CIRCULAR DATED 9 APRIL 2015

THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF SINOTEL TECHNOLOGIES LTD. AND THE ADVICE OF KGI FRASER SECURITIES PTE. LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

This Circular is issued by Sinotel Technologies Ltd. (the "Company"). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other independent professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company ("**Shares**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with the CDP, you should immediately forward this Circular to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Circular.

SINOTEL TECHNOLOGIES LTD.

(Company Registration No. 200614275R)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY CONDITIONAL GENERAL CASH OFFER

by

RELIGARE CAPITAL MARKETS CORPORATE FINANCE PTE. LIMITED

(Company Registration No. 200723018H)
(Incorporated in the Republic of Singapore)

for and on behalf of

ADVANCE TECHNOLOGY HOLDING LTD

(BVI Company No. 1863143)
(Incorporated in the British Virgin Islands)

to acquire all of the issued and paid-up ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by Advance Technology Holding Ltd and parties acting or deemed to be acting in concert with it

Independent Financial Adviser to the Independent Directors of the Company

KGI FRASER SECURITIES PTE. LTD.

(Company Registration No. 195500144H)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. ON 24 APRIL 2015, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

THE OFFEROR DOES NOT INTEND TO REVISE THE OFFER PRICE.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

"**ACRA**"	:	The Accounting and Corporate Regulatory Authority of Singapore
"**Acquisition**"	:	Has the meaning ascribed to it in **Section 1.1** of this Circular
"**Articles**"	:	The Articles of Association of the Company
"**Board**"	:	The Board of Directors
"**CDP**"	:	The Central Depository (Pte) Limited
"**Circular**"	:	This circular to Shareholders dated 9 April 2015 issued by the Company to Shareholders in relation to the Offer (including, *inter alia*, the Appendices to this Circular) and any other document which may be issued by or on behalf of the Company to amend, revise, supplement or update this Circular from time to time
"**Closing Date**"	:	24 April 2015 or such other date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer
"**Code**"	:	The Singapore Code on Take-Overs and Mergers
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore
"**Company**"	:	Sinotel Technologies Ltd.
"**CPF**"	:	Central Provident Fund
"**CPF Agent Banks**"	:	The banks approved by CPF to be its agent banks, being DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited
"**CPFIS**"	:	CPF Investment Scheme
"**CPFIS Investors**"	:	Investors who purchased Shares using their CPF contribution under the CPFIS
"**Directors**"	:	The directors of the Company as at the Latest Practicable Date

"**FAA**"	:	Form of Acceptance and Authorisation, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
"**FAT**"	:	Form of Acceptance and Transfer, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are not deposited with CDP
"**FY**"	:	Financial year ended 31 December
"**Group**"	:	The Company and its subsidiaries
"**IFA**" or "**KGI Fraser**"	:	KGI Fraser Securities Pte. Ltd. (formerly known as AmFraser Securities Pte. Ltd.), the independent financial adviser to the Independent Directors in respect of the Offer
"**IFA Letter**"	:	Has the meaning ascribed to it in **Section 7.1** of this Circular
"**Independent Directors**"	:	The Directors who are considered independent for the purposes of making the recommendation to the Shareholders in respect of the Offer, being Li Zhen Yu, Pan Liang, Lo Fui Chu, Alfred Cheong Keng Chuan, Goh Chee Wee and Zhang Baicheng
"**Latest Practicable Date**"	:	7 April 2015, being the latest practicable date prior to the printing of this Circular unless otherwise stated
"**Listing Manual**"	:	The listing manual of the Mainboard of the SGX-ST
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities
"**Members**"	:	Holders of Shares who are registered in the Register of Members
"**Offer**"	:	The mandatory conditional general cash offer made by Religare, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and/or the FAT (as applicable)
"**Offer Announcement**"	:	The announcement released by Religare on the Offer Announcement Date, for and on behalf of the Offeror, in connection with the Offer
"**Offer Announcement Date**"	:	12 March 2015

"**Offer Document**"	:	The offer document dated 27 March 2015 issued by Religare, for and on behalf of the Offeror, in respect of the Offer
"**Offer Document LPD**"	:	23 March 2015, stated in the Offer Document to be the latest practicable date prior to the printing of the Offer Document
"**Offer Price**"	:	S$0.098 in cash for each Offer Share
"**Offer Shares**"	:	All the Shares to which the Offer relates
"**Offeror**"	:	Advance Technology Holding Ltd
"**Overseas Shareholders**"	:	The Shareholders whose addresses are outside Singapore and Malaysia, as shown on the Register of Members or, as the case may be, in the records of CDP
"**PRC**"	:	The People's Republic of China
"**Register of Members**"	:	The register of members of the Company
"**Religare**"	:	Religare Capital Markets Corporate Finance Pte. Limited
"**RMB**"	:	Renminbi, being the lawful currency of the People's Republic of China
"**Securities**"	:	Securities which carry voting rights in the Company, including but not limited to the Shares
"**Securities Account**"	:	A securities account maintained by a Depositor with CDP, but does not include a securities sub-account
"**Securities and Futures Act**"	:	The Securities and Futures Act, Chapter 289 of Singapore
"**SGXNET**"	:	SGX-ST's website at www.sgx.com
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Share Registrar**"	:	B.A.C.S. Private Limited
"**Shareholders**"	:	Registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares

"**Shares**"	:	Ordinary shares in the capital of the Company
"**SIC**"	:	Securities Industry Council of Singapore
"**SPA**"	:	The unconditional sale and purchase agreements dated 12 March 2015 entered into between the Vendors and the Offeror in relation to the sale and purchase of an aggregate of 39,202,000 Shares
"**Substantial Shareholder**"	:	A person (including a corporation) who has an interest in not less than 5% of the total issued voting Shares
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
"**Vendors**"	:	Li Rui, New Force Management Ltd, Wa Shek International Limited, Xin Shi Group Limited and Zhao Yang Development Ltd.
"**%**" or "**per cent.**"	:	Percentage or per centum

Acting in Concert. Unless otherwise defined, the term "**acting in concert**" shall have the meaning ascribed to it in the Code, and references to "**concert parties**" shall be construed accordingly.

Depositors. The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

References. Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa.* References to persons shall, where applicable, include corporations.

Rounding. Any discrepancies in figures included in this Circular between the amounts listed and their actual values are due to rounding. Accordingly, figures may have been adjusted to ensure that totals or sub-totals shown, as the case may be, reflect an arithmetic aggregation of the figures that precede them.

Sections. Any reference in this Circular to a section is a reference to a section of this Circular, unless otherwise stated.

Shareholders. References to "you", "your" and "yours" in this Circular are, as the context so determines, to Shareholders (including persons whose Offer Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST).

Statutes. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual, the Code or any statutory or regulatory modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the Listing Manual, the Code or any such regulatory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiaries and related corporations. The terms "**subsidiaries**" and "**related corporations**" shall have the meanings ascribed to them respectively in the Companies Act.

Time and date. Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

Statements which are reproduced in their entirety from the Offer Document and the IFA Letter are set out in this Circular in italics and all capitalised terms and expressions used within these reproduced statements shall have the same meanings ascribed to them in the Offer Document and the IFA Letter respectively.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "if", "would", "should", "could", "may" and "might". These statements reflect the Company's or the Offeror's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA assumes any obligation to update publicly or revise any forward-looking statement.

SUMMARY TIMETABLE

Date of despatch of the Offer Document	:	27 March 2015
Date of despatch of Circular	:	9 April 2015
Closing Date	:	5.30 p.m. (Singapore time) on 24 April 2015 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances for the Offer
Date of settlement of consideration for valid acceptances of the Offer	:	Within 10 days of the date of receipt of each valid and complete acceptance

SINOTEL TECHNOLOGIES LTD.

(Company Registration No. 200614275R)
(Incorporated in the Republic of Singapore)

Board of Directors

Jia Yue Ting (Executive Chairman)
Li Zhen Yu (Executive Director and Chief Executive Officer)
Pan Liang (Executive Director – Strategic Development)
Lo Fui Chu (Executive Director and Chief Financial Officer)
Alfred Cheong Keng Chuan (Independent Director)
Goh Chee Wee (Independent Director)
Zhang Baicheng (Independent Director)

Registered Office:

30 Raffles Place
#19-04 Chevron House
Singapore 048622

9 April 2015

To: The Shareholders of Sinotel Technologies Ltd.

Dear Sir/Madam,

MANDATORY CONDITIONAL GENERAL CASH OFFER BY RELIGARE, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

1.1. Offer Announcement

On 12 March 2015, Religare announced, for and on behalf of the Offeror, that the Offeror had on the same date entered into an unconditional SPA in respect of the sale by the Vendors and the purchase by the Offeror of an aggregate of 39,202,000 Shares, representing approximately 9.27% of the total issued Shares for a cash consideration of S$0.098 per Share (the "**Acquisition**").

In the Offer Announcement, it was stated that the completion of the Acquisition was expected to take place no later than 14 business days after the Announcement Date. Following the Acquisition and as at the Offer Document LPD, the Offeror and parties acting in concert with it owned, controlled and/or agreed to acquire an aggregate of 166,019,856 Shares, representing approximately 39.25% of the total issued Shares in the capital of the Company.

In accordance with Section 139 of the Securities and Futures Act and Rule 14 of the Code, Religare will, for and on behalf of the Offeror, make the Offer for the Offer Shares, on the terms set out in the Offer Document.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2. Offer Document

Shareholders should have by now received a copy of the Offer Document despatched by the Offeror on 27 March 2015, setting out, *inter alia*, the formal offer by Religare, for and on behalf of the Offeror, for the Offer Shares, subject to the terms and conditions set out in the Offer Document.

Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

1.3. Independent Financial Adviser

KGI Fraser Securities Pte. Ltd. has been appointed as the independent financial adviser to the Independent Directors in respect of the Offer.

1.4. Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information relating to the Offer and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer.

Shareholders should carefully consider the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors set out in this Circular before deciding whether or not to accept the Offer.

2. THE OFFER

Based on the information set out in the Offer Document, Religare has, for and on behalf of the Offeror, made the Offer to acquire all the Offer Shares. The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out below:

2.1. The Offer Terms

Paragraphs 2.1 and 2.2 of the Offer Document state that the Offer is made on the following basis:

For each Offer Share: S$0.098 in cash (the "Offer Price")

The Offeror does not intend to revise the Offer Price, except that the Offeror reserves the right to do so in a competitive situation.

2.2. Offer Shares

Paragraph 2.3 of the Offer Document states that the Offer is extended to all the issued Shares other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting or deemed to be acting in concert with it. **In addition, the Offeror intends to acquire all Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror in connection with the Offer ("Concert Parties") at the same Offer Price.**

2.3. No Encumbrances

Paragraph 2.3 of the Offer Document further states that the Offer Shares will be acquired fully-paid and free from all liens, equities, mortgages, charges, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever and together with all rights, benefits and entitlements attached to them as at the Offer Announcement Date, and thereafter attaching to them (including the right to receive and retain all dividends, rights, return of capital and other distributions (if any) which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date, together with all interest accrued thereon).

In the event that the record or books closure date for determining the entitlement to any dividends, rights or other distributions announced or declared by the Company falls on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividends, rights or other distributions.

2.4. Minimum Acceptance Condition

Paragraph 2.4 of the Offer Document states that the Offer will be subject to the Offeror having received, by the Closing Date, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued Shares (excluding any Shares held in treasury) in the Company as at the Closing Date.

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with Shares owned, controlled or agreed to be acquired before or during the Offer by or on behalf of the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to the issued share capital of the Company.

The Offer will be unconditional in all other respects.

On 7 April 2015, Religare announced, for and on behalf of the Offeror, that as at 5.00 p.m. on 7 April 2015, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, result in the Offeror holding more than 50% of the Shares.

ACCORDINGLY, THE OFFER HAS BECOME UNCONDITIONAL AS TO ACCEPTANCES AND IS DECLARED UNCONDITIONAL IN ALL RESPECTS ON 7 APRIL 2015.

2.5. No Convertible Securities

Paragraph 2.5 of the Offer Document states that as at the Offer Document LPD, based on publicly available information, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights, in the Company.

2.6. Warranty

Paragraph 2.6 of the Offer Document states that acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder(s) that the Offer Shares tendered in acceptance of the Offer are sold by the accepting Shareholder(s), as or on behalf of the beneficial owner(s) thereof, (1) fully paid, (2) free from all claims, liens, charges, pledges, trusts, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever and (3) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including, without limitation, the right to all dividends, rights and other distributions (if any) declared, paid or made thereon on or after the Offer Announcement Date, together with all interest accrued thereon.

2.7. Duration of the Offer

Paragraph 1 of **Appendix 1** of the Offer Document states that pursuant to Rule 22.3 of the Code, except insofar as the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date of despatch of the Offer Document.

Accordingly, the Offer will close at 5.30 p.m. on 24 April 2015 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

2.8. Further details of the Offer

Further details of the Offer, including details on (i) the settlement of consideration for the Offer, (ii) the requirements relating to the announcement of the level of acceptances of the Offer, and (iii) the right of withdrawal of acceptances of the Offer, are set out in **Appendix 1** of the Offer Document.

2.9. Procedures for Acceptance

The procedures for acceptance of the Offer are set out in **Appendix 2** of the Offer Document.

3. NO IRREVOCABLE UNDERTAKINGS

Paragraph 11.5 of the Offer Document states that as at the Offer Document LPD, neither the Offeror nor any of its Concert Parties has received any irrevocable undertaking from any holder of the Offer Shares to accept or reject the Offer (if and when made).

4. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES

The information on the Offeror and its concert parties set out in italics below has been extracted from Paragraph 6 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"***6.1 The Offeror***

The Offeror is a special purpose vehicle incorporated in the British Virgin Islands on 17 February 2015 and has not carried on any business since its incorporation. It has an issued and paid-up share capital of 50,000 ordinary shares with a par value of US$1 per share. It is wholly-owned by Jia Yue Ting, the Executive Chairman of the Company, who is deemed to be interested in all the shares in the Company held by the Offeror under Section 7 of the Act.

6.2 Concert Parties of the Offeror

Fort Field is a company incorporated in the British Virgin Islands and is wholly-owned by Jia Yue Ting. Prior to the Acquisition, Fort Field holds 113,606,856 Shares, representing approximately 26.86% of the total number of issued Shares. Mr Jia Yue Ting is deemed to be interested in all the Shares held by Fort Field under Section 7 of the Act.

Fort Field has also on 12 March 2015 entered into an unconditional sale and purchase agreement in relation to the sale by New Force and the purchase by Ford Field of an aggregate of 9,436,000 Shares, representing approximately 2.23% of the total issued Shares for a cash consideration of S$0.098 per Share. Following the acquisition, Fort Field holds an aggregate of 123,042,856 Shares, representing approximately 29.09% of all the Shares in the capital of the Company.

Pursuant to a concert party agreement dated 11 September 2009 and Rule 14 of the Code, Jia Yue Ting and his sister-in-law, Zhang Rong, have agreed to act as parties in concert with respect to their shareholdings in the Company for the purpose of the Code.

Smart Sound is a company incorporated in the British Virgin Islands and is wholly-owned by Zhang Rong. Smart Sound currently holds 3,775,000 Shares, representing approximately 0.89% of the total number of issued Shares. Zhang Rong is deemed to be interested in all the shares in the Company held by Smart Sound under Section 7 of the Act.

Accordingly, Fort Field and Smart Sound are parties acting in concert with the Offeror in respect of their shareholding interests in the Company for purposes of the Offer.

6.3 *Following the Acquisition and as at the Latest Practicable Date, the aggregate interest in the Shares owned, controlled and/or agreed to be acquired by the Offeror and its Concert Parties are as follows:*

Shareholders	***Number of Shares***	***Approximate % of total Shares***
Offeror	*39,202,000(1)(3)*	*9.27*
Ford Field	*123,042,856(1)(3)*	*29.09*
Smart Sound	*3,775,000(2)*	*0.89*
Total	***166,019,856***	***39.25***

Notes:

(1) Jia Yue Ting is deemed to be interested in an aggregate of 162,244,856 Shares held by the Offeror under Section 7 of the Act; and

(2) Zhang Rong is deemed to be interested in 3,775,000 Shares held by Smart Sound under Section 7 of the Act.

(3) As at the Latest Practicable Date, as one of the Vendor is overseas and another being a company incorporated in British Virgin Islands, the completion formalities is pending completion.

As at the Latest Practicable Date, the total number of Shares in issue is 422,915,000 Shares. Based on the latest information available to the Offeror, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights, in the Company as at the Latest Practicable Date.

Appendix 3 *of this Offer Document sets out certain additional information on the Offeror.*"

5. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from Paragraph 8 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

"***8.1*** *The Offer allows the Offeror to achieve the following key objectives:*

(i) The Offer is being made in compliance with the provisions of the Code because as a result of the Acquisition, the Offeror and its Concert Parties owned, controlled and/or agreed to acquire Shares representing approximately 39.25% of the voting rights of the Company;

(ii) The Offeror who is wholly-owned by the Executive Chairman of the Company, Jia Yue Ting, has been a shareholder since the listing of the Company. Prior to the Acquisition, the Offeror and its Concert Parties only hold an aggregate approximately 27.75% of the total issued share capital of the Company. The Offeror does not intend to preserve the listing status of the Company on the SGX-ST if the Free Float Requirement (as defined below) is not satisfied as the intention and purpose of the Offer, is to delist and privatise the Company with reliance on Section 215(1) of the Act, under which the Offeror will have the power

to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "Dissenting Shareholders") at a price equal to the Offer Price, if the Offeror receives valid acceptances pursuant to the Offer in respect of not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding treasury shares);

(iii) Based on the historical trading patterns, the trading liquidity of the Shares on the SGX-ST has generally been thin in the past. It is the Offeror's view that the low liquidity of the Shares is likely to continue and accordingly, the purpose of maintaining the Company's listing status for trading liquidity of the Shares does not appear to have been achieved. The privatisation offers Shareholders a cash exit opportunity to realise the value of their investments in the Company at a premium over the historical trading prices of the Shares on the SGX-ST, an option which may not otherwise be readily available; and

(iv) In maintaining the Company's listing status, the Company incurs additional compliance and associated costs. If the Company is delisted, costs associated with complying with listing and other regulatory requirements will be able to be dispensed with. The Offeror also believes that the delisting and privatisation of the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change."

6. THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY

The full text of the Offeror's intentions relating to the Company has been extracted from Paragraph 9 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

"***9.1 Compulsory acquisition***

Pursuant to Section 215(1) of the Act, in the event the Offeror acquires not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees, as at the date of the Offer and excluding any Shares held by the Company as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from the Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Dissenting Shareholders who have not accepted the Offer equal to the Offer Price and have the right under and subject to Section 215(3) of the Act, may require the Offeror to acquire their Shares in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer or otherwise, such number of Shares which, together with the Shares held by the Offeror, its related corporations or

their respective nominees, comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

9.2 The Offeror's future plans for the Company

As the Group has been loss-making for the past three years, the Offeror intends to take steps to consider a suitable rationalisation plan with a view to streamlining the businesses and operations of the Group, including cost-saving measures, should the Offeror be successful in delisting and privatising the Company as mentioned in paragraph 8.1(ii) above. Save as aforesaid and other steps to be taken in connection with the ordinary course of business of the Group, the Offeror does not currently have any intention to: (a) propose any changes to the existing businesses of the Group, (b) discontinue the employment of employees of the Group, or (c) redeploy the fixed assets of the Group.

9.3 Listing Status

*Under Rule 1105 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), upon the announcement by the Offeror that valid acceptances have been received that bring the Shares held by the Offeror to above 90% of the total number of Shares in issue (excluding any Shares held by the Company as treasury shares), the SGX-ST may suspend the trading of the Shares in the SGX-ST until such time it is satisfied that at least 10% of the Shares in issue are held by at least 500 shareholders who are members of the public.*

Under Rule 1303(1) of the Listing Manual, if the Offeror succeeds in garnering acceptances exceeding 90% of the Shares in issue (excluding any Shares held by the Company as treasury shares), thus causing the percentage of the total number of issued Shares (excluding any Shares held by the Company as treasury shares) held in public hands to fall below 10%, whether through acceptances of the Offer or otherwise, the SGX-ST will suspend trading of the Shares on the SGX-ST only at the close of the Offer.

