense								
- current year	(1,628)	(3,061)	(1,433)	(47)	(1,667)	(3,940)	(2,273)	(58)
- prior years	-	-	-	-	-	-	-	-
Profit for the period, representing total comprehensive income for the period	4,592	10,452	(5,860)	(56)	901	3,273	(2,372)	(72)

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

	Group		Group	
	Second quarter ended		Half year ended	
	30 June 15	30 June 14	30 June 15	30 June 14
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Depreciation of property, plant and equipment	3,390	4,375	6,788	8,705
(Gain)/loss on disposal of property, plant and equipment	(135)	-	(97)	56
Property, plant and equipment written off	-	50	-	51
Amortisation of land use rights	46	46	92	92
Gain on disposal of subsidiary	(7,747)	-	(7,747)	-
Net (written back of)/allowance for doubtful debts/Bad debts written off	(59)	(709)	969	2,435
Foreign currency exchange gain	(481)	(174)	(81)	(125)
Allowance for inventories	-	-	274	-

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	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Non-current assets				
Property, plant and equipment	74,056	81,366	9	13
Land use rights	6,850	6,942	-	-
Subsidiaries	-	-	236,112	236,112
Due from a subsidiary (non-trade)	-	-	93,672	96,002
Associate	3,197	3,306	-	-
Deferred tax assets	9,439	9,439	-	-
	<u>93,542</u>	<u>101,053</u>	<u>329,793</u>	<u>332,127</u>
Current assets				
Inventories	2,551	4,293	-	-
Trade and other receivables	705,354	808,713	12,005	11,603
Cash and cash equivalents	36,187	67,484	1,442	667
	<u>744,092</u>	<u>880,490</u>	<u>13,447</u>	<u>12,270</u>
Assets classified as held for sale	22,675	41,638	-	-
	<u>766,767</u>	<u>922,128</u>	<u>13,447</u>	<u>12,270</u>
Total assets	<u><u>860,309</u></u>	<u><u>1,023,181</u></u>	<u><u>343,240</u></u>	<u><u>344,397</u></u>

	Group		Company	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Capital and reserves				
Share capital	182,405	182,405	653,285	653,285
Reserves	71,651	79,014	-	-
Accumulated profits/(losses)	129,749	121,485	(311,250)	(310,370)
Total equity	<u>383,805</u>	<u>382,904</u>	<u>342,035</u>	<u>342,915</u>
Current liabilities				
Trade and other payables	239,508	397,949	1,205	1,482
Short-term bank borrowings	219,826	219,357	-	-
Mortgage loans	2,573	6,747	-	-
Income tax payable	6,310	7,937	-	-
	<u>468,217</u>	<u>631,990</u>	<u>1,205</u>	<u>1,482</u>
Liabilities directly associated with assets classified as held for sale	8,287	8,287	-	-
Total liabilities	<u>476,504</u>	<u>640,277</u>	<u>1,205</u>	<u>1,482</u>
Total equity and liabilities	<u><u>860,309</u></u>	<u><u>1,023,181</u></u>	<u><u>343,240</u></u>	<u><u>344,397</u></u>

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

	As at 30 June 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Amount repayable in one year or less, or on demand				
Mortgage loans	2,573	-	6,747	-
Short-term bank borrowings and bills payables	236,826	-	273,557	-
	<u>239,399</u>	<u>-</u>	<u>280,304</u>	<u>-</u>

Details of any collateral:

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

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		Group	
	Second quarter ended		Half year ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Operating activities				
Profit before income tax	6,220	13,513	2,568	7,213
Adjustments for:				
Depreciation of property, plant and equipment	3,390	4,375	6,788	8,705
(Gain)/Loss on disposal of property, plant and equipment	(135)	-	(97)	56
Property, plant and equipment written off	-	50	-	51
Amortisation of land use rights	46	46	92	92
Net (written back of)/allowance for doubtful debts/Bad debts written off	(59)	(709)	969	2,435
Allowance for inventories	-	-	274	-
Gain on disposal of subsidiary	(7,747)	-	(7,747)	-
Share of (profit)/loss of associate	(44)	(1,178)	109	(1,175)
Finance income	(3,774)	(1,097)	(11,730)	(5,023)
Finance expenses	4,335	4,774	8,224	10,121
Operating cash flows before movements in working capital	2,232	19,774	(550)	22,475
Trade and other receivables	24,186	(13,399)	101,045	16,907
Inventories	186	374	268	(244)
Trade and other payables	(62,042)	(18,964)	(144,868)	(73,949)
Cash used in operations	(35,438)	(12,215)	(44,105)	(34,811)
Income tax paid	(1,118)	(1,133)	(3,294)	(2,793)
Net cash used in operating activities	(36,556)	(13,348)	(47,399)	(37,604)

	Group		Group	
	Second quarter ended		Half year ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Investing activities				
Purchase of property, plant and equipment	(45)	(311)	(200)	(330)
Proceeds from disposal of property, plant and equipment	506	-	529	52
Amount received from the intended sale of a subsidiary	(19,952)	-	-	-
Net cash inflow from disposal of subsidiary (Note A)	25,860	-	25,860	-
Interest received	153	241	541	675
Net cash from/(used in) investing activities	6,522	(70)	26,730	397
Financing activities				
Mortgage loan repayments	(1,785)	(4,374)	(4,174)	(8,666)
Loan from related party	10,000	-	10,000	-
Repayment of loan from related party	(10,000)	-	(10,000)	-
Repayments of short-term bank borrowings	(159,050)	(159,150)	(250,557)	(210,150)
Proceeds from short-term bank borrowings	168,444	158,854	251,563	242,779
Interest paid	(3,390)	(4,618)	(7,460)	(9,492)
Decrease in pledged bank balances	6,199	19,220	22,201	26,931
Net cash from financing activities	10,418	9,932	11,573	41,402
Net (decrease)/increase in cash and cash equivalents	(19,616)	(3,486)	(9,096)	4,195
Cash and cash equivalents at beginning of the period	42,422	28,624	31,902	20,943
Cash and cash equivalents at end of the period	22,806	25,138	22,806	25,138
Cash and cash equivalents include:				
Cash at bank and in hand	36,187	60,317	36,187	60,317
Assets classified as held for sale	23	23	23	23
Pledged bank balances	(13,404)	(35,202)	(13,404)	(35,202)
	22,806	25,138	22,806	25,138

Note A

During the financial period ended 30 June 2015, the Group disposed of its 100% equity interest in Suzhou Industrial Park Yongsheng Concrete Co., Ltd (“SIP Yongsheng”), to Shanghai Jiangong Construction Material Co., Ltd and Shanghai Construction Overseas (Holdings) Limited. The values of assets and liabilities of SIP Yongsheng recorded in the financial statements as at the date of disposal, and cash flow effect of the disposal are as follows:

	Group 30 June 2015 Rmb'000	Group 30 June 2015 Rmb'000
Property, plant and equipment	185	
Inventories	1,200	
Trade and other receivables	12,237	
Cash and cash equivalents	216	
Assets classified as held for sale	18,963	
Trade and other payables	<u>(10,472)</u>	
Net assets disposed	22,329	
Gain on disposal	<u>7,747</u>	
Total consideration		30,076
Consideration satisfied by:		
Trade and other payables		(4,000)
Cash and cash equivalents on disposal of subsidiary		<u>(216)</u>
Net cash inflow on disposal of subsidiary		<u>25,860</u>

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 2014	182,405	74,297	112,320	369,022
Profit for the period, representing total comprehensive income for the period	-	-	3,273	3,273
At 30 June 2014	182,405	74,297	115,593	372,295
At 1 January 2015	182,405	79,014	121,485	382,904
Profit for the period, representing total comprehensive income for the period	-	-	901	901
Disposal of subsidiary	-	(7,363)	7,363	-
At 30 June 2015	182,405	71,651	129,749	383,805
	Share capital Rmb'000	Accumulated losses Rmb'000	Total equity Rmb'000	
<u>Company</u>				
At 1 January 2014	653,285	(308,530)	344,755	
Profit for the period, representing total comprehensive income for the period	-	2,326	2,326	
At 30 June 2014	653,285	(306,204)	347,081	
At 1 January 2015	653,285	(310,370)	342,915	
Loss for the period, representing total comprehensive income for the period	-	(880)	(880)	
At 30 June 2015	653,285	(311,250)	342,035	

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 30 June 2015.