*In addition, Rule 723 of the Listing Manual requires the Company to ensure that at least 10% of all the Shares in issue be held by the public ("**Free Float Requirement**"). Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not met, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.*

The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of Shares (excluding any Shares held by the Company as treasury shares) are held in public hands at the close of the Offer

and the trading of the Shares is suspended at the close of the Offer. *In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.*"

7. ADVICE OF THE IFA

7.1. IFA

KGI Fraser has been appointed as the IFA to advise the Independent Directors in respect of the Offer. Shareholders should read the IFA Letter in its entirety and consider carefully the recommendation of the Independent Directors and the advice of KGI Fraser to the Independent Directors before deciding whether to vote on and/or accept or reject the Offer. The IFA's advice is set out in its letter dated 9 April 2015, as set out in **Appendix I** to this Circular ("**IFA Letter**").

7.2. Key Factors Taken into Consideration by the IFA

In arriving at its recommendation, KGI Fraser has taken into consideration certain factors, an extract of which is set out below. Shareholders should read the following extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA Letter.

"*In arriving at our recommendation in respect of the Offer, we have taken into account the following factors which we consider to have a significant bearing on our assessment:–*

(a) Market quotation and trading liquidity of the Shares;

(b) Financial performance and position of the Group;

(c) Comparison of the valuation statistics of Comparable Companies;

(d) Comparison of the valuation statistics of Selected Privatisation Transactions;

(e) Comparison of the valuation statistics of Mandatory Delistings; and

(f) Other relevant considerations.

Pursuant to Practice Statement on the opinion issued by an Independent Financial Adviser in relation to offers, whitewash waivers and disposal of assets under the Code, the term "fair" relates to an opinion on the value of the offer price or consideration compared against the value of the securities subject to the offer. For the Offer to be fair, the offer price must be equal to or greater than the valuation of the Company. In considering whether the Offer is reasonable, matters other than the value of the Company should be considered.

In determining the fairness of the Offer, we have compared the Offer Price against the audited NTA per Share of the Group as at 31 December 2014. The audited NTA per Share of the Group as at 31 December 2014 is S$0.195, which is above the Offer Price. The Offer Price of S$0.098 represents a discount of approximately 49.7% to the audited NTA per Share of the Group as at 31 December 2014.

In determining the reasonableness of the Offer, we have considered the following factors:

Factors in favour of the Offer

(a) in relation to the Share price performance of the Company:

- *the Offer Price is above the closing prices of the Shares since the 12-month period prior to and including the Offer Announcement Date and up to the Latest Practicable Date;*

- *the Offer Price represents a premium of 100.0% over the closing price of S$0.049 on 9 March 2015, being on the last Market Day on which the Shares were traded prior to the Offer Announcement Date and before the trading halt of the Shares on 10 March 2015 and a premium of approximately 84.9%, 88.5%, 122.7% and 117.8% above the VWAPs of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date, respectively; and*

- *since the 12-month period prior to and including the Offer Announcement Date, the closing prices of the Shares ranged between a low of S$0.038 and a high of S$0.065. The Offer Price represents a premium of 157.9% and 50.8% over the lowest closing price and highest closing price of the Shares respectively.*

(b) In comparison with the valuation statistics of the Comparable Companies,

- *The P/NTA ratio of the Group implied by the Offer Price of 0.50 times is higher than the mean and median P/NTA ratios of the Comparable Companies of 0.43 and 0.40 respectively;*

(c) in comparison with the valuation statistics of the Selected Privatisation Transactions,

- *the premium implied by the Offer Price against the last transacted price, 1-month VWAP and 3-month VWAP of the Shares prior to the Offer Announcement Date is the highest compared to the premium of the Selected Privatisation Transactions for the corresponding periods and is also significantly higher than the mean and median premiums of the Selected Privatisation Transactions for the corresponding periods;*

- *the premium implied by the Offer Price against the 6-month VWAP of the Shares prior to the Offer Announcement Date of 88.5% is within the range and is significantly higher than the mean and median premiums of the Selected Privatisation Transactions of 24.2% and 20.2%;*

(d) in comparison with the valuation statistics of the Mandatory Delistings,

- *the premium of 100.0% implied by the Offer Price against the last transacted price of the Shares prior to the Offer Announcement Date is higher than the mean and median premiums of the Mandatory Delistings of 46.2% and 16.7% respectively;*

- *the premium of 117.8% implied by the Offer Price against the 1-month VWAP of the Shares prior to the Offer Announcement Date is the highest compared to the*

premiums of the Mandatory Delistings and is significantly higher than the mean and median premiums of the Mandatory Delisting of 34.9% and 25.0% respectively;

Factors against the Offer

(a) The Offer Price represents a discount of approximately 49.7% to the audited NTA of the Company as at 31 December 2014 of S$0.195;

(b) In comparison with the valuation statistics of the Selected Privatisation Transactions,

- *the P/NTA ratio of the Group of 0.5 times implied by the Offer Price is below the range and lower than the mean and median P/NTA of the Selected Privatisation Transactions of 1.4 and 1.0 respectively;*

(c) In comparison with the valuation statistics of the Mandatory Delistings,

- *the P/NTA ratio of the Group of 0.5 times implied by the Offer Price is within the range of P/NTA of the Mandatory Delistings but is lower than the mean and median P/NTA ratio of the Mandatory Delistings of 1.0 and 0.7 respectively.*

Other Factors:

(a) in relation to the trading liquidity of the Shares:

- *the trading liquidity of the Shares has generally been thin in the past. The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date represents 0.1%, 0.1%, 0.1% and 0.1% of the free float respectively;*

- *During the period following the Offer Announcement Date and up to the Latest Practicable Date, the average daily trading volume of the Shares was higher at approximately 3.0 million Shares, but trading liquidity remained low, representing approximately 1.0% of the free float of the Shares.*

(b) the historical financial performance and condition of the Group, as set out in paragraph 9.2 of this IFA Letter. The Company has been loss-making since FY2012 and the NTA per Share has been declining since FY2012. The Company has not paid any dividends since its listing on the SGX-ST. With effect from 4 March 2015, the Company has been admitted to the SGX-ST Watch List;

(c) the Offeror has stated it has no intention to revise the Offer Price;

(d) the Offeror has stated its intention make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company;

(e) the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted as set out in paragraph 9.6.6 of this IFA Letter; and

(f) the absence of alternative take-over offer from third parties, as set out in paragraph 9.6.3 of this IFA Letter."

7.3. Advice of KGI Fraser

Having regard to the considerations set out in the IFA Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, KGI Fraser has made certain recommendations to the Independent Directors, an extract of which is set out below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA Letter.

"***Based on our analysis as set out above and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that the financial terms of the Offer Price is, on balance, not fair but reasonable.***

Accordingly, we advise the Independent Directors to recommend the Shareholders to ACCEPT the Offer or sell their Shares in the open market if they can obtain a price higher than the Offer Price after deducting all related expenses. The Offer Price offers Shareholders an exit opportunity and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses."

Shareholders should read the extracts in Sections 7.2 and 7.3 above in conjunction with, and in the context of, the full text of the IFA Letter which is set out in Appendix I to this Circular.

8. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

8.1. Independence of Directors

Save for Mr. Jia Yue Ting, all the Directors consider themselves to be independent for the purposes of making recommendations on the Offer. As highlighted above, Mr. Jia Yue Ting, who is currently the Executive Chairman of the Company, is deemed to be interested in all the shares in the Company held by the Offeror under Section 7 of the Companies Act.

Having regard to his interest and position held in the Offeror, Mr. Jia Yue Ting considers that he would face an irreconcilable conflict of interests if he were to join in making the recommendations on the Offer.

On 1 April 2015, the SIC exempted Mr. Jia Yue Ting from the requirement to make a recommendation on the Offer to Shareholders as he faces an irreconcilable conflict of interests in doing so being a concert party of the Offeror. Mr. Jia Yue Ting must, nonetheless, still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

8.2. Recommendation of the Independent Directors

The Independent Directors, having considered carefully, amongst other things, the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, **CONCUR** with the advice of the IFA in respect of the Offer. Accordingly, the Independent Directors recommend that Shareholders **ACCEPT** the Offer.

Shareholders are advised to read the IFA Letter set out in Appendix I to this Circular carefully before deciding whether to accept or reject the Offer. Shareholders should note that the advice of the IFA and the recommendation of the Independent Directors should not be relied on by any Shareholder as the sole basis for deciding whether or not to accept the Offer, as the case may be.

Further, in rendering the above recommendation, the Independent Directors have not had regard to the general or specific investment objectives, financial situations, tax status or position, risk profiles or unique needs and constraints or other particular circumstances of any individual Shareholder.

As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

9. ACTION TO BE TAKEN BY THE SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than **5.30 p.m. (Singapore time) on 24 April 2015 or such later date(s) as may be announced from time to time by or on behalf of the Offeror**. Shareholders who wish to accept the Offer should refer to **Appendix 2** of the Offer Document which sets out the procedures for acceptance of the Offer.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document (including the FAA and the FAT) which has been sent to them.

10. OVERSEAS SHAREHOLDERS

10.1. Overseas Shareholders

Shareholders whose addresses are outside Singapore and Malaysia as shown in the Register of Members of the Company or, as the case may be, in the records of CDP should refer to Paragraphs 12 and 13 of the Offer Document, the full text of which is set out in italics below.

"***12.1*** *It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdictions. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, its related corporations, Religare, CDP and any persons acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, Religare, CDP and any persons acting on their behalf may be required to pay.* ***Any Overseas Shareholder who is in doubt about his position should consult his professional advisor in the relevant jurisdiction.*** *In accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror and*

Religare that he is in full observance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.

It is the responsibility of Overseas Shareholders who wish to request for this Offer Document, the FAAs, the FATs and any related documents to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements. In requesting for this Offer Document, the FAAs, the FATs and any related documents, each of the Overseas Shareholders represents and warrants to the Offeror and Religare that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

12.2 *This Offer Document does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any securities, nor is it a solicitation of any vote or approval, in any jurisdiction in which such offer or solicitation is, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable laws. The Offer will be made solely on the basis of the Offer Document, FAAs and FATs, which will contain the full terms and conditions of the Offer, including details on how the Offer may be accepted.*

The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about, and observe such restrictions.

*The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction ("**Restricted Jurisdiction**") and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.*

Copies of this Offer Document and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction, and the Offer will not be made to, nor will the Offer be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction. Persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

13.1 ***Overseas Shareholders.*** *The availability and making of the Offer to Overseas Shareholders (whose addresses are outside Singapore and Malaysia) as well as the ability of Overseas Shareholders to accept the Offer may be affected by the laws of the relevant overseas jurisdictions. It is currently not intended that the Offer will be made in, and the Offer is not capable of acceptance in or from any jurisdiction in or from which the making of the Offer is prohibited or affected by the laws of that jurisdiction. Accordingly, Overseas Shareholders should inform themselves about*

and observe any applicable legal requirements. Where there are potential restrictions on sending this Offer Document, the FAAs and/or the FATs to any overseas jurisdiction, the Offeror and Religare each reserves the right not to send these documents to Shareholders in such overseas jurisdictions.

This Offer Document, the FAAs and the FATs have not been and will not be sent to any Overseas Shareholders due to potential restrictions on sending such documents to the relevant overseas jurisdictions. For the avoidance of doubt, the Offer is made to all Shareholders, including those to whom this Offer Document, the FAAs and the FATs have not been, or may not be, sent. Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the FAAs, the FATs and any related documents, during normal business hours and up to 5.30 p.m. on the Closing Date, from the Offeror c/o the Company's Share Registrar, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758. Alternatively, an Overseas Shareholder may write to the Company's Share Registrar, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 to request the Offer Document, the FAAs, the FATs and any related documents to be sent to an address in Singapore by ordinary post, up to five (5) Market Days prior to the Closing Date, at his own risk.

13.2 Notice. *The Offeror and Religare each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST and if necessary, by paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.*"

10.2. Copies of Circular

This Circular may not be sent to any Overseas Shareholder due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nonetheless, obtain copies of this Circular during normal business hours and up to the Closing Date, from the office of the Share Registrar, being B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758, or make a request to the Share Registrar for this Circular to be sent to an address in Singapore by ordinary post at his/her own risk. The last date for despatch in respect of such request shall be the date falling five (5) Market Days prior to the Closing Date.

11. INFORMATION PERTAINING TO CPFIS INVESTORS

CPFIS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.

CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks. Subject to the Offer becoming or being declared unconditional in accordance with its terms, CFPIS Investors who accept the Offer will receive the payment of the Offer Price for their Offer Shares in their CPF investment accounts.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any Director who may have delegated detailed supervision of this Circular), collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Offer, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

The recommendation of the Independent Directors set out in **Section 8.2** of this Circular is the sole responsibility of the Independent Directors. In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source (including information extracted from the IFA Letter and the Offer Document), the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Circular which form part of this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
SINOTEL TECHNOLOGIES LTD.

Li Zhen Yu
Executive Director and Chief Executive Officer
9 April 2015

KGI FRASER SECURITIES PTE. LTD.

(Company Registration Number: 195500144H)
(Incorporated in the Republic of Singapore)
4 Shenton Way
#13-01 SGX Centre 2
Singapore 068807

9 April 2015

To: The Independent Directors of Sinotel Technologies Ltd.
30 Raffles Place
#19-04 Chevron House
Singapore 048622

Dear Sirs

INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) IN RESPECT OF THE MANDATORY CONDITIONAL GENERAL CASH OFFER BY RELIGARE CAPITAL MARKETS CORPORATE FINANCE PTE. LIMITED FOR AND ON BEHALF OF ADVANCE TECHNOLOGY HOLDING LTD (THE "OFFEROR") TO ACQUIRE ALL OF THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF SINOTEL TECHNOLOGIES LTD. ("SINOTEL" OR THE "COMPANY") OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING OR DEEMED TO BE ACTING IN CONCERT WITH IT ("CONCERT PARTIES")

Unless otherwise defined or the context otherwise requires, all terms used in this IFA Letter shall have the same meanings as defined in the Circular.

1. INTRODUCTION

On 12 March 2015, Religare announced, for and on behalf of the Offeror, that the Offeror had on the same date entered into unconditional SPA in respect of the sale by the Vendors and the purchase by the Offeror of an aggregate of 39,202,000 Shares ("**Sale Shares**"), representing approximately 9.27% of the total issued Shares for a cash consideration of S$0.098 per Share (the "**Acquisition**").

In the Offer Announcement, it was stated that the completion of the Acquisition was expected to take place no later than 14 business days after the Offer Announcement Date. Following the Acquisition and as at the Offer Document LPD, the Offeror and Concert Parties owned, controlled, and/or agreed to acquire an aggregate of 166,019,856 Shares, representing approximately 39.25% of the total issued Shares in the capital of the Company.

In accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and Rule 14 of the Code, Religare is pleased, for and on behalf of the Offeror, to make this Offer for the Offer Shares, on the terms set out in the Offer Document.

Offer Document

The Offer Document which was dispatched to the Shareholders on 27 March 2015 contains the formal offer by Religare, for and on behalf of the Offeror, to acquire all the Offer Shares.

In connection with the Offer, the Company appointed KGI Fraser Securities Pte. Ltd. ("**KGI Fraser**"), formerly known as AmFraser Securities Pte. Ltd., as the independent financial adviser ("**IFA**") to the Directors who are considered independent for the purpose of making their recommendations to the Shareholders in respect of the Offer (the "**Independent Directors**"). This letter ("**IFA Letter**") is addressed to the Independent Directors, and sets out, inter alia, our evaluation and advice on the financial terms of the Offer and our recommendation thereon, and will form part of the Circular to be despatched to Shareholders.

2. TERMS OF REFERENCE

KGI Fraser has been appointed as IFA to advise the Independent Directors to provide an assessment of the financial terms of the Offer in order to advise the Independent Directors in respect of their recommendation to Shareholders in relation to the Offer, in compliance with the provisions of the Code. We have confined our evaluation on the bases set out therein to the financial terms of the Offer.

Our terms of reference do not require us to evaluate or comment on the rationale, legal and commercial risk and/or merits (if any) of the Offer or on future financial performance or prospects of the Company and its subsidiaries (collectively known as the "**Group**") and we have not made such evaluations or comments. Such evaluations or comments shall remain the sole responsibility of Directors and the management (the "**Management**") of the Group although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving our recommendations as set out in this IFA Letter.

We were also not requested, instructed or authorized to solicit, and we have not solicited, any indications of interest from any third party with respect to any other proposal or transactions similar to or in lieu of the Offer. In this regard, we are not addressing the relative merits of the Offer as compared to any alternative transaction previously considered by the Company or which otherwise may have been available to the Company currently or in the future, and such comparison and consideration remains the responsibility of the Directors.

In the course of our evaluation of the financial terms of the Offer, we have held discussions with the Directors and the Management and have examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors and the Management. We have relied on, and assumed without independent verification, the accuracy and completeness of such information, whether written or verbal, and accordingly cannot and do not make any warranty or representation, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of, such information. We have nevertheless made such enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, the Company and the Group has been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Offer, the Company and the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors jointly and severally accept the responsibility accordingly.

For the purposes of assessing of the financial terms of the Offer and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company and the Group. We are not required to express, and we do not express, any view on the growth prospects or earnings potential of the Company and the Group in connection with our opinion in this letter. Accordingly, we are not expressing any view herein as to the prices at which the Shares may trade in the absence of the Offer.

We have not made any independent evaluation or appraisal of the assets and liabilities (including, without limitation, property, plant and equipment and inventories) of the Company or the Group and we have not been furnished with any such evaluation or appraisal.

Our analysis and recommendation, as set out in this IFA Letter, is based upon market, economic, industry and other conditions prevailing as at the Latest Practicable Date, and information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our recommendations in the light of any subsequent development after the Latest Practicable Date that may affect our recommendations contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Offer, which may be released after the Latest Practicable Date.

In rendering our opinion, we have not considered the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of Shareholders. As different Shareholders would have different investment profiles and objectives, we recommend that any individual Shareholder who may require specific advice in relation to his investment portfolio or objectives should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (except for this IFA Letter).

We have prepared this IFA Letter for the use by the Independent Directors in connection with their consideration of the Offer and their advice and recommendation to the Shareholders in respect thereof. The recommendations made to the Shareholders in relation to the Offer remain the responsibility of the Independent Directors.

Other than for this intended purpose, this IFA Letter should not be used for any other purposes and/or by other persons, save for the use of the Independent Directors in connection with their consideration of the Offer, without the prior consent of KGI Fraser. Our recommendation in relation to the Offer, as set out in Appendix I of this Circular, should be considered in the context of the entirety of this IFA Letter and the Circular.

3. THE OFFER

The detailed terms of the Offer are set out in the Offer Document dated 27 March 2015. The key terms of the Offer are set out below for your reference.

3.1 The Offer Terms

For and on behalf of the Offeror, Religare hereby makes the Offer to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT and on the following basis:

For each Offer Share: S$0.098 in cash (the "Offer Price")

The Offer Price is the purchase price for each Sale Share acquired by the Offeror pursuant to the SPA.

3.2 No Revisions

The Offeror does not intend to revise the Offer Price, except that the Offeror reserves the right to do so in a competitive situation.

3.3 The Offer Shares

The Offer Shares will be acquired fully-paid and free from all liens, equities, mortgages, charges, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever and together with all rights, benefits and entitlements attached to them as at the Offer Announcement Date, and thereafter attaching to them (including the right to receive and retain all dividends, rights, return of capital and other distributions (if any) which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date, together with all interest accrued thereon).

In the event that the record or books closure date for determining the entitlement to any dividends, rights or other distributions announced or declared by the Company falls on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividends, rights or other distributions.

The Offer will be extended, on the same terms and conditions, to all the issued Shares other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting or deemed to be acting in concert with it. **In addition, the Offeror intends to acquire all Shares owned, controlled or agreed to be acquired by Concert Parties at the same Offer Price.**

3.4 Minimum Acceptance Condition

The Offer will be subject to the Offeror having received, by the Closing Date, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued Shares (excluding any Shares held in treasury) in the Company ("**Minimum Acceptance Threshold**") as at the Closing Date.

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with Shares owned, controlled or agreed to be acquired before or during the Offer by or on behalf of the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to the issued share capital of the Company.

The Offer will be unconditional in all other respects.

As at the Latest Practicable Date, Religare has announced, for and on behalf of the Offeror, that the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, result in the Offeror holding more than 50% of the Shares. Accordingly, the Offer has become unconditional as to acceptances and is declared unconditional in all respects.

3.5 No Convertibles Securities

As at the Offer Document LPD, based on publicly available information, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights, in the Company.

3.6 Warranty

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder(s) that the Offer Shares tendered in acceptance of the Offer are sold by the accepting Shareholder(s), as or on behalf of the beneficial owner(s) thereof, (1) fully paid, (2) free from all claims, liens, charges, pledges, trusts, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever and (3) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including, without limitation, the right to all dividends, rights and other distributions (if any) declared, paid or made thereon on or after the Announcement Date, together with all interest accrued thereon.

3.7 Further details of the Offer

Further details of the Offer, including details on (a) duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement of the level of acceptances for the Offer, (d) the right of withdrawal of acceptances of the Offer and (e) procedures for acceptance of the Offer are set out in Appendices 1 and 2 to the Offer Document.

4. PROPOSED TRANSFER OF SHARES FROM CONCERT PARTIES

The Offeror intends to enter into a sale and purchase agreement with Ford Field International Limited ("**Ford Field**") and/or Smart Sound Holdings Limited ("**Smart Sound**") for the transfer and sale of all their existing Shares (the "**Proposed Transfer**") to the Offeror at a consideration which is the same as the Offer Price, after the commencement of the Offer so that all the Shares in the Company will be held by the Offeror, which is in turn held by Jia Yue Ting.

The Offeror also intends to satisfy the consideration payable to Ford Field and Smart Sound pursuant to the Proposed Transfer by netting off existing debt obligations owing by them to its sole shareholder, Jia Yue Ting.

5. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES

The following has been extracted from the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully:

"***6.1 The Offeror***

The Offeror is a special purpose vehicle incorporated in the British Virgin Islands on 17 February 2015 and has not carried on any business since its incorporation. It has an issued and paid-up share capital of 50,000 ordinary shares with a par value of US$1 per share. It is wholly-owned by Jia Yue Ting, the Executive Chairman of the Company, who is deemed to be interested in all the shares in the Company held by the Offeror under Section 7 of the Act.

6.2 Concert Parties of the Offeror

Ford Field is a company incorporated in the British Virgin Islands and is wholly-owned by Jia Yue Ting. Prior to the Acquisition, Ford Field holds 113,606,856 Shares, representing approximately 26.86% of the total number of issued Shares. Mr Jia Yue Ting is deemed to be interested in all the Shares held by Ford Field under Section 7 of the Act.

Ford Field has also on 12 March 2015 entered into an unconditional sale and purchase agreement in relation to the sale by New Force and the purchase by Ford Field of an aggregate of 9,436,000 Shares, representing approximately 2.23% of the total issued Shares for a cash consideration of S$0.098 per Share. Following the acquisition, Ford Field holds an aggregate of 123,042,856 Shares, representing approximately 29.09% of all the Shares in the capital of the Company.

Pursuant to a concert party agreement dated 11 September 2009 and Rule 14 of the Code, Jia Yue Ting and his sister-in-law, Zhang Rong, have agreed to act as parties in concert with respect to their shareholdings in the Company for the purpose of the Code.

Smart Sound is a company incorporated in the British Virgin Islands and is wholly-owned by Zhang Rong. Smart Sound currently holds 3,775,000 Shares, representing approximately 0.89% of the total number of issued Shares. Zhang Rong is deemed to be interested in all the shares in the Company held by Smart Sound under Section 7 of the Act.

Accordingly, Ford Field and Smart Sound are parties acting in concert with the Offeror in respect of their shareholding interests in the Company for purposes of the Offer.

6.3 *Following the Acquisition and as at the Latest Practicable Date, the aggregate interest in the Shares owned, controlled and/or agreed to be acquired by the Offeror and its concert Parties are as follows:*

Shareholders	***Number of Shares***	***Approximate % of total Shares***
Offeror	*39,202,000(1)(3)*	*9.27*
Ford Field	*123,042,856(1)(3)*	*29.09*
Smart Sound	*3,775,000(2)*	*0.89*
Total	***166,019,856***	***39.25***

Notes:

(1) Jia Yue Ting is deemed to be interested in an aggregate of 162,244,856 Shares held by the Offeror and Ford Field under Section 7 of the Act; and

(2) Zhang Rong is deemed to be interested in 3,775,000 Shares held by Smart Sound under Section 7 of the Act.

(3) As at the Latest Practicable Date, as one of the Vendor is overseas and another being a company incorporated in British Virgin Islands, the completion formalities is pending completion.

As at the Latest Practicable Date, the total number of Shares in issue is 422,915,000 Shares. Based on the latest information available to the Offeror, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights, in the Company as at the Latest Practicable Date.

Appendix 3 *of this Offer Document sets out certain additional information on the Offeror.*"

6. INFORMATION ON THE COMPANY

The Company was incorporated in Singapore on 28 September 2006 under the name of Sinotel Technologies Pte. Ltd, and is listed on the Main Board of the SGX-ST. The principal activity of the Company is that of an investment holding company. On 18 October 2007, the Company was converted into a public limited company and changed its name to Sinotel Technologies Ltd.

The Company is a leading integrated connectivity provider of innovative applications and solutions for the full spectrum of wireless telecommunication value chain in the PRC.

Certain additional information on the Company is set out in Appendix 4 to the Offer Document and Appendix II to the Circular.

7. RATIONALE FOR THE OFFER

The following has been extracted from Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully:

"***8.1*** *The Offer allows the Offeror to achieve the following key objectives:*

(i) The Offer is being made in compliance with the provisions of the Code because as a result of the Acquisition, the Offeror and its Concert Parties owned, controlled and/or agreed to acquire Shares representing approximately 39.25% of the voting rights of the Company;

(ii) The Offeror who is wholly-owned by the Executive Chairman of the Company, Jia Yue Ting, has been a shareholder since the listing of the Company. Prior to the Acquisition, the Offeror and its Concert Parties only hold an aggregate approximately 27.75% of the total issued share capital of the Company. The Offeror does not intend to preserve the listing status of the Company on the SGX-ST if the Free Float Requirement (as defined below) is not satisfied as the intention and purpose of the offer, is to delist and privatise the Company with reliance on Section 215(1) of the Act, under which the Offeror will have the power to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "Dissenting Shareholders") at a price equal to the Offer Price, if the Offeror receives valid acceptances pursuant to the Offer in respect of not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding treasury shares);

(iii) Based on the historical trading patterns, the trading liquidity of the Shares on the SGX-ST has generally been thin in the past. It is the Offeror's view that the low liquidity of the Shares is likely to continue and accordingly, the purpose of maintaining the Company's listing status for trading liquidity of the Shares does not appear to have been achieved. The privatisation offers Shareholders a cash exit opportunity to realise the value of their investments in the Company at a premium over the historical trading prices of the Shares on the SGX-ST, an option which may not otherwise be readily available; and

(iv) In maintaining the Company's listing status, the Company incurs additional compliance and associated costs. If the Company is delisted, costs associated with complying with listing and other regulatory requirements will be able to be dispensed with. The Offeror also believes that the delisting and privatisation of the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change."

8. OFFEROR'S INTENTIONS RELATING TO THE COMPANY

The following has been extracted from the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully:

"***9.1 Compulsory acquisition***

Pursuant to Section 215(1) of the Act, in the event the Offeror acquires not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees, as at the date of the Offer and excluding any Shares held by the Company as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from the Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Dissenting Shareholders who have not accepted the Offer equal to the Offer Price and have the right under and subject to Section 215(3) of the Act, may require the Offeror to acquire their Shares in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer or otherwise, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

9.2 The Offeror's future plans for the Company

As the Group has been loss-making for the past three years, the Offeror intends to take steps to consider a suitable rationalisation plan with a view to streamlining the businesses and operations of the Group, including cost-saving measures, should the Offeror be successful in delisting and privatising the Company as mentioned in paragraph 8.1(ii) above. Save as aforesaid and other steps to be taken in connection with the ordinary course of business of the Group, the Offeror does not currently have any intention to: (a) propose any changes to the existing businesses of the Group, (b) discontinue the employment of employees of the Group, or (c) redeploy the fixed assets of the Group.

9.3 Listing Status

*Under Rule 1105 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), upon the announcement by the Offeror that valid acceptances have been received that bring the Shares held by the Offeror to above 90% of the total number of Shares in issue (excluding any Shares held by the Company as treasury shares), the SGX-ST may suspend the trading of the Shares in the SGX-ST until such time it is satisfied that at least 10% of the Shares in issue are held by at least 500 shareholders who are members of the public.*

Under Rule 1303(1) of the Listing Manual, if the Offeror succeeds in garnering acceptances exceeding 90% of the Shares in issue (excluding any Shares held by the Company as treasury shares), thus causing the percentage of the total number of issued Shares (excluding any Shares held by the Company as treasury shares) held in public hands to fall below 10%, whether through acceptances of the Offer or otherwise, the SGX-ST will suspend trading of the Shares on the SGX-ST only at the close of the Offer.

*In addition, Rule 723 of the Listing Manual requires the Company to ensure that at least 10% of all the Shares in issue be held by the public ("**Free Float Requirement**"). Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not met, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.*

The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of Shares (excluding any Shares held by the Company as treasury shares) are held in public hands at the close of the Offer and the trading of the Shares is suspended at the close of the Offer. *In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.*"

9. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In assessing the financial terms of the Offer, we have taken into account the following factors which we consider to have a significant bearing on our assessment:–

9.1 Market quotation and trading liquidity of the Shares;

9.2 Financial analysis of the Group;

9.3 Comparison of the valuation statistics of selected companies broadly comparable to the Group;

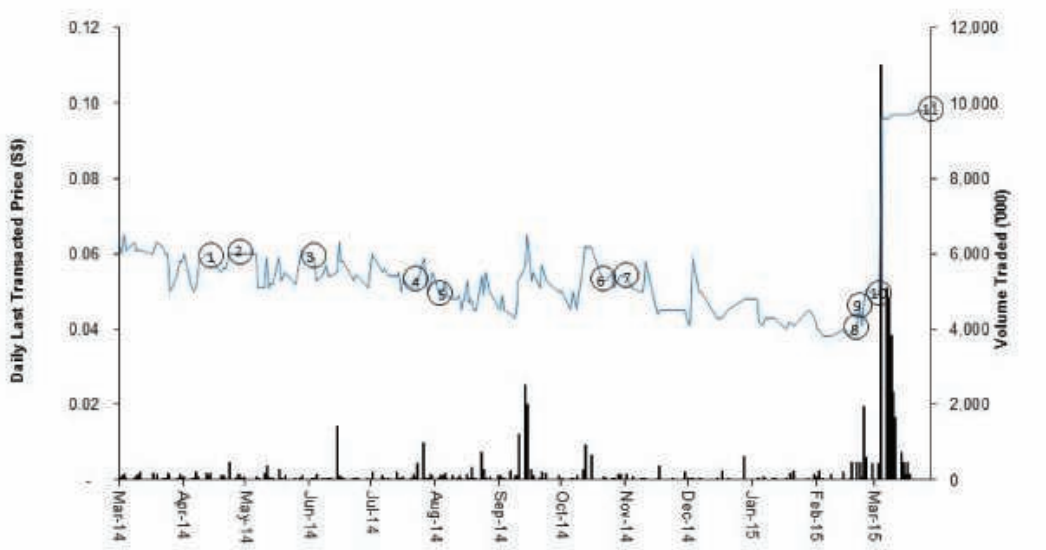
9.4 Comparison of the valuation statistics of the recent successful privatization transactions of SGX-ST listed companies;

9.5 Comparison of the valuation statistics of mandatory delisting transactions; and

9.6 Other relevant considerations.

9.1 Market Quotation and Trading Liquidity of the Shares

A graphical representation of the daily closing prices and volume traded of the Shares for the period commencing 12 months prior to the Offer Announcement Date and ending on the Latest Practicable Date is set out below:–



Source: Bloomberg L.P.

A summary of the salient announcements relating to the Group's business operations and the Offer during the aforesaid period is as follows:

1	23 April 2014	The Company announced that following a preliminary review of the unaudited financial results of the Group for the three months ended 31 March 2014, the Group is expected to record a net loss for the three months ended 31 March 2014
2	7 May 2014	The Company announced its unaudited first quarter financial statement for the three months ended 31 March 2014
3	12 June 2014	The Company announced the completion of the sale of the entire 100% equity interest in XBell Investment
4	31 July 2014	The Company announced that following a preliminary review of the unaudited financial results of the Group for the six months ended 30 June 2014, the Group is expected to record a net loss for the six months ended 30 June 2014
5	12 August 2014	The Company announced its unaudited half year financial statement for the six months ended 30 June 2014
6	30 October 2014	The Company announced that following a preliminary review of the unaudited financial results of the Group for the nine months ended 30 September 2014, the Group is expected to record a net loss for the nine months ended 30 September 2014

7	10 November 2014	The Company announced its unaudited third quarter financial statement for the nine months ended 30 September 2014
8	1 March 2015	The Company announced its unaudited full year financial statement for the year ended 31 December 2014 The Company announced that it has recorded pre-tax losses for the three most recently completed consecutive financial years
9	3 March 2015	The Company announced that following the notice of 3 consecutive years' losses released by the Company on 1 March 2014, the SGX-ST had notified the Company that it will be placed on the watch-list with effect from 4 March 2015
10	12 March 2015	The Company announced that the Offeror issued the Offer Announcement
11	7 April 2015	The Company announced differences between the audited financial statements and the unaudited financial results announcement for the financial year ended 31 December 2014 The Company announced that the Company's Independent Auditor, Baker Tilly TFW LLP, has issued an emphasis of matter in the Independent Auditor's Report on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2014. The opinion of the Independent Auditor, however, remains unmodified.

Source: Announcements relating to the Group on the SGX-ST

Additional information on the volume-weighted average prices ("**VWAP**") of the Shares and other trading statistics for the period commencing 12 months prior to the Offer Announcement Date and ending on the Latest Practicable Date is set out below:

	Lowest transacted price	Highest transacted price	VWAP[1]	Premium of Offer Price to VWAP	Average daily traded volume[2]	Average daily trading volume as a percentage of free float[3]
	(S$)	(S$)	(S$)	(%)	('000)	(%)
Periods prior to the Offer Announcement (and including the Offer Announcement Date)						
Last 12 months	0.038	0.065	0.053	84.9	179	0.1
Last 6 months	0.038	0.065	0.052	88.5	252	0.1
Last 3 months	0.038	0.059	0.044	122.7	212	0.1
Last 1 month	0.038	0.051	0.045	117.8	377	0.1
Last Market Day[4]	0.049	0.049	0.049	100.0	441	0.1
The last transacted price on the last Market Day on 9 March 2015 is S$0.049						
Periods after the Offer Announcement Date and up to the Latest Practicable Date						
After the Offer Announcement Date and up to the Latest Practicable Date	0.096	0.098	0.097	1.0	3,035	1.0
Last Market Day prior to the Latest Practicable Date	0.097	0.097	0.097	1.0	178	0.1

Source: Bloomberg L.P.

Notes:–

(1) The VWAP for the respective periods are calculated based on the daily VWAP turnover divided by the VWAP volume as extracted from Bloomberg L.P.. Off market transactions are excluded from the calculation. The figures are rounded to the nearest three (3) decimal places.

(2) The average daily traded volume of the Shares is calculated based on the total volume of Shares traded on the SGX-ST during the relevant periods, divided by the number of market days when there were trades.

(3) Free float refers to the Shares other than those held by the Directors, substantial Shareholders and their associates (as defined in the Listing Manual). For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 298.21 million Shares based on the free float of 70.5% as disclosed in the Company's annual report for the financial year ended 31 December 2013.

(4) This refers to the last Market Day on which the Shares were traded prior to the Offer Announcement, being 9 March 2015, and before the trading halt of the Shares on 10 March 2015.

We note the following with regard to the Share price performance of the Company:–

(a) the Offer Price is above the closing prices of the Shares since the 12-month period prior to and including the Offer Announcement Date;

(b) since the 12-month period prior to and including the Offer Announcement Date, the closing prices of the Shares ranged between a low of S$0.038 and a high of S$0.065. The Offer Price represents a premium of 157.9% and 50.8% over the lowest closing price and highest closing price of the Shares respectively;

(c) the Offer Price represents a premiums of approximately 84.9%, 88.5%, 122.7% and 117.8% above the VWAPs of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date, respectively;

(d) the Offer Price represents a premium of 100.0% over the closing price of S$0.049 on 9 March 2015, being on the last Market Day on which the Shares were traded prior to the Offer Announcement Date and before the trading halt of the Shares on 10 March 2015; and

(e) the Offer Price represents a premium of approximately 1.0% over the VWAP of the Shares for the period after the Offer Announcement Date and up to the Latest Practicable Date.

We note the following with regard to the trading liquidity of the Shares:–

(a) the average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date represents 0.1%, 0.1%, 0.1% and 0.1% of the free float respectively;

(b) During the period following the Offer Announcement Date and up to the Latest Practicable Date, the average daily trading volume of the Shares was higher at approximately 3.0 million Shares, but trading liquidity remained low, representing approximately 1.0% of the free float of the Shares.

We note that the Shares have traded between approximately S$0.038 and S$0.065 over the 12-month period prior to and including the Offer Announcement Date. After the Offer Announcement Date and up to the Latest Practicable Date, the highest transacted price of the Shares is the same as the Offer Price.

Shareholders should note that the past trading performance and liquidity of the Shares should not, in any way, be relied upon as an indication or a promise of its future trading performance. There is no assurance that the price of the Shares will remain at current levels as and when the Offer completes.

Share price performance vs the net tangible assets ("**NTA**") of the Group

Based on the Offer Price, the implied valuation of the Group is S$41.4 million. The Group had reported respective NTA backing as follows:

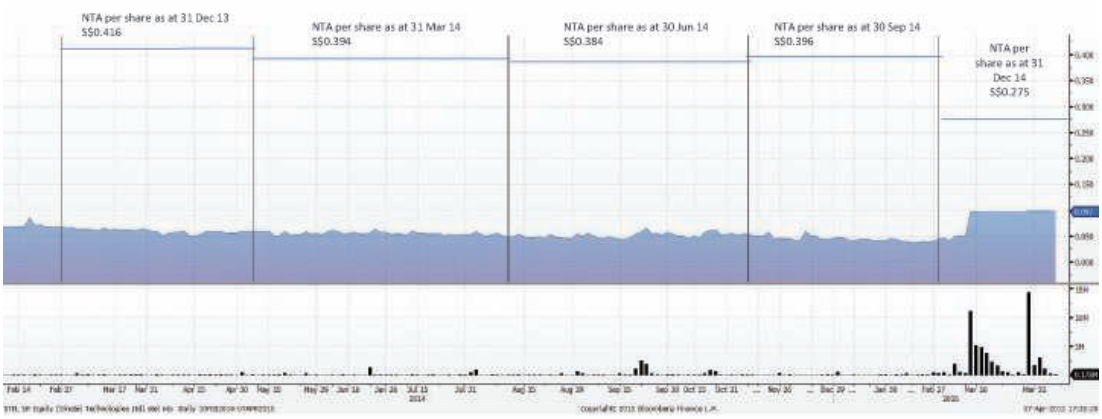
Date of results announcement	27 February 2014	7 May 2014	12 August 2014	10 November 2014	1 March 2015
With respect to balance sheet position as at	31 December 2013	31 March 2014	30 June 2014	30 September 2014	31 December 2014
NTA (RMB'000)	844,313	823,846	808,871	805,511	543,815(1)
Exchange rate of S$1:RMB as at balance sheet date	4.7935	4.9439	4.9762	4.8122	4.6816
NTA (S$'million)	176.14	166.64	162.55	167.39	116.16
NTA per share (based on 422,915,000 Shares) (S$)	0.416	0.394	0.384	0.396	0.275
VWAP of the Shares during the respective periods	0.078	0.060	0.057	0.056	0.042
Discount of VWAP of the Shares over the NTA per Share during the respective periods	81.2	84.7	85.1	85.8	84.7

Source: Bloomberg L.P. and the Company's annual report for FY2013 and the announcements of unaudited quarterly financial results.