There are no outstanding convertibles or treasury shares as at 30 June 2015 and 30 June 2014 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 30 June 2015 and as at 31 December 2014 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 30 June 2015 as compared with the audited consolidated financial statements for the financial year ended 31 December 2014.

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 2015. 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 Second quarter ended		Group Half year ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	Rmb	Rmb	Rmb	Rmb
(a) Based on weighted average number of ordinary shares (cents/share)	0.28	0.63	0.05	0.20
(b) Based on fully diluted basis (cents/share)	0.28	0.63	0.05	0.20
Weighted average number of shares ('000) in issue used for calculation of earnings per share	1,663,900	1,663,900	1,663,900	1,663,900

Earnings per share is calculated based on the Group's profit/(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 30 June 2015 and 30 June 2014.

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	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	Rmb	Rmb	Rmb	Rmb
Net asset value per ordinary share based on issued share capital as at the end of the period (cents/share)	23.07	23.01	20.56	20.61
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 - 2nd Quarter of FY2015

Revenue

Revenue decreased from Rmb190.3 million in the second quarter of FY2014 to Rmb74.3 million in the second quarter of FY2015 mainly due to lower construction activities experienced in this quarter.

Cost of sales

Cost of sales decreased from Rmb167.4 million in the second quarter of FY2014 to Rmb68.4 million in the second quarter of FY2015 mainly due to the decrease in revenue.

Gross profit

Gross profit margin decreased from 12.0% in the second quarter of FY2014 to 7.9% in the second quarter of FY2015 mainly due to lower gross profit margin resulting from the decrease in average unit selling price of concrete sales being greater than the decrease in average unit cost of production.

Other operating income

Other operating income increased from Rmb2.1 million in the second quarter of FY2014 to Rmb8.2 million in the second quarter of FY2015 mainly due to gain from disposal of Suzhou Industrial Park Yongsheng Concrete Co., Ltd. This increase is partially offset by the decreases in government grant and rental income.

Selling and distribution expenses

Selling and distribution expenses decreased from Rmb2.9 million in the second quarter of FY2014 to Rmb1.6 million in the second quarter of FY2015 mainly due to decrease in marketing expenses as a result of lower sales.

Other operating expenses

Other operating expenses decreased from Rmb0.3 million in the second quarter of FY2014 to Rmb0.2 million in the second quarter of FY2015 mainly due to decrease in operating expenses in relation to rental of vehicles to third parties.

Share of profit of associate

The decrease in share of profit of associate was due to lower profits reported by the associate in this quarter.

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 Rmb1.1 million in the second quarter of FY2014 to Rmb3.8 million in the second quarter of FY2015 mainly due to higher unwinding effect of the discounting in the second quarter of FY2015.

Income tax expense

Income tax expense of approximately Rmb1.6 million incurred in the second quarter of FY2015 was attributable to taxable income generated by some subsidiaries and from the tax on gain on disposal of Suzhou Industrial Park Yongsheng Concrete Co., Ltd.

Review of Performance - Half year of FY2015

Revenue

Revenue decreased from Rmb323.6 million in the first half of FY2014 to Rmb147.5 million in the first half of FY 2015 mainly due to lower construction activities experienced in the current period.

Cost of sales

Cost of sales decreased from Rmb293.2 million in the first half of FY2014 to Rmb138.2 million in the first half of FY2015 mainly due to the decrease in revenue.