Note:

(1) This is based on the unaudited NTA of the Group. On 7 April 2015, the Company announced the audited NTA of the Group as at 31 December 2014 to be RMB386,172,000, which is equivalent to S$82.49 million. Audited NTA per share as at 31 December 2014 is approximately S$0.195. Please refer to Appendix VI of the Circular for the announcement.

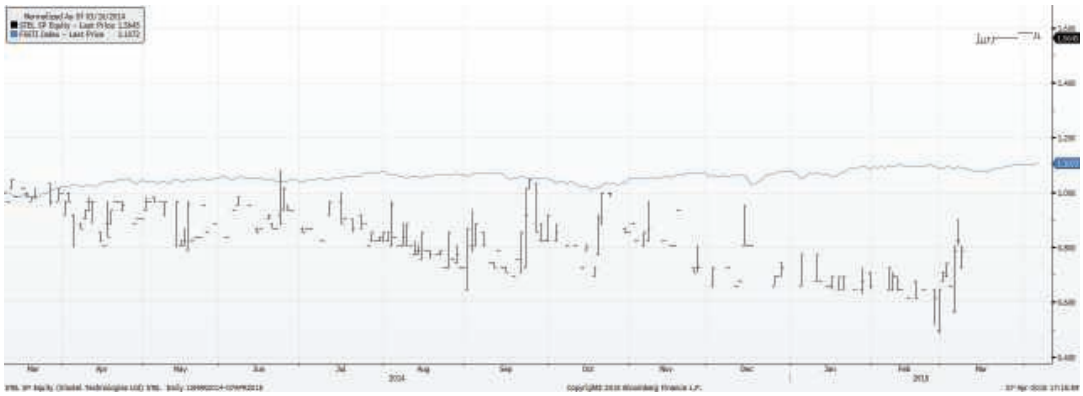
Based on the daily share price chart for the 12-month period prior to the Offer Announcement Date and up to the Latest Practicable Date, we note that the Shares had been trading at significant discounts of between 81.2% to 85.8% to the Group's respective published NTA per Share as shown in the chart below.



From the above observation, we note that the market had at most times not accorded a valuation to the Company (as represented by the share prices) which is reflective of its full NTA backing per Share. This is not uncommon among some listed companies on the SGX-ST and could be a reflection of the market's perception of such companies.

Relative performance of the Shares versus the market index

To assess the market price performance of the Shares relative to the general share price performance of the stock market listed on the SGX-ST, we set out below the normalized market price movement of the Shares against the FTSE Straits Times Index ("**FSSTI Index**") for the 12-month period prior to the Offer Announcement Date and up to the Latest Practicable Date as illustrated below:–



Source: Bloomberg L.P.

We note that for the 12-month period prior to the Offer Announcement Date and up to the Latest Practicable Date and on a normalized basis, the Shares have generally underperformed the FSSTI Index.

Shareholders should note that the past trading performance and liquidity of the Shares is meant to serve as an illustrative guide only and should not, in any way, be relied upon as an indication or a promise of its future trading performance and/or liquidity of the Shares.

9.2 Financial Analysis of the Group

Financial performance of the Group

A summary of the financial results of the Group for the last three financial years ended 31 December, from FY2012 to FY2014 is set out below:–

	← Audited →		
RMB' million	**FY2012**	**FY2013**	**FY2014**
Revenue	474.6	388.4	255.6
Gross Profit	45.0	29.6	19.8
Loss before Tax	(30.1)	(95.0)	(468.0)
Loss for the year	(40.0)	(86.2)	(458.0)

Source: The Company's annual reports and announcements

The Group has been making a net loss since FY2012 and NTA per Share has been declining since FY2012. The Group has cited challenging business environment in the telecommunication industry over the relevant periods as competition between suppliers intensified amidst tighter margins across all the business segments. The Group also faced slower collections from telecommunication providers ("**Telcos**") as well as cost saving initiatives introduced by Telcos.

FY2013 vs FY2012

The Group posted a revenue of RMB388.4 million for FY2013, representing a decrease of RMB86.2 million or 18.2% from RMB474.6 million in FY2012. The main reason for the decline was a result of the cessation in sales of outdoor solutions amounting to RMB238.8 million. The Group also experienced a decrease in the overall sales of Emergency Mobile Communication System ("EMCS") of RMB29.4 million, a decline of services related projects and a marginal dip in system integration projects amounting to RMB28.2 million and RMB3.3 million respectively. The decrease in revenue was partially offset by increase in revenue from sales of equipment of RMB213.4 million.

The Group recorded a gross profit of RMB29.6 million for FY2013, representing a decrease of RMB15.4 million or 34.2% from RMB45.0 million in FY2012. The decrease in gross profit was mainly due to decrease in revenue from outdoor solutions and EMCS. The Group's overall gross profit margin contracted from 9.5% in FY2012 to 7.6% in FY2013, principally due to an increase in revenue contribution from the sales of equipment segment, which commands lower margins.

Due to cost control measures introduced by the China mobile operators, increase in general and administrative expenses, as well as a reduction in total revenue, the Group posted a net loss of RMB86.2 million for FY2013, representing a decline of RMB46.2 million or 115.5% from RMB40.0 million for FY2012.

FY2014 vs FY2013

The Group posted a revenue of RMB255.6 million for FY2014, representing a decrease of RMB132.8 million or 34.2% from RMB388.4 million in FY2013. This was mainly due to decrease in revenue from sales of equipment of RMB108.5 million arising from decrease in sales in Beijing, Tianjin, Hebei Province and Henan Province and a decrease in system integration of RMB24.9 million. The decrease in revenue was partially offset by an increase in revenue of RMB0.6 million from services related projects.

The Group recorded a gross profit of RMB19.8 million for FY2014, representing a decrease of RMB9.8 million or 33.1% from RMB29.6 million in FY2013. The decrease in gross profit was mainly due to decrease in sales of equipment and system integration as well as allowance for stock obsolescence of RMB3.0 million. The decrease was offset by the marginal increase in gross profit margin from 7.6% in FY2013 to 7.7% in FY2014 due to increase in gross profit margin from sales of equipment and design services.

For FY2014, the loss for the Group increased significantly by RMB371.8 million or 431.3% from a loss of RMB86.2 million in FY2013 to a loss of RMB458.0 million in FY2014. This was due mainly to an increase in allowance for doubtful trade receivables of RMB459.1 million and reduction in total revenue.

Financial position of the Group

Based on the latest available financial statements of the Group for FY2014, the summary of the balance sheet of the Group as at 31 December 2014 is set out below:

	Audited
RMB million	**As at 31 December 2014**
Current Assets	564.8
Non-Current Assets	33.7
Total Assets	598.5
Current Liabilities	203.7
Non-Current Liabilities	8.4
Total Liabilities	212.1
Total Equity	386.4

As at 31 December 2014, the Group has total assets of RMB598.5 million comprising current assets of RMB564.8 million (94.4%) and non-current assets of RMB33.7 million (5.6%). Total current assets of RMB564.8 million comprise mainly inventories of RMB182.6 (32.3%), trade receivables of RMB347.0 million (61.4%), other receivables of RMB23.8 million (4.2%) and cash and cash equivalents of RMB11.5 million (2.1%). Total non-current assets of RMB33.7 million comprise mainly property, plant and equipment of RMB33.5 million (99.4%) and intangible assets of RMB0.2 million (0.6%). Property, plant and equipment comprise mainly project and research & development equipment, office equipment and motor vehicles.

As at 31 December 2014, the Group has total liabilities of RMB212.1 million comprising mainly current liabilities of RMB203.7 million (96.0%). Total current liabilities of RMB203.7 million comprise mainly trade payables of RMB107.3 million (52.7%), other payables of RMB87.3 million (42.9%) and tax payables of RMB9.1 million (4.4%). Non-current liabilities of RMB8.4 million refers to deferred tax liabilities.

The audited NAV of the Group as at 31 December 2014 is approximately RMB386.4 million or S$0.195 per Share. The audited NTA of the Group after deducting intangible assets as at 31 December 2014 is approximately RMB386.2 million, equivalent to S$82.5 million or S$0.195 per Share.

Price-to-NTA ("**P/NTA**") ratio of the Group implied by the Offer Price

The NTA based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its tangible assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings based valuation.

The Group's audited NTA as at 31 December 2014 was approximately RMB386.2 million, equivalent to S$82.5 million or S$0.195 per Share. The Offer Price of S$0.098 thus values the Group on a P/NTA ratio of approximately 0.50 times, representing a discount of 49.7% to the audited NTA per Share of the Group as at 31 December 2014.

For the purpose of making a comparison on a P/NTA basis of the Group with the Comparable Companies and Selected Privatisation Transactions as set out in paragraphs 9.3 and 9.4 below respectively, we have used the above P/NTA of 0.50 times implied by the Offer Price.

In our evaluation of the financial terms of the Offer, we have also considered whether there are any tangible assets which should be valued at an amount that is materially different from that which were recorded in the statement of financial position of the Group as at 31 December 2014, and whether there are any factors which have not been otherwise disclosed in the financial information of the Group that are likely to impact the audited NTA as at 31 December 2014.

In respect of the above, the Board of Directors and the Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief:

(a) there are no material differences between the realisable value of the Group's assets and their respective book values as at 31 December 2014 which would have a material impact on the audited NTA of the Group;

(b) other than that already provided for or disclosed in the Group's financial information as at 31 December 2014, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the audited NTA of the Group as at the Latest Practicable Date;

(c) there is no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;

(d) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and

(e) there are no material acquisitions and disposals of assets by the Group between 31 December 2014 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

9.3 Comparison of the Valuation Statistics of Selected Companies Broadly Comparable To the Group

For the purpose of assessing the financial terms of the Offer, we have referred to the current valuation statistics of selected listed companies on the SGX-ST, which business operations we consider to be broadly comparable to the Group ("**Comparable Companies**").The Comparable Companies are broad proxies to the Group's business and is intended to serve only as an illustrative guide.

We have had discussions with the Management of the Company about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The selected Comparable Companies' accounting policies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of the Group.

Shareholders should note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of, inter alia, market capitalisation, size, diversity of business activities, asset base, geographical spread, customer base, brand loyalty, track record, financial performance, future prospects, operating and financial leverage, liquidity, risk profile, quality of earnings and accounting, and other relevant criteria.Therefore, any comparison made herein serves as an illustrative guide for Shareholders and the conclusions drawn from the comparison may not be

necessarily reflective of the perceived market valuation of the Shares as at the Latest Practicable Date. We wish to highlight that the list of Comparable Companies is by no means exhaustive.

A brief description of the Comparable Companies is as follows:–

Companies	Key activities
Captii Ltd	Captii Limited operates as an investment holding company. The Company invests primarily on technology and telecoms businesses.
Ace Achieve Infocom Ltd	Ace Achieve Infocom Limited designs and develops telecommunications solutions and products. The Company's products are used in various telecommunications networks, such as fixed line, data networks, and Personal Handyphone System.
8Telecom International Holdings Co Ltd	8Telecom International Holdings Co. Ltd. manufactures and supplies telecommunications pipes, telecommunications towers and other related products. The Group also provides telecommunications engineering services and manufactures and sells communications materials, plastics and other products.

In assessing the financial terms of the Offer, we have used the following valuation measures in our analysis:

Valuation Measure	Description
Price-to-earnings ratio ("**P/E**")	P/E ratio or earnings multiple illustrates the valuation ratio of the current market value of a company's shares relative to its consolidated basic earnings per share as stated in its financial statements. The P/E ratio is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.
Price-to-NTA ratio ("**P/NTA**")	P/NTA ratio illustrates the ratio of the market price of a company's shares relative to its asset backing as measured in terms of its historical consolidated NTA per share as stated in its financial statements. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparison of companies using their book NTAs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation practice.

Valuation Measure	Description
Enterprise value to EBITDA Ratio ("**EV/EBITDA**")	The historical EV/EBITDA ratio illustrates the ratio of the market value of a company's business relative to its historical consolidated pre-tax operating cashflow performance, without regard to its capital structure, and provides an indication of current market valuation relative to operating performance. "EV" is the sum of a company's market capitalisation, preferred equity, minority interests, short-and long-term debts less cash and cash equivalents, and represents the actual cost to acquire the entire company. "EBITDA" refers to historical consolidated earnings before interest, tax, depreciation and amortisation expenses. EBITDA can be used to analyse the profitability between companies as it eliminates the effects of financing and accounting decisions.

The valuation measures of the Comparable Companies is set out below:

Comparable Companies	Market Capitalisation[(1)] (S$' million)	Historical P/E[(1)(2)] (times)	Historical P/NTA[(1)(3)] (times)	Historical EV/EBITDA[(1)] (times)
Captii Ltd	14.1	6.5	0.70	1.0
Ace Achieve Infocom Ltd	15.8	3.4	0.18	5.6
8Telecom International Holdings Co Ltd	45.4	22.7	0.40	10.0
High		**22.7**	**0.70**	**10.0**
Low		**3.4**	**0.18**	**1.0**
Mean		**10.9**	**0.43**	**5.5**
Median		**6.5**	**0.40**	**5.6**
Sinotel (implied by the Offer Price)	**41.4**	**NA[(4)]**	**0.50**	**NA[(4)]**

Source: Bloomberg L.P., annual reports and/or announcements of the respective Comparable Companies

Notes:–

(1) Market capitalization, historical P/E and P/NTA of the Comparable Companies were based on their respective closing prices as at the Latest Practicable Date.

(2) Based on the historical full year consolidated earnings of the respective Comparable Companies.

(3) The P/NTA ratios of the Comparable Companies were based on their respective NTA values as set out in their latest available published financial statements as at the Latest Practicable Date.

(4) Not applicable, as the Company was in a net loss position.

Based on the above, we note that:–

(a) The P/NTA ratio of the Group implied by the Offer Price of 0.50 times is within the range of the P/NTA ratios of the Comparable Companies;

(b) The P/NTA ratio of the Group implied by the Offer Price of 0.50 times is higher than the mean and median P/NTA ratios of the Comparable Companies of 0.43 and 0.40 respectively; and

(c) Comparable Companies reported profit for the latest financial year whereas the Company recorded a loss of RMB458.0 million for year ended 31 December 2014. Accordingly, no comparison to historical P/E and historical EV-EBITDA was made.

9.4 Comparison of the Valuation Statistics of the Recent Successful Privatisation Transactions of SGX-ST Listed Companies

As disclosed in Paragraph 9.3 of the Offer Document, we note that the Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of Shares (excluding any Shares held by the Company as treasury shares) are held in public hands at the close of the Offer and the trading of the Shares is suspended at the close of the Offer. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

In assessing the reasonableness of the terms of the Offer, we have also examined recent similar transactions by listed companies on the SGX-ST involving offers announced and completed from March 2013 up to the Latest Practicable Date (the "**Selected Privatisation Transactions**"). Our analysis of the Selected Privatisation Transactions is to illustrate the premium/discount represented by each of the respective offer prices over/to the average traded prices prior to the announcements of such Selected Privatisation Transactions.

This analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out:

(i) the premium represented by each of the respective offer prices to the last transacted prices and VWAPs prior to the announcement of the Selected Privatisation Transactions; and

(ii) the premium or discount represented by each of the respective offer price to the P/NTA of the respective target companies. We note that certain Selected Privatisation Transaction had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NTA or adjusted NTA of the Selected Privatisation Transactions, where applicable.

We wish to highlight that the list of target companies set out under the Selected Privatisation Transactions are not directly comparable with the Company in terms of market capitalisation, size of operations, business activities, accounting policies, financial performance, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits.

The premium (if any) that an offeror would pay to privatise or delist a listed company depends on various factors, inter alia, the offeror's intention with regard to the target company, the potential synergy that the offeror can gain from acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets and existing and desired level of control in the target company. Therefore, the comparison of the terms of the Offer with the Selected Privatisation Transactions set out below is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.

A summary of the relevant financial terms of the Selected Privatisation Transactions is set out below.

			Premium/(Discount) of offer price over/(to)				
Company	**Date of Announcement**	**Type[18]**	**Last Transacted Price (%)**	**1-month VWAP (%)**	**3-month VWAP (%)**	**6-month VWAP (%)**	**P/NTA (times)**
Pan Pacific Hotels Group Limited	10-May-13	VD	9.0	8.2	6.1	8.1	1.0[1]
Tsit Wing International Holdings Limited	11-Jun-13	MGO	36.7	36.7	36.2	30.9	1.1[2]
Guthrie GTS Limited	21-Jun-13	VGO	21.4	21.9	19.7	20.2	0.8[3]
Food Junction Holdings Limited	24-Jun-13	VGO	40.1	37.8	37.1	33.5	1.4[4]
Armstrong Industrial Corporation Limited	5-Jul-13	VD	5.9	14.0	17.0	21.1	2.0
Viz Branz Limited	5-Jul-13	MGO	15.0[5]	17.9[5]	17.4[5]	17.4[5]	2.4[6]
Berger International Limited	21-Aug-13	VGO	78.6	67.8	86.6	95.3	1.7[7]
Superior Multi-Packaging Limited	6-Sep-13	VD	0.0	0.5	10.8	12.8	1.0
Sound Global Ltd.	10-Sep-13	VD	22.8	18.9	22.6	18.9	1.5
Internet Technology Group Limited	25-Sep-13	VD	35.3	9.0	5.7	0.4	0.9
Consciencefood Holding Limited	28-Sep-13	VD	23.5	23.3	18.0	13.2	0.9
Devotion Energy Group Limited	7-Oct-13	VD	23.4	24.2	25.0	34.8	0.8[8]
Superbowl Holdings Limited	7-Oct-13	VGO	20.6	34.9	41.0	45.0	0.6[9]

Company	Date of Announcement	Type[18]	Premium/(Discount) of offer price over/(to) Last Transacted Price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	P/NTA (times)
Medi-Flex Limited	11-Oct-13	VD	15.4	21.0	27.1	30.4	3.2
People's Food Holdings Limited	19-Oct-13	VGO	2.6	4.2	10.0	(6.4)	1.2
Kreuz Holdings Limited	5-Nov-13	SOA	5.1	6.9	6.4	10.9	1.8
China Energy Limited	11-Nov-13	VD	(14.8)	(13.0)	(20.6)	(23.6)	4.9[14]
WBL Corporation Limited	19-Nov-13	VD	27.5[10]	26.2[10]	24.3[10]	27.7[10]	1.4
Malacca Trust Limited	23-Dec-13	VD	15.4	15.4	15.4	14.9	2.1
Singapore Land Limited	24-Feb-14	VGO	11.2	16.9	13.9	11.0	0.7[11]
Chemoil Energy Limited	25-Feb-14	VD	29.0	31.1	32.5	31.1	1.1
Asia Power Corporation Limited	24-Mar-14	VD	0.0	1.2	2.1	9.7	0.6
China XLX Fertiliser Ltd.	31-Mar-14	VD	23.1	28.9	24.8	22.2	0.8
CapitaMalls Asia Limited	14-Apr-14	VGO	23.0	27.0	25.5	20.5	0.8[12]
ASJ Holdings Limited	7-May-14	VGO	18.2	43.7	55.4	62.0	0.7[13]
Goodpack Limited	27-May-14	SOA	23.2[15]	30.8[15]	31.3[15]	34.3[15]	3.1
Fischer Tech Ltd	20-Aug-14	MGO	3.1	1.5	6.8	8.6	0.6
Lee Kim Tah Holdings Limited	25-Sep-14	VGO	6.4	11.8	12.3	13.5	1.0[16]
Perennial China Retail Trust	14-Mar-14	VGO	29.6	34.0	33.0	32.1	0.9
Forterra Trust	4-Nov-14	MGO	32.4	51.1	49.7	39.8	0.6
ECS Holdings Limited	14-Nov-14	VGO	11.5	9.0	11.5	9.3	0.6
EUNetworks Group Limited	17-Nov-14	MGO and VD	32.6	58.4	69.2	101.2	1.9
UE E&C Ltd.	28-Nov-14	VGO	(2.3)	2.7	5.0	(2.9)	1.2[17]
High			**78.6**	**67.8**	**86.6**	**101.2**	**4.9**
Low			**(14.8)**	**(13.0)**	**(20.6)**	**(23.6)**	**0.6**
Mean			**18.9**	**21.9**	**23.6**	**24.2**	**1.4**
Median			**20.6**	**21.0**	**19.7**	**20.2**	**1.0**
Sinotel	**12-Mar-15**	**MGO**	**100.0**	**117.8**	**122.7**	**88.5**	**0.5**

Source: SGX-ST announcements, circulars and relevant documents of the respective Selected Privatisation Transactions.

Notes:–

(1) Based on the RNAV per share of Pan Pacific Hotel Group Limited as at 31 March 2013.

(2) Based on RNTA per share of Tsit Wing International Holdings Limited as at 31 March 2013.

(3) Based on RNAV per share of Guthrie GTS Ltd as at 31 March 2013.

(4) Based on NAV per share of Food Junction Holdings Limited as at 30 June 2013.

(5) Based on revised offer price of S$0.815 per share for Viz Brand Limited.

(6) Based on RNTA of Viz Brand Limited as at 31 March 2013.

(7) Based on RNTA of Berger International Limited as at 31 March 2013.

(8) Based on RNTA of Devotion Energy Group Limited as at 30 June 2013.

(9) Based on RNTA of Superbowl Holdings Limited as at 30 September 2013.

(10) The market premia were computed based on prices prior to the announcement on 26 November 2012 that Straits Trading Limited intended to make a mandatory conditional offer for the shares and convertible bonds of WBL Corporation Limited.

(11) Based on RNTA of Singapore Land Limited as at 31 December 2013.

(12) Based on P/Analyst RNAV, which "illustrates the ratio of market price of a company's shares relative to mean NAV figure derived from analyst reports adjusting the value of a company's key assets to their current market value".

(13) Based on RNTA of ASJ Holdings Limited as at 31 December 2013.

(14) Based on RNAV of China Energy Limited as at 31 March 2014.

(15) The market premia were computed based on prices prior to the holding announcement date when Goodpack Limited first announced that it has been approached on a possible offer for the shares.

(16) Based on the RNAV of Lee Kim Tah Holdings Ltd as at 30 June 2014.

(17) Based on the NAV of UE E&C Ltd. as at 30 September 2014 after adjusting for the expected increase in carrying value of investments in associates and joint ventures.

(18) VD refers to voluntary delisting. MGO refers to mandatory general offer. VGO refers to voluntary general offer. SOA refers to scheme of arrangement.

The key observations in respect of the above are highlighted below:–

(a) the premium implied by the Offer Price against the last transacted price, 1-month VWAP and 3-month VWAP of the Shares prior to the Offer Announcement Date is the highest compared to the premium of the Selected Privatisation Transactions for the corresponding periods and is also significantly higher than the mean and median premiums of the Selected Privatisation Transactions for the corresponding periods;

(b) the premium implied by the Offer Price against the 6-month VWAP of the Shares prior to the Offer Announcement Date of 88.5% is within the range and is significantly higher than the mean and median premiums of the Selected Privatisation Transactions of 24.2% and 20.2%; and

(c) the P/NTA ratio of the Group of 0.5 times implied by the Offer Price is below the range and lower than the mean and median P/NTA of the Selected Privatisation Transactions of 1.4 and 1.0 respectively.

9.5 Comparison of the Valuation Statistics of Mandatory Delisting Transactions

The Company was placed on the SGX-ST's Watch List with effect from 4 March 2015 pursuant to Rule 1311 of the Listing Manual. The Company would have to meet the requirements of the Rule 1314 of the Listing Manual within 24 months from 4 March 2015, i.e. by 4 March 2017, failing which the SGX-ST may delist the Company or suspend trading in the Shares with a view to delisting the Company.

In assessing the reasonableness of the terms of the Offer, we have examined SGX-ST listed companies that were placed on the SGX-ST's Watch List and subsequently delisted mandatorily from the Official List of the SGX-ST by the Exchange consequent to the companies' failure to comply with the requirements of the Listing Manual for its respective removal from the SGX-ST's Watch List for the period of April 2010 to the Latest Practicable Date ("**Mandatory Delistings**"). Pursuant to Rule 1306 of the Listing Manual, if the Exchange exercises its power to remove an issuer from the Official List, the issuer or its controlling shareholder(s) must comply with the requirements of Rule 1309 whereby, *inter alia*, a reasonable exit alternative, normally in cash, should be offered to the issuer's shareholders and holders of any other classes of listed securities to be delisted. For the purpose of Rule 1309, a reasonable exit offer may include a voluntary liquidation of the issuer's assets and distribution of cash back to shareholders.

The analysis of the Mandatory Delistings serves to illustrate, pursuant to Rule 1306 and 1309, the respective exit offers, if any, and the corresponding premiums/discounts represented by each of the respective offer prices over/to the volume weighted average prices prior to the respective announcements of such Mandatory Delistings and for the comparison of the P/NTA ratios implied by the respective offer price.

We wish to highlight that the Mandatory Delistings set out below are by no means exhaustive. Additionally, the Shareholders should note that due to the differences in, *inter alia*, business activities, market capitalisation, scale of operations, risk profile, financial performance, geographical spread, accounting policies, operating and financial leverage, track records and future prospects, any comparison made with respect to the Mandatory Delistings are for illustrative purposes only.

			Premium/(Discount) of offer price over/(to)		
Company	**Date Delisted**	**Exit Offer**	**Last Transacted Price**	**1-month VWAP**	**P/NTA**
Chuan Soon Huat Industrial Group Ltd	1-Apr-10	No	NA	NA	NA
General Magnetics Ltd	1-Apr-10	No	NA	NA	NA
Ionics EMS, Inc.	23-Jun-10	Yes	0.0	0.0	1.9
Fastech Synergy Ltd	16-Jul-10	No	NA	NA	NA
ASA Group Holdings Ltd	26-Jan-11	Yes	100.0	47.5	0.7
Rotol Singapore Ltd	18-Aug-11	No	NA	NA	NA

Company	Date Delisted	Exit Offer	Premium/(Discount) of offer price over/(to) Last Transacted Price	1-month VWAP	P/NTA
Ocean International Holdings Limited	13-Sep-11	Yes	100.0	100.0	1.00
FirstLink Investments Corporation Limited	30-Nov-11	Proposed voluntary liquidation rejected by shareholders and no subsequent exit offer	NA	NA	NA
The Style Merchants Limited	24-Feb-12	Proposed voluntary liquidation rejected by shareholders and no subsequent exit offer	NA	NA	NA
Creative Master Bermuda Limited	15-Feb-13	Yes	14.5	1.9	0.7
Jets Technics International Holdings Limited	25-Oct-13	No	NA	NA	NA
FDS Networks Group Ltd.	17-Jan-14	Proposed voluntary liquidation rejected by shareholders and no subsequent exit offer	NA	NA	NA
Aussino Group Ltd	30-Jan-14	Proposed voluntary liquidation rejected by shareholders and no subsequent exit offer	NA	NA	NA
Sunray Holdings Limited	1-Apr-14	Proposed voluntary liquidation rejected by shareholders and no subsequent exit offer	NA	NA	NA
China Powerplus Limited	5-Sep-14	Yes	16.7	25.0	0.4
High			**100.0**	**100.0**	**1.9**
Low			**0.0**	**0.0**	**0.4**
Mean			**46.2**	**34.9**	**1.0**
Median			**16.7**	**25.0**	**0.7**
Sinotel (implied by Offer Price)			**100.0**	**117.8**	**0.5**

Source: SGX-ST announcements and circulars to shareholders in relation to the respective Mandatory Delistings and Bloomberg L.P.

The key observations in respect of the above are highlighted below:–

(a) the premium of 100.0% implied by the Offer Price against the last transacted price of the Shares prior to the Offer Announcement Date is higher than the mean and median premiums of the Mandatory Delistings of 46.2% and 16.7% respectively;

(b) the premium of 117.8% implied by the Offer Price against the 1-month VWAP of the Shares prior to the Offer Announcement Date is the highest compared to the premiums of the Mandatory Delistings and is significantly higher than the mean and median premiums of the Mandatory Delisting of 34.9% and 25.0% respectively; and

(c) the P/NTA ratio of the Group of 0.5 times implied by the Offer Price is within the range of P/NTA of the Mandatory Delistings but is lower than the mean and median P/NTA ratio of the Mandatory Delistings of 1.0 and 0.7 respectively.

9.6 Other Relevant Considerations

9.6.1 No revision to Offer Price

The Offeror has stated it does not intend to revise the Offer Price, except that the Offeror reserves the right to do so in a competitive situation. Shareholders should note that the Offer Price of S$0.098 per Share is final and will not be revised.

9.6.2 Dividend Record of the Group

Since the Group was listed on the SGX-ST in 2007 it has not declared dividends and has been loss-making since FY2012. The Offer Price offers Shareholders with a cash exit opportunity.

9.6.3 Alternative Take-over Offer

As at the Latest Practicable Date, the Directors have confirmed that, apart from the Offer, the Company has not received any other offer from any other party.

9.6.4 Inclusion of the Company on the SGX-ST Watch List

We note that following the notice of 3 consecutive years' losses released by the Company on 1 March 2015, the SGX-ST had placed the Company on the Watch List with effect from 4 March 2015.

The Company will have to fulfil the requirements under Rule 1314 of the Listing Manual for its removal from the Watch List within 24 months from 4 March 2015, failing which the SGX-ST would delist the Company or suspend trading in the Company's shares with a view to delisting the Company.

Rule 1314 of the Listing Manual states that an issuer on the watch-list may apply to the SGX-ST for its removal from the watch-list if it satisfies any one of the following requirements:

(a) the issuer records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts, excluding

exceptional or nonrecurrent income and extraordinary items) and has an average daily market capitalisation of $40 million or more over the last 120 market days on which trading was not suspended or halted for a full market day; or

(b) the issuer satisfies Rule 210(3) of the Listing Manual and either one of the following requirements: (a) cumulative consolidated pre-tax profit of at least $7.5 million for the last three years, and a minimum pre-tax profit of $1 million for each of those three years; or (b) cumulative consolidated pre-tax profit of at least $10 million for the last one or two years. Rule 210(3)(a) of the Listing Manual applies to the last one year or last two years as the case may be.

9.6.5 Offeror's intentions for the Company

We note that the Offeror believes that the delisting and privatisation of the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimize the use of its management and capital resources and facilitate the implementation of any operational change.

We also note as the Group has been loss-making for the past three years, the Offeror intends to take steps to consider a suitable rationalisation plan with a view to streamlining the businesses and operations of the Group, including cost-saving measures, should the Offeror be successful in delisting and privatising the Company. Save as aforesaid and other steps to be taken in connection with the ordinary course of business of the Group, the Offeror does not currently have any intention to: (a) propose any changes to the existing businesses of the Group, (b) discontinue the employment of employees of the Group, or (c) redeploy the fixed assets of the Group.

9.6.6 Compulsory Acquisition and Listing Status

We note that in the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act, the Offeror intends to exercise its right to compulsorily acquire all the Shares from the Shareholders who have not accepted the Offer at a price equal to the Offer Price. The Offeror will then proceed to delist the Company from the SGX-ST.

We also note that the Offeror intends to make the Company its wholly-owned subsidiary. It is therefore not the intention of the Offeror to preserve the listing status of the Company and the Offeror does not intend to take any steps for any trading suspension in the Shares to be lifted in the event that, inter alia, less than 10 per cent. of the Shares (excluding treasury shares) are held in public hands.

10. OUR ADVICE

In arriving at our recommendation in respect of the Offer, we have taken into account the following factors which we consider to have a significant bearing on our assessment:–

(a) Market quotation and trading liquidity of the Shares;

(b) Financial performance and position of the Group;

(c) Comparison of the valuation statistics of Comparable Companies;

(d) Comparison of the valuation statistics of Selected Privatisation Transactions;

(e) Comparison of the valuation statistics of Mandatory Delistings; and

(f) Other relevant considerations.

Pursuant to Practice Statement on the opinion issued by an Independent Financial Adviser in relation to offers, whitewash waivers and disposal of assets under the Code, the term "fair" relates to an opinion on the value of the offer price or consideration compared against the value of the securities subject to the offer. For the Offer to be fair, the offer price must be equal to or greater than the valuation of the Company. In considering whether the Offer is reasonable, matters other than the value of the Company should be considered.

In determining the fairness of the Offer, we have compared the Offer Price against the audited NTA per Share of the Group as at 31 December 2014. The audited NTA per Share of the Group as at 31 December 2014 is S$0.195, which is above the Offer Price. The Offer Price of S$0.098 represents a discount of approximately 49.7% to the audited NTA per Share of the Group as at 31 December 2014.

In determining the reasonableness of the Offer, we have considered the following factors:

Factors in favour of the Offer

(a) in relation to the Share price performance of the Company:

- the Offer Price is above the closing prices of the Shares since the 12-month period prior to and including the Offer Announcement Date and up to the Latest Practicable Date;

- the Offer Price represents a premium of 100.0% over the closing price of S$0.049 on 9 March 2015, being on the last Market Day on which the Shares were traded prior to the Offer Announcement Date and before the trading halt of the Shares on 10 March 2015 and a premium of approximately 84.9%, 88.5%, 122.7% and 117.8% above the VWAPs of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date, respectively; and

- since the 12-month period prior to and including the Offer Announcement Date, the closing prices of the Shares ranged between a low of S$0.038 and a high of S$0.065. The Offer Price represents a premium of 157.9% and 50.8% over the lowest closing price and highest closing price of the Shares respectively.

(b) In comparison with the valuation statistics of the Comparable Companies,

- The P/NTA ratio of the Group implied by the Offer Price of 0.50 times is higher than the mean and median P/NTA ratios of the Comparable Companies of 0.43 and 0.40 respectively;

(c) in comparison with the valuation statistics of the Selected Privatisation Transactions,

- the premium implied by the Offer Price against the last transacted price, 1-month VWAP and 3-month VWAP of the Shares prior to the Offer Announcement Date is the highest compared to the premium of the Selected Privatisation Transactions for the corresponding periods and is also significantly higher than the mean and median premiums of the Selected Privatisation Transactions for the corresponding periods;

- the premium implied by the Offer Price against the 6-month VWAP of the Shares prior to the Offer Announcement Date of 88.5% is within the range and is significantly higher than the mean and median premiums of the Selected Privatisation Transactions of 24.2% and 20.2%;

(d) in comparison with the valuation statistics of the Mandatory Delistings,

- the premium of 100.0% implied by the Offer Price against the last transacted price of the Shares prior to the Offer Announcement Date is higher than the mean and median premiums of the Mandatory Delistings of 46.2% and 16.7% respectively;

- the premium of 117.8% implied by the Offer Price against the 1-month VWAP of the Shares prior to the Offer Announcement Date is the highest compared to the premiums of the Mandatory Delistings and is significantly higher than the mean and median premiums of the Mandatory Delisting of 34.9% and 25.0% respectively;

Factors against the Offer

(a) The Offer Price represents a discount of approximately 49.7% to the audited NTA of the Company as at 31 December 2014 of S$0.195;

(b) In comparison with the valuation statistics of the Selected Privatisation Transactions,

- the P/NTA ratio of the Group of 0.5 times implied by the Offer Price is below the range and lower than the mean and median P/NTA of the Selected Privatisation Transactions of 1.4 and 1.0 respectively;

(c) In comparison with the valuation statistics of the Mandatory Delistings,

- the P/NTA ratio of the Group of 0.5 times implied by the Offer Price is within the range of P/NTA of the Mandatory Delistings but is lower than the mean and median P/NTA ratio of the Mandatory Delistings of 1.0 and 0.7 respectively.

Other Factors:

(a) in relation to the trading liquidity of the Shares:

- the trading liquidity of the Shares has generally been thin in the past. The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date represents 0.1%, 0.1%, 0.1% and 0.1% of the free float respectively;

- During the period following the Offer Announcement Date and up to the Latest Practicable Date, the average daily trading volume of the Shares was higher at approximately 3.0 million Shares, but trading liquidity remained low, representing approximately 1.0% of the free float of the Shares.

(b) the historical financial performance and condition of the Group, as set out in paragraph 9.2 of this IFA Letter. The Company has been loss-making since FY2012 and the NTA per Share has been declining since FY2012. The Company has not paid any dividends since its listing on the SGX-ST. With effect from 4 March 2015, the Company has been admitted to the SGX-ST Watch List;

(c) the Offeror has stated it has no intention to revise the Offer Price;

(d) the Offeror has stated its intention make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company;

(e) the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted as set out in paragraph 9.6.6 of this IFA Letter; and

(f) the absence of alternative take-over offer from third parties, as set out in paragraph 9.6.3 of this IFA Letter.

Based on our analysis as set out above and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that the financial terms of the Offer Price is, on balance, not fair but reasonable.

Accordingly, we advise the Independent Directors to recommend the Shareholders to ACCEPT the Offer or sell their Shares in the open market if they can obtain a price higher than the Offer Price after deducting all related expenses. The Offer Price offers Shareholders an exit opportunity and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses.

The Independent Directors should note that we have arrived at our advice based on information made available to us as at the Latest Practicable Date. Our advice on the Offer cannot and does not take into account the future trading activity or patterns or price levels that may be established for the Shares as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Offer.

We have prepared this letter for use of the Independent Directors in connection with and for the purpose of their consideration of the Offer, but any recommendation made by the Independent Directors in respect of the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose (other than the intended purpose in relation to the Offer) at any time and in any manner, without the prior written consent of KGI Fraser in each specific case. Further, the Independent Directors should advise Shareholders that the opinion and advice of KGI Fraser should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

This letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore and any amendments thereto shall not apply.

Yours faithfully,
For and on behalf of
KGI Fraser Securities Pte. Ltd.

Sheila Ong
Head of Corporate Finance

Alicia Sun
Associate Director, Corporate Finance

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1. DIRECTORS

The names, addresses and designations of the directors of the Company as at the Latest Practicable Date are as follows:

Name	Address	Designation in the Company
Jia Yue Ting	Room 1000, Tong Gang Building, No. 2 Huayuan North Street, Beijing 100032, People's Republic of China	Executive Chairman
Li Zhen Yu	Room 1003, Unit 7, No. 16 Chaonei Nanxiaojie Chaoyang District, Beijing, People's Republic of China	Executive Director and Chief Executive Officer
Pan Liang	Room 2106, No. 12 Caoqiao Donglu Fengtai, Beijing, People's Republic of China	Executive Director – Strategic Development
Lo Fui Chu	107 Spottiswoode Park Road #08-120, Spottiswoode Park Singapore 080107	Executive Director and Chief Financial Officer
Alfred Cheong Keng Chuan	9A Swanage Road, Singapore 437199	Independent Director
Goh Chee Wee	28 Kew Walk, Singapore 465976	Independent Director
Zhang Baicheng	Room 31, Unit 3, Building 2, No. 25, Beixiaoqiang, Xinghualing District, Taiyuan Shanxi, People's Republic of China	Independent Director

2. PRINCIPAL ACTIVITIES

The Company was incorporated under the laws of Singapore on 28 September 2006 and is listed on the Main Board of the SGX-ST. The Company is a leading integrated connectivity provider of innovative applications and solutions for the full spectrum of wireless telecommunication value chain in the PRC.

3. SHARE CAPITAL

3.1. Issued share capital of the Company

The Company has only one class of shares, being ordinary shares, with equal ranking rights to dividend, voting at general meetings and return of capital. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S$95,782,021.50 comprising 422,915,000 Shares.

There is no restriction in the Memorandum or Articles of the Company on the right to transfer any Shares, which has the effect of requiring the holders of Offer Shares, before transferring them, to offer them for purchase to Members of the Company or to any other person.

As at the Latest Practicable Date, the Company does not hold any treasury shares. Since the end of FY2014 to the Latest Practicable Date, no new Shares have been issued.

The Shares are quoted and listed on the Main Board of the SGX-ST.

3.2. Convertible Securities

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights affecting shares in the Company.

Notwithstanding the foregoing, the Company has in place a depositary receipt scheme, under which Shareholders may exchange their shares for depositary receipts, and holders of the depositary receipts may exchange such depositary receipts for Shares.

3.3. Rights of Shareholders in respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles. For ease of reference, selected texts of the Articles relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced in **Appendix III** to this Circular.