Gross profit

Gross profit margin decreased from 9.4% in the first half of FY2014 to 6.3% in the first half of FY2015 mainly due to lower gross profit margin resulting from the decrease in average unit selling price of concrete sales being greater than the decrease in average unit cost of production.

Other operating income

Other operating income increased from Rmb2.7 million in the first half of FY2014 to Rmb8.6 million in the first half of FY2015 mainly due to gain from disposal of Suzhou Industrial Park Yongsheng Concrete Co., Ltd. This increase is partially offset by the decreases in government grant and rental income.

Selling and distribution expenses

Selling and distribution expenses decreased from Rmb6.4 million in the first half of FY 2014 to Rmb4.3 million in the first half of FY2015 mainly due to decrease in marketing expenses as a result of lower sales.

Other operating expenses

Other operating expenses decreased from Rmb0.8 million in the first half of FY2014 to Rmb0.7 million in the first half of FY2015 mainly due to decreases in operating expenses in relation to rental of vehicles to third parties. These decreases are partially offset by the increase in inventories obsolescence.

Share of (loss)/profit of associate

The decrease in share of profit of associate was due to 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 Rmb5.0 million in the first half of FY2014 to Rmb11.7 million in the first half of FY2015 mainly due to higher unwinding effect of the discounting in the first half of FY2015.

Finance expenses

Finance expenses decreased from Rmb10.1 million in the first half of FY2014 to Rmb8.2 million in the first half of FY2015 mainly due to decreases in interest rates in relation to bank loans and lower bank borrowings.

Income tax expense

Income tax expense of approximately Rmb1.7 million incurred in the second quarter of FY2015 was attributable to taxable income generated by some subsidiaries and from the tax on gain on disposal of Suzhou Industrial Park Yongsheng Concrete Co., Ltd.

Review of Financial Position

Inventories decreased from Rmb4.3 million as at 31 December 2014 to Rmb2.6 million as at 30 June 2015 mainly due to disposal of subsidiary.

Trade and other receivables decreased from Rmb808.7 million as at 31 December 2014 to Rmb705.3 million as at 30 June 2015 mainly due to decrease in sales.

Assets held for sale decreased from 41.6 million as at 31 December 2014 to Rmb22.7 million as at 30 June 2015 due to disposal of subsidiary.

Trade and other payables decreased from Rmb397.9 million as at 31 December 2014 to Rmb239.5 million as at 30 June 2015 mainly due to increase in payments to trade payables.

Mortgage loans decreased from Rmb6.7 million as at 31 December 2014 to Rmb2.6 million as at 30 June 2015 due to repayments made.

Income tax payable decreased from Rmb7.9 million as at 31 December 2014 to Rmb6.3 million as at 30 June 2015 mainly due to income tax paid during the period.

Review of Cash Flows

The Group reported negative cash flows from operating activities of Rmb36.6 million in the second quarter of FY2015 mainly due to movements in working capital, where there is a decrease in trade and other payables and an increase in trade and other receivables. However, with the net cash received from investing and financing activities, the Group maintained cash and bank balances of Rmb36.2 million as at 30 June 2015.

Cash flows from investing activities in the second quarter of FY2015 amounting to Rmb6.5 million were mainly attributable to proceeds from the disposal of subsidiary during the period.

Cash flows from financing activities in the second quarter of FY2015 amounting to Rmb10.4 million were mainly attributable to a decrease in 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 weaknesses in the building and housing industries in Suzhou. The situation is not expected to improve in the next 6 months.

The Company had announced on 23 October 2014 that the Board received a formal proposal (the “Proposal”) from an entity related to certain executive directors of the Company that may result in the delisting of the Company. As set out in the update announcements dated 30 November 2014, 24 December 2014, 23 January 2015, 23 February 2015, 23 March 2015, 23 April 2015, 22 May 2015, 22 June 2015 and 22 July 2015 respectively, discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.

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 6 months period ended 30 June 2015 as set out above to be false or misleading in any material aspect.

For and on behalf of the Board

Sun Jianming

Zhao Deming