4. SUMMARY OF FINANCIAL INFORMATION

4.1. Financial Information of the Group

A summary of the audited consolidated financial statements of the Group, including revenue, exceptional items, net profit or loss before and after tax, non-controlling interests, net earnings per share and net dividends per share for FY2011, FY2012, FY2013 and FY2014, and the unaudited consolidated financial statements of the Group for FY2014 is set out below.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income	**Audited FY2014 RMB'000**	**Unaudited FY2014 RMB'000**	**Audited FY2013 RMB'000**	**Audited FY2012 RMB'000**	**Audited FY2011 RMB'000**
Revenue	255,645	255,645	388,398	474,583	513,160
Cost of sales	(235,890)	(232,935)	(358,837)	(429,600)	(377,313)
Gross profit	19,755	22,710	29,561	44,983	135,847
Other income	10,401	10,401	2,542	521	219
Selling and distribution expenses	(17,684)	(17,684)	(22,921)	(21,769)	(19,799)
General and administrative expenses	(480,341)	(319,042)	(100,323)	(52,130)	(50,922)
Finance costs	(123)	(123)	(3,874)	(1,740)	(1,158)
(Loss)/profit before tax	(467,992)	(303,738)	(95,015)	(30,135)	64,187
Tax credit/(expense)	10,037	3,426	8,785	(9,892)	(23,915)
(Loss)/profit for the year	(457,955)	(300,312)	(86,230)	(40,027)	40,272
Other comprehensive (loss)/income for the year, net of tax:					
Items that are or may be reclassified subsequently to profit or loss:					
– Currency translation differences arising on consolidation	(10)	(10)	(733)	1,140	(244)
Total comprehensive (loss)/profit for the year	(457,965)	(300,322)	(86,963)	(38,887)	40,028

A summary of the assets and liabilities of the Group as at 31 December 2012 and 31 December 2013 is set out below.

The following summary should be read together with the audited financial statements for FY2013 and related notes thereto. The audited financial statements for FY2013 are also set out in **Appendix V** to this Circular.

Statement of Financial Position	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	71,079	144,587
Intangible assets	67	2,057
Land use right	–	10,468
Investment in subsidiaries	–	–
	71,146	157,112
Current assets		
Inventories	310,955	360,063
Trade receivables	580,098	546,373
Other receivables	24,335	85,969
Cash and cash equivalents	21,364	106,397
	936,752	1,098,802
Disposal group assets classified as held for sale	27,555	–
	964,307	1,098,802
Total assets	1,035,453	1,255,914
Non-current liabilities		
Deferred tax liabilities	18,838	27,743
Current liabilities		
Trade payables	91,739	134,161
Other payables	51,275	79,765
Borrowing	20,000	71,731
Tax payables	9,155	11,171
	172,169	296,828
Liabilities directly associated with disposal group classified as held for sale	66	–
	172,235	296,828
Total liabilities	191,073	324,571
Net assets	844,380	931,343
Equity attributable to equity holders of the Company		
Share capital	454,325	454,325
Currency translation reserve	(4,202)	(3,469)
Accumulated profits	394,257	480,487
Total equity	844,380	931,343

4.2. Material changes in financial position

As at the Latest Practicable Date, save as disclosed in this Circular and in publicly available information on the Company (including, without limitation, (a) the annual report of the Company for FY2013; (b) the unaudited consolidated financial statements of the Group for FY2014 (as reproduced in **Appendix IV** to this Circular); (c) the audited consolidated financial statements of the Group for FY2013 (as reproduced in **Appendix V** to this Circular) and (d) the differences between the audited financial statements and the unaudited financial results announcement for FY2014 announced by the Company on 7 April 2015 (as reproduced in **Appendix VI** to this Circular)), there has not been, within the knowledge of the Company, any material change in the financial position or prospects of the Company since 31 December 2013, being the date to which the last published audited consolidated financial statements of the Group were made up.

The Company has also announced on 7 April 2015 that the Company's Independent Auditor, Baker Tilly TFW LLP, has issued an emphasis of matter in the Independent Auditor's Report on the audited financial statements of the Company and its subsidiaries for FY2014. The opinion of the Independent Auditor, however, remains unmodified.

4.3. Significant accounting policies

The significant accounting policies of the Group which are disclosed in notes 2 and 3 of the audited consolidated financial statements of the Group for FY2013 as extracted from the Company's annual report for FY2013 are reproduced in **Appendix V** to this Circular.

Save as disclosed in this Circular and save for information on the Group which is publicly available (including, without limitation, the audited financial statements of the Company for FY2012 and FY2013 and the unaudited financial statements of the Company for FY2014), there were no significant accounting policies or any point from the notes of the accounts of the Company which are of major relevance for the interpretation of the accounts.

4.4. Changes in accounting policies

As at the Latest Practicable Date, save as publicly disclosed, there has been no change in the accounting policies of the Company which will cause the figures in the financial statements of the Company to be not comparable to a material extent.

5. DISCLOSURE OF INTERESTS

5.1. Interests of the Company in shares of the Offeror

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries owns any shares, securities which carry voting rights, or convertible securities, warrants, options or derivatives in respect of shares or securities which carry voting rights (collectively, "**Relevant Securities**") of the Offeror, whether directly or indirectly.

5.2. Dealings in shares of the Offeror by Company

Neither the Company nor any of its subsidiaries have dealt for value in the shares or Relevant Securities of the Offeror during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.3. Interests of Directors in the Shares and Relevant Securities

As at the Latest Practicable Date, based on information available to the Company and save as disclosed below, none of the Directors has any direct or deemed interest in any of the Shares or Relevant Securities of the Company:

	Direct Interest		Deemed Interest	
Director	**No. of Shares held**	**Shareholding (%)**	**No. of Shares held**	**Shareholding (%)**
Jia Yue Ting	–	–	182,589,756[(1)]	43.17
Li Zhen Yu	–	–	3,150,000	0.74
Pan Liang	–	–	1,459,000	0.34
Lo Fui Chu	50,000	0.01	2,500,000	0.59
Alfred Cheong Keng Chuan	50,000	0.01	–	–
Goh Chee Wee	50,000	0.01	–	–
Zhang Baicheng	–	–	–	–

Note:

(1) Jia Yue Ting is deemed to be interested in all the Shares held by Advance Technology Holding Ltd by virtue of Section 7 of the Companies Act.

5.4. Dealings in the Shares and Relevant Securities by the Directors

Save as disclosed below, none of the Directors has dealt for value in any of the Shares or Relevant Securities of the Company during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date:

Name	**Date of Dealing**	**No. of Shares**	**Transaction Price per Share (S$)**	**Details of Dealing**
Jia Yue Ting	12 March 2015	6,923,000	0.098	Bought by the Offeror pursuant to the Acquisition
Jia Yue Ting	12 March 2015	9,436,000	0.098	Bought by Ford Field International Limited pursuant to the Acquisition
Jia Yue Ting	12 March 2015	400,000	0.098	Bought by the Offeror pursuant to the Acquisition
Jia Yue Ting	12 March 2015	6,950,000	0.098	Bought by the Offeror pursuant to the Acquisition
Jia Yue Ting	12 March 2015	13,901,000	0.098	Bought by the Offeror pursuant to the Acquisition
Jia Yue Ting	12 March 2015	1,205,000	0.098	Bought by the Offeror pursuant to the Acquisition
Jia Yue Ting	12 March 2015	9,823,000	0.098	Bought by the Offeror pursuant to the Acquisition

Name	Date of Dealing	No. of Shares	Transaction Price per Share (S$)	Details of Dealing
Jia Yue Ting	30 March 2015	14,301,900	0.098	Bought by the Offeror via market transaction
Jia Yue Ting	31 March 2015	1,778,000	0.098	Bought by the Offeror via market transaction
Jia Yue Ting	1 April 2015	104,750,000	0.098	Bought by the Offeror from Ford Field International Limited
Jia Yue Ting	1 April 2015	3,058,000	0.098	Bought by the Offeror via market transaction
Jia Yue Ting	2 April 2015	18,292,856	0.098	Bought by the Offeror from Ford Field International Limited
Jia Yue Ting	2 April 2015	1,207,000	0.098	Bought by the Offeror via market transaction

5.5. Interests of Directors in the shares of the Offeror

As at the Latest Practicable Date, save as disclosed in this Circular (and in particular **Section 4** with respect to the Offeror and its concert parties), none of the Directors has any direct or deemed interest in any of the shares or Relevant Securities of the Offeror.

5.6. Dealings in the shares of the Offeror by the Directors

As at the Latest Practicable Date, save as disclosed in this Circular (and in particular **Section 4** with respect to the Offeror and its concert parties), none of the Directors has dealt for value in any of the shares or Relevant Securities of the Offeror during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.7. Interests of the IFA in the Shares

As at the Latest Practicable Date, the IFA and funds whose investments are managed by it on a discretionary basis do not own or control any of the Shares or Relevant Securities of the Company.

5.8. Dealings in the Shares by the IFA

As at the Latest Practicable Date, the IFA and funds whose investments are managed by it on a discretionary basis have not dealt for value in any of the Shares during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.9. Directors' Intentions

As at the Latest Practicable Date, Li Zhen Yu has a deemed interest in an aggregate of 3,150,000 Shares, representing approximately 0.74% of the total number of issued Shares. Li Zhen Yu has informed the Company that he intends to accept the Offer in respect of the Shares held by him.

As at the Latest Practicable Date, Pan Liang has a deemed interest in an aggregate of 1,459,000 Shares, representing approximately 0.34% of the total number of issued Shares. Pan Liang has informed the Company that he intends to accept the Offer in respect of the Shares held by him.

As at the Latest Practicable Date, Lo Fui Chu has a direct and deemed interest in an aggregate of 50,000 and 2,500,000 Shares respectively, representing approximately 0.6% of the total number of issued Shares. Lo Fui Chu has informed the Company that she intends to accept the Offer in respect of the Shares held by her.

As at the Latest Practicable Date, Alfred Cheong Keng Chuan has a direct interest in an aggregate of 50,000 Shares, representing approximately 0.01% of the total number of issued Shares. Alfred Cheong Keng Chuan has informed the Company that he intends to accept the Offer in respect of the Shares held by him.

As at the Latest Practicable Date, Goh Chee Wee has a direct interest in an aggregate of 50,000 Shares, representing approximately 0.01% of the total number of issued Shares. Goh Chee Wee has informed the Company that he intends to accept the Offer in respect of the Shares held by him.

As disclosed in **Section 8.1** of this Circular, Jia Yue Ting is deemed to be interested in all the Shares of the Company held by the Offeror and has abstained from voting at the Board level.

Save as disclosed above, none of the Directors has any other direct or deemed interest in the Shares.

6. ARRANGEMENTS WITH DIRECTORS

6.1. Directors' Service Contracts

As at the Latest Practicable Date:

(a) there are no service contracts between any Director or proposed Director with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation; and

(b) there are no such contracts entered into or amended during the period between the start of the six (6) months preceding the Offer Announcement Date and the Latest Practicable Date.

6.2. Arrangements affecting Directors

As at the Latest Practicable Date, save as disclosed in this Circular:

(a) it is not proposed that any payment or other benefit shall be made or given to any Director, or any director of any other corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;

(b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and

(c) none of the Directors has any material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

7. VIEWS OF THE BOARD ON THE OFFEROR'S INTENTIONS FOR THE GROUP AND ITS EMPLOYEES

The Board refers Shareholders to the rationale for the Offer and the Offeror's intentions for the Company as produced from the Offer Document in **Sections 5 and 6** of this Circular. The Board is of the view that the Offeror's current intentions for the Group and its employees are in line with the Company's position as set out in this Circular, namely that the Offeror intends to take steps to consider a suitable rationalisation plan with a view to streamlining the businesses and operations of the Group, including cost-saving measures, should the Offeror be successful in delisting and privatising the Company.

8. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed in publicly available information on the Company, neither the Company nor its subsidiaries has entered into any material contract (other than in the ordinary course of business) with interested persons during the period commencing three (3) years prior to the Offer Announcement Date and ending on the Latest Practicable Date.

An "interested person", as defined in the Note on Rule 24.6 read with the Note on Rule 23.12 of the Code, means:

(a) a director, chief executive officer, or Substantial Shareholder of the Company;

(b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the Company;

(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a Substantial Shareholder (being an individual) of the Company and his/her immediate family is a beneficiary;

(d) any company in which a director, the chief executive officer or a Substantial Shareholder (being an individual) of the Company and his/her immediate family together (directly or indirectly) have an interest of 30% or more;

(e) any company that is the subsidiary, holding company or fellow subsidiary of a Substantial Shareholder (being a company); or

(f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

9. MATERIAL LITIGATION

As at the Latest Practicable Date:

(a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole; and

(b) the Directors are not aware of any litigation, claim or proceedings pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole.

10. GENERAL INFORMATION

(a) **Costs and Expenses.** All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

(b) **Consent of IFA.** The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, its advice to the Independent Directors set out in **Section 7.3** of this Circular, the IFA Letter, and all references thereto, in the form and context in which they appear in this Circular.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 30 Raffles Place #19-04 Chevron House Singapore 048622, during normal business hours for the period during which the Offer remains open for acceptances:

(a) the Memorandum and Articles of Association of the Company;

(b) the annual reports of the Company for FY2011, FY2012 and FY2013;

(c) the IFA Letter; and

(d) the IFA's letter of consent as referred to in **Section 10(b)** of this **Appendix II** above.

The provisions in the Articles of Association relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below:

SHARES

5. Subject to the Statutes, no shares may be issued without the prior approval of the Company in General Meeting but subject thereto and to these Articles relating to new shares and to any special right attached to any share for the time being issued, the Directors may allot (with or without conferring any right of renunciation), grant options over or otherwise dispose of the same to such persons on such terms and conditions (including such consideration) at such time as the Directors determine.

6.1 Subject to the limits referred to in Article 58, the Company in General Meeting may by Ordinary Resolution authorise the Directors to exercise any power of the Company to issue shares, such authority being confined to a particular exercise of that power or generally. Any such authority may be unconditional or subject to conditions and shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the approval was given or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held whichever is the earlier but may be previously revoked or varied by the Company in General Meeting.

6.2 Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register as the holder thereof or before such share is entered against the name of a Depositor in the Depository Register, as the case may be, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of such share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit.

7. Any share in the Company may be issued with such preferred, qualified, deferred or other special rights, privileges and conditions or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine, and subject to the Statutes, the Company may issue preference shares which are or, at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue thereof may by Ordinary Resolution determine. Provided Always that the total number of issued preference shares shall not at any time exceed the total number of the issued ordinary shares for the time being.

8. The Company shall have the power to issue further preference capital ranking equally with or in priority to the preference capital then already issued.

9. Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of

these Articles as to General Meetings of the Company shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.

10. Preference shareholders shall have the same rights as ordinary Members as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.

11. If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the holder for the time being of the share or his legal personal representative.

12. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Any such commission or brokerage may be paid in whole or in part in cash or fully or partly paid shares of the Company as may be arranged, and the Company may, in addition to, or in lieu of, such commission, in consideration of any person so subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, whether absolute or conditional, for any share in the Company, confer on any such person an option call within a specified time for a specified number of shares in the Company at a specified price. The payment or agreement to pay a commission or the conferring of an option shall be in the discretion of the Directors on behalf of the Company. The requirements of the Statutes shall be observed, so far as applicable.

13.1 The Company shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member.

13.2 Subject to Article 13.1, any two or more persons may be registered as joint holders of any share and the joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls and interest (if any) due in respect of such share.

13.3 The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.

14. No person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other rights in respect of any share other than an absolute right to the entirety thereof in the registered holder or in the person whose name is entered in the Depository Register in respect of that share, as the case may be, except only where these Articles otherwise provide or as required by the Statutes or pursuant to any order of Court.

15. No person shall exercise any rights of a Member in respect of a share until his name shall have been entered in the Register as the registered holder thereof or in the Depository Register in respect of such share, as the case may be, and, unless the Directors otherwise determine, such person shall have paid all calls and other moneys for the time being due and payable on any share held by him.

16. The Company may, subject to and in accordance with the Act and any other relevant legislation, rules or regulations enacted or prescribed by any relevant authority from time to time, purchase or otherwise acquire ordinary shares in the issued share capital of the Company on such terms and in such manner as the Company may from time to time think fit. All shares purchased by the Company shall, unless held in treasury shares in accordance with the Act, be deemed cancelled immediately on purchase or acquisition by the Company. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

SHARE CERTIFICATE

17. Every certificate for shares shall be under the Seal.

18. Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates and the amount paid and amount (if any) unpaid thereon and shall bear the autographic or facsimile signatures of one Director and the Secretary or a second Director or some other person appointed by the Directors. The facsimile signatures may be reproduced by mechanical, electronic or other method approved by the Directors. No share certificate shall be issued representing shares of more than one class.

19. Every person whose name is entered as a registered holder in the Register shall be entitled without payment to receive within ten Market Days (or such other period as may be approved by the Exchange) after the closing date for applications to subscribe for a new issue of shares and within ten Market Days (or such other period as may be approved by the Exchange) after lodgement of a registrable transfer one certificate under the Seal in respect of each class of shares held by him for all his shares in that class or several certificates in reasonable denominations each for one or more of his shares in any one class subject to such person's prior payment of two Singapore Dollars (or such other sum as the Directors shall from time to time determine having regard to any limitation thereof as the Statutes or Exchange may prescribe) for every certificate after the first certificate unless otherwise directed by the Directors; Provided Always that in the case of joint registered holders, the Company shall not be bound to issue more than one certificate and delivery of such certificate to any one of them shall be sufficient delivery to all such holders.

20.1 Where only some of the shares comprised in any share certificate are transferred, the old certificate shall be cancelled and a new certificate for the balance of such shares shall be issued in lieu thereof without charge.

20.2 Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register may be cancelled at his request and a single new certificate for such shares issued in lieu thereof without charge.

20.3 Any share certificate representing shares of any class held by any person whose name is entered in the Register may be surrendered by such person for cancellation and at his request the Company may issue in lieu thereof two or more share certificates representing such shares in such proportions as such person may specify, and the Directors may comply with such request if they think fit. Such person shall pay a maximum of two Singapore Dollars for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine, taking into consideration any limitation thereof as may be prescribed by the Exchange.

20.4 Subject to the Statutes, if any share certificate shall be defaced, worn out, destroyed, stolen or lost, it may be renewed on such evidence being produced and a letter of indemnity or undertaking (if required) being given by the purchaser, registered holder, transferee, person entitled or member company of the Exchange or on its behalf or their client or clients as the Directors shall require and in the case of defacement or wearing out on delivery up of the old certificate and in any case on payment of such sum not exceeding two Singapore Dollar as the Directors may from time to time require (or such other amount as may be permitted under the Statutes). In the case of theft, destruction or loss the registered holder or the person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such theft, destruction or loss.

20.5 Where shares are registered jointly in the names of several persons, any such request may be made by any one of the registered joint holders.

21. The certificates of shares registered in the names of two or more persons may be delivered to the joint holder first named in the Register.

LIEN ON SHARES

22. The Company shall have a first and paramount lien on every share (not being a fully-paid share) and all dividends from time to time declared in respect thereof. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may however waive any lien which has arisen and may resolve that any share shall for any limited period be exempt wholly or partially from the provisions of this Article 22 upon such terms as they may deem fit in the best interest of the Company.

23. For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit, and no sale shall be made until such time as the moneys are presently payable, and until a notice in writing stating the amount due and demanding payment, and giving notice of intention to sell in default, shall have been served in such a manner as the Directors shall think fit on the holder for the time being of the shares or the person (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for seven days after such notice.

24. The net proceeds of any such sale shall be applied in or towards the satisfaction of the unpaid calls and accrued interest and expenses of such sale, and the residue (if any) shall be paid to the person whose shares have been sold, his executors, administrators, trustees or assignees or as he shall direct.

25. To give effect to any such sale the Directors may authorise some person to transfer or to effect the transfer, as the case may be of the shares sold to the purchaser.

CALLS ON SHARES

26. The Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares or on any class of shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to his having been given at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.

27. The joint holders of a share shall be jointly and severally liable to pay all calls and interest (if any) in respect thereof.

28. If before or on the day appointed for payment thereof a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at the rate of eight per cent per annum from the day appointed for payment thereof to the time of actual payment, but the Directors shall have power to waive payment of such interest or any part thereof.

29. Any sum which by the terms of allotment of a share is made payable upon issue or at any fixed date and any instalment of a call shall for all purposes of these Articles be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the other relevant provisions of these Articles or the Statutes shall apply as if such sum were a call duly made and notified as hereby provided.

30. The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.

31. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) eight per cent per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits.

FORFEITURE OF SHARES

32. If any Member fails to pay the whole or any part of any call or instalment of a call on or before the day appointed for the payment of the same or any interest thereon, the Directors may at any time thereafter during such time as the call or instalment or interest remains unpaid serve a notice on such Member requiring him to pay the same, together with any interest (including interest upon interest) and expenses that may have been incurred by the Company by reason of such non-payment.

33. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) and a place on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment or interest is payable shall be liable to be forfeited.

34. If the requirements of any notice as aforesaid are not complied with, any share in respect of which the notice has been given, may at any time thereafter, before payment of all such calls or instalments, interests and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

35. Any share so forfeited or surrendered shall be deemed to be the property of the Company, and the Directors may sell, re-allot, or otherwise dispose of the same in such manner as they think fit. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed.

36. The Directors may at any time before any share so forfeited or surrendered shall have been sold, re-alloted, or otherwise disposed of, annul the forfeiture or surrender thereof upon such condition as they think fit.

37. For the purpose of giving effect to any sale of forfeited or surrendered shares, the Directors may authorise some person to transfer or to effect the transfer of, as the case may be, the shares sold to the purchaser.

38. Any Member whose shares shall have been forfeited or surrendered shall cease to be a Member in respect of the forfeited or surrendered shares but shall, notwithstanding such forfeiture or surrender, be liable to pay, and shall forthwith pay to the Company all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until payment, at the rate of eight per cent per annum and the Directors may

enforce the payment of such moneys or any part thereof if they think fit, but shall not be under any obligation so to do. Any residue after the satisfaction of the unpaid calls, accrued interest and expenses shall be paid to the person whose shares have been forfeited or surrendered, his executors, administrators, trustees or assignees or as he shall direct.

39.1 A statutory declaration in writing that the declarant is a Director or the Secretary, and that a share has been duly forfeited, surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate, where the same be required, delivered to a purchaser or (where the purchaser is a Depositor) to the Depository or the allottee thereof, as the case may be, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share.

39.2 (a) In the event of such sale, re-allotment or disposal, where the person (the "Relevant Person") to whom the share is sold, re-allotted or disposed of is not a Depositor, the share shall be registered in the Register in the name of the Relevant Person and, where the Relevant Person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of.

(b) The Relevant Person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

TRANSFER OF SHARES

40. Save as provided by these Articles, there shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange). All transfers of shares may be effected by way of book-entry in the Depository Register Provided Always that the legal title in the shares may be transferred by the registered holders thereof by an instrument of transfer in the form approved by the Directors and the Exchange. The instrument of transfer shall be left at the Office accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the registered holder of the shares until the name of the transferee is entered in the Register in respect thereof.

41. The instrument of transfer shall be signed both by the transferor and by the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.

42. Shares of different classes shall not be comprised in the same instrument of transfer.

43. No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

44. All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.

45. The Directors may decline to accept any instrument of transfer unless:–

45.1 all or any part of the stamp duty (if any) payable on each share transfer is paid to the Company; and

45.2 such fee not exceeding two Singapore Dollars as the Directors may from time to time determine or such other sum as may from time to time be prescribed by the Exchange is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.

46. The Directors may refuse to register the transfer of shares or allow the entry of or against a person's name in the Depository Register in respect of shares transferred or to be transferred to such person:–

46.1 which are not fully paid up; or

46.2 on which the Company has a lien.

47. If the Directors refuse to register any transfer of any share they shall, where required by the Statutes, serve on the transferor and transferee, within one month beginning with the day on which the transfer was lodged with the Company, a notice in writing informing each of them of such refusal and of the facts which are considered to justify the refusal.

48. The Register may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that the Register shall not be closed for more than thirty days in any year Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made.

TRANSMISSION OF SHARES

49.1 In the case of the death of a Member the survivor where the deceased was a joint holder, and the legal personal representative of the deceased who was a sole or only surviving holder, or where such legal representative is entered in the Depository Register in respect of the shares of the deceased Member who was a Depositor, shall be the only person recognised by the Company as having any title to his shares.

49.2 Nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share solely or jointly held by him.

50. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register may upon producing such evidence of his title as the Directors may require, have the right either to be registered himself as the holder of the share, upon giving to the Company notice in writing of such intent, or to make such transfer thereof as such deceased or bankrupt person could have

made, but the Directors shall in either case have the same right to refuse or suspend registration as they would have had in the case of such transfer by such deceased or bankrupt person before the death or bankruptcy, as the case may be.

51. Save as otherwise provided in these Articles, a person becoming entitled to a share pursuant to Articles 49.1 and 50, shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the share, but he shall have no right to receive notice or to attend or vote at meetings of the Company, or (save as aforesaid) to any of the rights or privileges of a Member until he shall have been registered as a Member in the Register or his name shall have been entered in the Depository Register, as the case may be Provided Always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or transfer the share, and if the notice is not complied with within ninety days of the date of such notice, the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.

STOCK

52. The Company in General Meeting may by Ordinary Resolution convert any paid-up shares into stock and may from time to time reconvert such stock into paid-up shares.

53. When any shares have been converted into stock the several holders of such stock may transfer their respective interests therein or any part of such interests in such manner as the Company in General Meeting shall direct, but in default of any direction then in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances will admit. But the Directors may if they think fit from time to time fix the minimum number of stock transferable.

54. The several holders of stock shall be entitled to participate in the dividends and profits of the Company according to the number of their respective interests in such stock units and such interests shall, in proportion to the number of stock units thereof, confer on the holders thereof respectively the same rights, privileges and advantages for the purposes of voting at meetings of the Company and for other purposes as if they held the shares from which the stock arose, but so that none of such rights, privileges or advantages, except the participation in the dividends, profits and assets of the Company, shall be conferred by any such aliquot part of consolidated stock as would not, if existing in shares, have conferred such rights, privileges or advantages.

55. All such provisions of these Articles as are applicable to paid up shares shall apply to stock and in all such provisions the words "shares" shall include "stock", and "Depositor", "Member" and "shareholder' shall include "stockholder".

INCREASE OF CAPITAL

56. The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase as the Company by the resolution authorising such increase shall direct.

57.1 Unless otherwise determined by the Company in General Meeting or except as permitted by the listing rules of the Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled.

57.2 The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided.

58. Notwithstanding Article 56 above, the Company may pursuant to Section 161 of the Act by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue shares whether by way of rights, bonus or otherwise, and 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 (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while the Ordinary Resolution was in force, provided that:–

58.1 the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) does not exceed fifty per cent (or such other limit as may be prescribed by the Exchange) of the issued share capital of the Company (as calculated in accordance with sub-paragraph 58.2 below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the Members of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) does not exceed twenty per cent (or such other limit as may be prescribed by the Exchange) of the issued share capital of the Company (as calculated in accordance with sub-paragraph 58.2 below);

58.2 (subject to such manner of calculation as may be prescribed by the Exchange) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph 58.1 above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that the Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee share options on issue at the time that the Ordinary Resolution is passed, and any subsequent consolidation or subdivision of shares provided that if a general mandate is obtained before the listing of the Company on the Exchange, the percentage of issued share capital shall be based on the post-invitation issued share capital of the Company after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee share options on issue at the time such authority is given, and for any consolidation or subdivision of shares; and

58.3 unless previously revoked or varied by the Company in General Meeting, such authority conferred by the Ordinary Resolution shall not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

59. Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association or these Articles, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.

ALTERATION OF CAPITAL

60.1 The Company may by Ordinary Resolution:–

(a) consolidate and divide all or any its share capital; or

(b) cancel the number of shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; or

(c) by subdivision of its shares or any of them. The resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; or

(d) subject to the Statutes, convert any class of shares into any other class of shares.

60.2 The Company may by Special Resolution reduce its share capital in any manner and with and subject to any requirement authorised and consent required by law.

MODIFICATION OF CLASS RIGHTS

61. Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies.

GENERAL MEETINGS

66. In addition to any other meetings, a General Meeting shall be held at least once in every calendar year, at such time and place as may be determined by the Directors, but so that no more than fifteen months shall be allowed to elapse between any two such General Meetings.

67. The abovementioned General Meetings shall be called Annual General Meetings. All other General Meetings shall be called Extraordinary General Meetings.

68. The First Annual General Meeting of the Company shall be held at such time within a period of not more than eighteen months from the date of incorporation of the Company and at such time and place as the Directors may determine.

69. The Directors may call an Extraordinary General Meeting of the Company whenever they think fit in accordance with the Statutes.

70. The Directors shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an Extraordinary General Meeting of the Company, and in the case of such requisition the following provisions shall have effect:–

70.1 The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Office, and may consist of several documents in like form each signed by one or more requisitionists.

70.2 If the Directors of the Company do not proceed to cause a meeting to be held within twenty-one days from the date of the requisition being so deposited, the requisitionists or any of them representing more than one-half of the voting rights of all of them may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.

70.3 In the case of a meeting at which a resolution is to be proposed as a Special Resolution the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by the Statutes.

70.4 Any meeting convened under this Article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.

71. Subject to the Statutes relating to the convening of meetings to pass Special Resolutions, at least fourteen days' notice specifying the place, day and hour of the meeting, and in case of special business, a notice setting out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Members other than such as are not entitled under these Articles to receive such notices from the Company. At least fourteen days' notice in writing of any General Meeting shall be given and at least twenty-one days' notice in writing in the case of a Meeting to pass Special Resolution shall be given to the Exchange. Every such notice shall be published in at least one English Language daily newspaper circulating in Singapore at least fourteen days before the meeting. Whenever

any meeting is adjourned for fourteen days or more, at least seven days' notice of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

72. Any Member entitled to be present and vote at a meeting or his proxy may submit any resolution to any General Meeting, provided that at least for the prescribed time before the day appointed for the meeting he shall have served upon the Company a notice in writing by him containing the proposed resolution, and stating his intention to submit the same. The prescribed time abovementioned shall be such that, between the date that the notice is served and the day appointed for the meeting, there shall be not less than three nor more than fourteen intervening days.

73. Upon receipt of any such notice as in the last preceding Article mentioned, the Secretary shall include in the notice of the meeting in any case where the notice of intention is received before the notice of the meeting is issued, and shall in any other case issue as quickly as possible to the Members notice that such resolution will be proposed.

74. The accidental omission to give any notice to or non-receipt of any notice by any Member shall not invalidate the meeting or any resolution passed or proceedings at any such meeting.

PROCEEDINGS AT GENERAL MEETING

75. All business shall be deemed special that is transacted at an Extraordinary General Meeting and also all business that is transacted at an Annual General Meeting with the exception of the consideration of the accounts, balance sheets and reports (if any) of the Directors and Auditors, the fixing of the remuneration of Directors, the election of Directors in the place of those retiring, the declaration of dividends and the appointment of and the fixing of the remuneration of the Auditors.

76. Save as is herein otherwise provided, two Members present in person or by proxy shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum is present at the commencement of the business. A corporation or a limited liability partnership being a Member shall be deemed to be personally present if represented in accordance with the provisions of Article 91.

77. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place. At the adjourned meeting, any two or more Members present in person or by proxy shall be a quorum.

78. The Chairman (if any) of the Board of Directors shall preside as Chairman at every General Meeting, but if there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director or, if no Director be present or if all the Directors present decline to take the chair, one of themselves to be Chairman of the meeting.

79. The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

80. At every General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:–

80.1 the Chairman of the meeting; or

80.2 not less than two Members present in person or by proxy and entitled to vote; or

80.3 a Member or Members present in person or by proxy, holding or representing, as the case may be:–

(a) not less than one-tenth of the total voting rights of all Members entitled to vote at the meeting; or

(b) shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

81.1 If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

81.2 No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs.

82. Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

83.1 No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

83.2 If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, or at any adjournment thereof, and unless in the opinion of the Chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting.

84. In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, as the case may be, shall have a second or casting vote.

VOTES OF MEMBERS

85.1 Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of Company:–

(a) every Member who is present in person or by proxy shall have one vote on a show of hands, the Chairman shall be entitled to treat the first named proxy as the authorised representative to vote where a Member is represented by two proxies; and

(b) every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to the Company have been paid.

85.2 For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company.

86. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be.

87. Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting.

88. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by the committee, curator bonis, or other person in the nature of committee or curator bonis appointed by that Court, and any such committee, curator bonis, or other person may, on a poll, vote by proxy.

89. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

90.1 A proxy need not be a Member.

90.2 A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting Provided Always that where the Member is a Depositor, the Company shall be entitled and bound:–

(a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company;

(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor; and

(c) in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

90.3 In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

91. Any corporation which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meetings of the Company or any class of Members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual shareholder.

92. An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:–

92.1 in the case of an individual shall be signed by the appointer or his attorney;

92.2 in the case of a corporation or limited liability partnership shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

93. Where an instrument appointing a proxy is signed on behalf of the appointer by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

94. The signature on an instrument of proxy need not be witnessed.

95. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received at the Office one hour at least before the time fixed for holding the meeting.

96. An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.

97. Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

DIVIDENDS

135. The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles as to the reserve fund shall be divisible among the Members in proportion to the amount of capital paid up on the shares held by them respectively.

136. The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend.

137. No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest.

138. The declaration of the Directors as to the net profits of the Company shall be conclusive.

139. The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies provided no such dividends shall be declared more than once in six months.

140. The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.

141. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.

142. Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of such

specific assets, or any part thereof and may determine that cash payment shall be made to any Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective.

143. The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.

144. In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares.

145. Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement.

146. Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or person(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of these Articles, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository.

147. The Depository will hold all dividends unclaimed for six years after having been declared and paid before release to the Directors, and the Directors may invest or otherwise make use of the unclaimed dividends for the benefit of the Company until claimed.

CAPITALISATION OF PROFITS AND RESERVES

148.1 The Directors may, with the sanction of an Ordinary Resolution of the Company in General Meeting (including any Ordinary Resolution passed pursuant to Article 6.1 or Article 58), capitalise any part of the amount for the time being standing to the credit of the Company's reserve funds or to the credit of the profit and loss account or otherwise available for distribution; and accordingly that such sum be set free for distribution amongst the holders of shares in the Register or in the Depository Register, as the case may be, who would have been entitled thereto if distributed by way of dividends and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up on full new shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such holders or in their nominees in the proportion aforesaid or partly in the one way and partly in the other unless otherwise permitted by the provisions of the Act.

148.2 Whenever such Ordinary Resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the amounts resolved to be capitalised thereby and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto with full power to the Directors to make such provision for the satisfaction of the right of the holders of such shares in the Register or in the Depository Register, as the case may be, under such resolution to a fractional part of a share by the issue of fractional certificates or by payment in cash or otherwise as they think fit and also to authorise any persons to enter on behalf of such holders entitled thereto or their nominees into an agreement with the Company providing for the allotment to them respectively credited as fully paid up of any further shares to which they may be entitled upon such capitalisation; and any agreement made under such authority shall be effective and binding on all such holders and their nominees.

RESERVE FUND

149. The Directors may, before declaring any dividend or bonus in respect of any class of shares out of or in respect of the earnings or profits of the Company for any yearly or other period, cause to be reserved or retained and set aside out of such sums as they may determine to form a Reserve Fund to meet contingencies or depreciation in the value of the property of the Company, or for equalising dividends or for special dividends or for distribution of bonuses or for repairing, improving and maintaining any of the property of the Company, or for such other purposes the Directors shall, in their absolute discretion, think conducive to the interest of the Company.

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SINOTEL TECHNOLOGIES LTD.

(Incorporated in Singapore on 28 September 2006)
Company Registration No. 200614275R

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	THE GROUP		
	FY2014	FY2013	Increase/ (Decrease)
	RMB '000	RMB '000	%
Revenue	255,645	388,398	(34.2)%
Cost of sales	(232,935)	(358,837)	(35.1)%
Gross profit	**22,710**	**29,561**	(23.2)%
Other income	10,401	2,542	309.2 %
Selling and distribution expenses	(17,684)	(22,921)	(22.8)%
General and administrative expenses	(319,042)	(100,323)	218.0 %
Finance costs	(123)	(3,874)	(96.8)%
Loss before income tax	**(303,738)**	**(95,015)**	219.7 %
Income tax credit	3,426	8,785	(61.0)%
Loss for the year	**(300,312)**	**(86,230)**	248.3 %
Other comprehensive loss for the year, net of tax:			
Items that are or may be reclassified subsequently to profit or loss:			
- Currency translation differences arising from consolidation	(10)	(733)	
Total comprehensive loss for the year	**(300,322)**	**(86,963)**	

These figures have not been audited.



SINOTEL TECHNOLOGIES LTD.
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Loss before income tax

Loss before income tax is determined after charging/(crediting) the following:

	THE GROUP	
	FY2014	FY2013
	RMB '000	RMB '000
Interest income	(77)	(1,692)
Interest expense	87	3,785
Allowance for doubtful trade receivables	294,965	51,656
Write-back of allowance for doubtful trade receivables	(119)	-
Foreign exchange (gain)/loss	(21)	51
Amortisation of intangible assets	110	1,980
Amortisation of land use right	-	224
Gain on disposal of a subsidiary	(8,285)	-
Allowance for stock obsolescence	2,955	-
Operating lease expenses	2,532	2,741
Loss on disposal of property, plant and equipment	-	18
Plant and equipment written off	26	2,154
Impairment of property, plant and equiment	-	18,796
Depreciation of property, plant and equipment	37,652	41,339

SINOTEL TECHNOLOGIES LTD.

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1(b)(i) STATEMENTS OF FINANCIAL POSITION

	THE GROUP		THE COMPANY	
	As at 31-Dec-14 RMB'000	As at 31-Dec-13 RMB'000	As at 31-Dec-14 RMB'000	As at 31-Dec-13 RMB'000
Non-current assets				
Property, plant and equipment	33,465	71,079	2	3
Intangible assets	243	67	-	-
Investment in subsidiaries	-	-	367,224	375,160
	33,708	71,146	367,226	375,163
Current assets				
Inventories	182,581	310,955	-	-
Trade receivables	511,244	580,098	-	-
Other receivables	23,771	24,335	1	1
Cash and cash equivalents	11,461	21,364	2,387	5,904
	729,057	936,752	2,388	5,905
Disposal group assets classified as held for sale	-	27,555	-	-
Total assets	762,765	1,035,453	369,614	381,068
Non-current liabilities				
Deferred tax liabilities	15,001	18,838	-	-
Current liabilities				
Trade payables	107,342	91,739	-	-
Other payables	87,261	51,275	1,523	2,067
Bank borrowing	-	20,000	-	-
Tax payables	9,103	9,155	-	-
	203,706	172,169	1,523	2,067
Liabilities directly associated with disposal group classified as held for sale	-	66	-	-
Total liabilities	218,707	191,073	1,523	2,067
Net assets	544,058	844,380	368,091	379,001
Equity attributable to equity holders of the Company				
Share capital	454,325	454,325	454,325	454,325
Currency translation reserve	(4,212)	(4,202)	(31,759)	(17,891)
Accumulated (losses)/profits	93,945	394,257	(54,475)	(57,433)
Total equity	544,058	844,380	368,091	379,001

SINOTEL TECHNOLOGIES LTD.
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1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	THE GROUP			
	As at 31 December 2014		As at 31 December 2013	
	Secured RMB '000	Unsecured RMB '000	Secured RMB'000	Unsecured RMB '000
Amount repayable in one year or less, or on demand	-	-	-	20,000

There was no bank borrowing as at 31 December 2014.

Detail of any collateral

As at 31 December 2013, the bank borrowing was secured by corporate guarantee from an affiliated company.

SINOTEL TECHNOLOGIES LTD.

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1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	THE GROUP	
	FY2014 RMB '000	FY2013 RMB '000
Cash flows from operating activities		
Loss before income tax	(303,738)	(95,015)
Adjustments for:		
Gain on disposal of subsidiary	(8,285)	-
Depreciation of property, plant and equipment	37,652	41,339
Amortisation of intangible assets	110	1,980
Amortisation of land use right	-	224
Loss on disposal of property, plant and equipment	-	18
Plant and equipment written off	26	2,154
Impairment of property, plant and equiment	-	18,796
Interest expense	87	3,785
Interest income	(77)	(1,692)
Unrealised gain on foreign exchange	(17)	(6)
Operating loss before working capital changes	(274,242)	(28,417)
Changes in working capital:		
Inventories	128,374	49,108
Trade receivables	68,854	(33,725)
Other receivables	564	30,053
Trade payables	15,603	(42,422)
Other payables	36,038	(28,314)
Cash used in operations	(24,809)	(53,717)
Unauthorised purchase amount recovered	-	31,279
Income tax paid	(462)	(2,135)
Interest received	77	1,692
Net cash used in operating activities	(25,194)	(22,881)
Cash flows from investing activities		
Purchase of property, plant and equipment	(63)	(5,990)
Purchase of intangible assets	(285)	-
Net cash inflow from disposal of a subsidiary	35,697	-
Proceeds from disposal of property, plant and equipment	-	269
Net cash generated from/(used in) investing activities	35,349	(5,721)
Cash flows from financing activities		
Interest paid	(87)	(3,785)
Repayment of bank borrowings	(20,000)	(155,931)
Drawdown of bank borrowings	-	104,200
Uplift of pledged deposits	60	74,117
Net cash (used in)/generated from financing activities	(20,027)	18,601
Net decrease in cash and cash equivalents	(9,872)	(10,001)
Cash and cash equivalents at beginning of the year	21,380	32,219
Effect of exchange rate changes on cash and cash equivalents	(47)	(837)
Cash and cash equivalents at end of the year	11,461	21,381
Cash and cash equivalents represented by:		
Cash and cash equivalents	11,461	21,364
Disposal group classified as held for sale	-	77
Less: Deposits pledged	-	(60)
	11,461	21,381

SINOTEL TECHNOLOGIES LTD.

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1(d)(i) A statement (for the issuer and group) 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.

STATEMENTS OF CHANGES IN EQUITY

	The Group			
	Share capital RMB'000	Currency translation reserve RMB'000	Accumulated profits/(losses) RMB'000	Total equity RMB'000
Balance at 1 January 2013	454,325	(3,469)	480,487	931,343
Loss for the year	-	-	(86,230)	(86,230)
Other comprehensive loss for the year, net of tax:				
- currency translation differences arising from consolidation	-	(733)	-	(733)
Total comprehensive loss for the year	-	(733)	(86,230)	(86,963)
Balance at 31 December 2013	454,325	(4,202)	394,257	844,380
Balance at 1 January 2014	454,325	(4,202)	394,257	844,380
Loss for the year	-	-	(300,312)	(300,312)
Other comprehensive loss for the year, net of tax:				
- currency translation differences arising from consolidation	-	(10)	-	(10)
Total comprehensive loss for the year	-	(10)	(300,312)	(300,322)
Balance at 31 December 2014	454,325	(4,212)	93,945	544,058

	The Company			
	Share capital RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2013	454,325	7,905	(67,789)	394,441
Profit for the year	-	-	10,356	10,356
Other comprehensive loss for the year, net of tax:				
- currency translation differences arising from consolidation	-	(25,796)	-	(25,796)
Total comprehensive (loss)/income for the year	-	(25,796)	10,356	(15,440)
Balance at 31 December 2013	454,325	(17,891)	(57,433)	379,001
Balance at 1 January 2014	454,325	(17,891)	(57,433)	379,001
Profit for the year	-	-	2,958	2,958
Other comprehensive loss for the year, net of tax:				
- currency translation differences arising from consolidation	-	(13,868)	-	(13,868)
Total comprehensive (loss)/income for the year	-	(13,868)	2,958	(10,910)
Balance at 31 December 2014	454,325	(31,759)	(54,475)	368,091

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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.

Not applicable.

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 total number of issued shares excluding treasury shares as at 31 December 2014 is 422,915,000 shares (31 December 2013: 422,915,000 shares).

1(d)(iv) A statement showing all sales, transfers, disposal, 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 during the year and as at 31 December 2014.

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

The figures have not been audited or reviewed by the 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.

The Group has applied the same accounting policies and method of computation in the financial statements for the current financial year, which are consistent with those described in the audited financial statements for the financial year ended 31 December 2013, except as disclosed in paragraph 5 below.



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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.

In the current financial year, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and are effective for annual periods beginning on 1 January 2014. The adoption of the new or revised FRSs and INT FRSs does not result in any significant changes to the accounting policies of the Group and the Company and has no material effect on the amounts reported for the current and prior years.

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.

.

	THE GROUP	
	12-mth 14	12-mth 13
	RMB '000	RMB '000
Loss after income tax	(300,312)	(86,230)
Loss per share (in RMB cents):		
Basic and diluted	(71.0)	(20.4)

7. Net asset value (for the issuer and group) 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.

	THE GROUP		THE COMPANY	
	As at	As at	As at	As at
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
Net assets (RMB'000):	544,058	844,380	310,873	379,001
Net asset value per share (in RMB cents)	128.6	199.7	73.5	89.6



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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

A Consolidated Statement of Comprehensive Income (FY2014 vs FY2013)

	The Group			
	FY2014 RMB '000	FY2013 RMB '000	Variance RMB '000	Increase/ (Decrease) %
Sales of equipment	199,944	308,456	(108,512)	(35.2)%
Services related projects	50,225	49,610	615	1.2 %
System integration	5,476	30,332	(24,856)	(81.9)%
	255,645	388,398	(132,753)	(34.2)%

Note : Services related projects include design services, installation services, maintenance services and base station monitoring and diagnostics services.

(i) Revenue

Revenue for FY2014 decreased by RMB132.8 million (34.2%) compared to FY2013 mainly due to:
(a) Decrease in sales of equipment of RMB108.5 million arising from decrease in sales in Beijing, Tianjin, Hebei Province and Henan Province; and
(b) Decrease in system integration of RMB24.9 million arising from decrease in sales in Beijing.

The decrease was offset by the increase in revenue of RMB0.6 million from services related projects.



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(ii) Cost of Sales and Gross Profit

Gross profit for FY2014 decreased by RMB6.9 million (23.2%) compared to FY2013 mainly due to decrease in sales of equipment and system integration. The decrease was offset by the increase in gross profit margin from 7.6% in FY2013 to 8.9% in FY2014 due to increase in gross profit margin from sales of equipment and design services.

(iii) Other Income

Other income in FY2014 increased by RMB7.9 million (309.2%) compared to FY2013 mainly due to:
(a) Increase in gain on disposal of a subsidiary of RMB8.3 million; and
(b) Reversal of unclaimed liabilities of RMB1.2 million relating to distribution of handsets business prior to 2007.

The increase was partially offset by decrease in interest income from fixed deposits of RMB1.6 million.

(iv) Operating Expenses

Selling and distribution expenses

Selling and distribution expenses for FY2014 decreased by RMB5.2 million (22.8%) compared to FY2013 mainly due to:
(a) Decrease in entertainment expenses of RMB2.2 million;
(b) Decrease in general expenses of RMB1.6 million;
(c) Decrease in staff costs of RMB1.1 million; and
(d) Decrease in marketing expenses of RMB0.6 million.

The decrease was partially offset by the increase in traveling expenses of RMB0.3 million.

General and administrative expenses

General and administrative expenses for FY2014 increased by RMB218.7 million (218.0%) compared to FY2013 mainly due to increase in allowance for doubtful trade receivables of RMB243.3 million and allowance for stock obsolescence of RMB3.0 million.

The increase was partially offset by the following:
(a) Decrease in impairment of property, plant and equipment of RMB18.8 million;
(b) Write back of doubtful debts of RMB0.1 million;
(c) Decrease in depreciation of property, plant and equipment of RMB3.7 million;
(d) Decrease in property, plant and equipment written off of RMB2.1 million;
(e) Decrease in operating lease expenses of RMB0.2 million;
(f) Decrease in traveling expenses of RMB0.5 million;
(g) Decrease in staff costs of RMB0.7 million;
(h) Decrease in amortisation of land use right of RMB0.2 million; and
(i) Decrease in other expenses, including consultation, insurance entertainment and general expenses of RMB1.3 million.



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(v) Finance Costs

Finance costs for FY2014 decreased by RMB3.8 million (96.8%) compared to FY2013 mainly due to decrease in borrowings.

(vi) Income Tax

Income tax credit for FY2014 mainly arising from decrease in taxable profit and taxable temporary differences.

(vii) Net Profit

As a result of the above, the loss for FY2014 increased by RMB214.1 million (248.3%) compared to FY2013.



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B Statements of Financial Position (31 December 2014 vs 31 December 2013)

Non-current Assets

Non-current assets as at 31 December 2014 were RMB33.7 million (31 December 2013: RMB71.1 million). The decrease was mainly due to depreciation charge of RMB37.7 million and additions to intangible assets of RMB0.3 million.

Current Assets

Current assets as at 31 December 2014 were RMB729.1 million (31 December 2013: RMB936.8 million). The decrease was mainly due to:

(a) Decrease in trade receivables of RMB68.9 million;

Trade receivables as at 31 December 2014 were RMB511.2 million (31 December 2013: RMB580.1 million). The decrease was mainly due to additional allowance for doubtful trade receivables provided resulted from slow collections from customers.

The ageing analysis of trade receivables as at 31 December 2014 is as below:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Not past due	140,398	117,691
1 to 90 days	102,170	99,602
91 to 270 days	36,418	36,842
271 to 365 days	108,644	122,260
More than 365 days	474,720	259,963
	862,350	636,358
Less: Allowance for doubtful trade receivables	(351,106)	(56,260)
	511,244	580,098

The Directors of the Company have reviewed the collectability of trade receivables and allowance for trade receivables was made accordingly.

(b) Decrease in inventories of RMB128.4 million;
(c) Decrease in other receivables of RMB0.6 million; and
(d) Decrease in cash and cash equivalent of RMB9.9 million.

Non-current Liabilities

Non-current liabilities as at 31 December 2014 consisted of deferred tax liabilities of RMB15.0 million (31 December 2013: RMB18.8 million).



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Current Liabilities

Current liabilities as at 31 December 2014 amounted to RMB203.7 million (31 December 2013: RMB172.2 million). The reasons for the increase were mainly due to:
(a) Increase in trade payables of RMB15.6 million; and
(b) Increase in other payables of RMB 35.9 million.

The increase was offset by the decrease in bank borrowing of RMB20.0 million

Shareholders' Equity

Shareholders' equity of the Group decreased by approximately RMB300.3 million mainly due to the loss from operations.

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C. Consolidated Statement of Cash Flows (FY2014 vs FY2013)

In FY2014, net cash of RMB25.2 million was used in operating activities mainly due to loss before income tax (after adjusting for non-cash items) of RMB274.2 million.

However, the cash outflow above was offset by the cash inflow as below:
(a) Decrease in inventories of RMB128.4 million;
(b) Decrease in trade receivables of RMB68.9 million;
(c) Increase in trade payables of RMB15.6 million;
(d) Increase in other payables and accruals of RMB36.0 million; and
(e) Decrease in other receivables of RMB0.6 million.

Net cash generated from investing activities in FY2014 amounted to RMB35.3 million was mainly due to net proceeds from disposal of a subsidiary of RMB35.7 million. The net cash inflow was offset by additions of plant and equipment of RMB0.1 million and intangible assets of RMB0.3 million.

Net cash of RMB20.0 million used in financing activities in FY2014 was mainly due to repayment of borrowings of RMB20.0 million.

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

No forecast or prospect statement has been previously disclosed to 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 experience a slowdown in its core businesses since the cost saving initiatives introduced by the Telcos coupled with the slower collection from Telcos.

Barring a significant change in the overall environment of the telecommunications industry in the PRC, this trend is likely to persist in the coming year.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

None.

(b)(i) Amount per share

Not applicable.

(ii) Previous corresponding period

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined.

Not applicable.

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12. If no dividend has been declared/recommended, a statement to that effect.

No dividend is recommended for the financial year reported on.

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

The Company did not seek and does not have any general mandate from shareholders pursuant to Rule 920(1)(a)(ii).

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PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Group is principally engaged in the provision of wireless telecommunication network infrastructure solutions, hardware and software supports. All provisions are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are mainly attributable to a single reportable operating segment.

Geographical information

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the People's Republic of China ("PRC"), which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

16. A breakdown of sales.

		THE GROUP		
		FY2014 RMB'000	FY2013 RMB'000	Change %
(a)	Sales reported for first half year	60,249	138,566	(56.5)%
(b)	Operating loss after tax reported for first half year	(35,241)	(29,629)	18.9 %
(c)	Sales reported for second half year	195,396	249,832	(21.8)%
(d)	Operating loss after tax reported for second half year	(265,071)	(56,601)	368.3%

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17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13). If there are no such persons, the issuer must make an appropriate negative statement.

During the year, there was no person occupying a managerial position in the Company or any of its principal subsidiaries who is related to the directors, chief executive officer or substantial shareholders of the Company.

BY ORDER OF THE BOARD

Jia Yue Ting
Executive Chairman
1 March 2015

Statement by **Directors**

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 36 to 79 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards; and

(ii) 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.

On behalf of the Board of Directors

Jia Yue Ting
Director

Li Zhen Yu
Director

25 March 2014

Independent Auditor's Report

TO THE MEMBERS OF SINOTEL TECHNOLOGIES LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Sinotel Technologies Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 79, which comprise the statements of financial position of the Group and the Company as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 the 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, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards 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 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Independent **Auditor's Report**

TO THE MEMBERS OF SINOTEL TECHNOLOGIES LTD.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

25 March 2014

Consolidated Statement of Profit or Loss and **Other Comprehensive Income**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RMB	2012 RMB
Revenue	4	**388,398,008**	474,582,808
Cost of sales		**(358,836,649)**	(429,599,908)
Gross profit		**29,561,359**	44,982,900
Other income	5	**2,542,308**	520,953
Selling and distribution expenses		**(22,920,686)**	(21,769,270)
General and administrative expenses		**(100,324,205)**	(52,129,405)
Finance costs	6	**(3,874,220)**	(1,739,784)
Loss before tax	7	**(95,015,444)**	(30,134,606)
Tax credit/(expense)	9	**8,785,100**	(9,891,886)
Loss for the year		**(86,230,344)**	(40,026,492)
Other comprehensive (loss)/income for the year, net of tax:			
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(732,701)**	1,140,639
Total comprehensive loss for the year		**(86,963,045)**	(38,885,853)
Loss per share for loss attributable to equity holders of the Company (in RMB cents)			
Basic and diluted	10	**(20.38)**	(9.46)

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

Statements of **Financial Position**

AT 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RMB	RMB	RMB	RMB
Non-current assets					
Property, plant and equipment	11	**71,079,481**	144,587,390	**2,976**	19,221
Intangible assets	12	**67,480**	2,056,954	**–**	–
Land use right	13	**–**	10,468,148	**–**	–
Investment in subsidiaries	14	**–**	–	**375,160,470**	379,046,563
		71,146,961	157,112,492	**375,163,446**	379,065,784
Current assets					
Inventories	15	**310,955,471**	360,063,294	**–**	–
Trade receivables	16	**580,097,687**	546,373,406	**–**	–
Other receivables	17	**24,334,802**	85,968,507	**943**	731
Cash and cash equivalents	18	**21,363,935**	106,396,640	**5,903,655**	17,072,920
		936,751,895	1,098,801,847	**5,904,598**	17,073,651
Disposal group assets classified as held for sale	19	**27,554,712**	–	**–**	–
		964,306,607	1,098,801,847	**5,904,598**	17,073,651
Total assets		**1,035,453,568**	1,255,914,339	**381,068,044**	396,139,435
Non-current liabilities					
Deferred tax liabilities	20	**18,837,766**	27,743,017	**–**	–
Current liabilities					
Trade payables		**91,739,087**	134,161,309	**–**	–
Other payables	21	**51,275,148**	79,764,995	**2,067,382**	1,698,227
Borrowings	22	**20,000,000**	71,731,157	**–**	–
Tax payable		**9,155,369**	11,170,506	**–**	–
		172,169,604	296,827,967	**2,067,382**	1,698,227
Liabilities directly associated with disposal group classified as held for sale	19	**65,888**	–	**–**	–
		172,235,492	296,827,967	**2,067,382**	1,698,227
Total liabilities		**191,073,258**	324,570,984	**2,067,382**	1,698,227
Net assets		**844,380,310**	931,343,355	**379,000,662**	394,441,208
Equity attributable to equity holders of the Company					
Share capital	23	**454,324,943**	454,324,943	**454,324,943**	454,324,943
Currency translation reserve	24	**(4,201,542)**	(3,468,841)	**(17,891,433)**	7,905,300
Accumulated profits/(losses)		**394,256,909**	480,487,253	**(57,432,848)**	(67,789,035)
Total equity		**844,380,310**	931,343,355	**379,000,662**	394,441,208

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

Statements of **Changes in Equity**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Share capital RMB	Currency translation reserve RMB	Accumulated profits RMB	Total equity RMB
Group				
Balance at 1 January 2012	454,324,943	(4,609,480)	520,513,745	970,229,208
Loss for the year	–	–	(40,026,492)	(40,026,492)
Other comprehensive income for the year				
– Currency translation differences arising from consolidation	–	1,140,639	–	1,140,639
Total comprehensive income/(loss) for the year	–	1,140,639	(40,026,492)	(38,885,853)
Balance at 31 December 2012	454,324,943	(3,468,841)	480,487,253	931,343,355
Loss for the year	**–**	**–**	**(86,230,344)**	**(86,230,344)**
Other comprehensive loss for the year				
– Currency translation differences arising from consolidation	**–**	**(732,701)**	**–**	**(732,701)**
Total comprehensive loss for the year	**–**	**(732,701)**	**(86,230,344)**	**(86,963,045)**
Balance at 31 December 2013	**454,324,943**	**(4,201,542)**	**394,256,909**	**844,380,310**

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

Statements of **Changes in Equity**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Share capital RMB	Currency translation reserve RMB	Accumulated losses RMB	Total equity RMB
Company				
Balance at 1 January 2012	454,324,943	(12,601,448)	(43,205,709)	398,517,786
Loss for the year	–	–	(24,583,326)	(24,583,326)
Other comprehensive income for the year				
– Currency translation differences arising on consolidation	–	20,506,748	–	20,506,748
Total comprehensive income/(loss) for the year	–	20,506,748	(24,583,326)	(4,076,578)
Balance at 31 December 2012	454,324,943	7,905,300	(67,789,035)	394,441,208
Profit for the year	**–**	**–**	**10,356,187**	**10,356,187**
Other comprehensive loss for the year				
– Currency translation differences arising on consolidation	**–**	**(25,796,733)**	**–**	**(25,796,733)**
Total comprehensive (loss)/income for the year	**–**	**(25,796,733)**	**10,356,187**	**(15,440,546)**
Balance at 31 December 2013	**454,324,943**	**(17,891,433)**	**(57,432,848)**	**379,000,662**

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

Consolidated Statement of **Cash Flows**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group	
	2013	**2012**
	RMB	**RMB**
Cash flows from operating activities		
Loss before tax	**(95,015,444)**	(30,134,606)
Adjustments for:		
Amortisation of land use right	**223,847**	249,542
Amortisation of intangible assets	**1,979,441**	4,902,941
Depreciation of property, plant and equipment	**41,339,087**	49,591,838
Impairment loss of property, plant and equipment	**18,796,222**	–
Loss on disposal of property, plant and equipment	**17,526**	12,388,338
Property, plant and equipment written off	**2,153,551**	2,502
Interest expense	**3,785,422**	1,690,787
Interest income	**(1,691,855)**	(253,038)
Unrealised gain on foreign currency translation	**(5,563)**	(1)
Operating cash flow before working capital changes	**(28,417,766)**	38,438,303
Changes in operating assets and liabilities:		
Inventories	**49,107,823**	(25,592,460)
Trade receivables	**(33,724,281)**	(58,718,652)
Other receivables	**30,052,313**	(44,894,482)
Trade payables	**(42,422,222)**	30,575,253
Other payables	**(28,313,698)**	(13,426,958)
Cash used in operations	**(53,717,831)**	(73,618,996)
Unauthorised purchase amounts recovered	**31,278,835**	74,177,415
Income tax paid	**(2,135,288)**	(3,127,218)
Interest received	**1,691,855**	253,038
Net cash used in operating activities	**(22,882,429)**	(2,315,761)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(5,989,591)**	(4,911,440)
Purchase of intangible assets	**–**	(142,500)
Proceeds from disposal of property, plant and equipment	**269,021**	1,331,664
Net cash used in investing activities	**(5,720,570)**	(3,722,276)

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

Consolidated Statement of **Cash Flows**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group	
	2013	2012
	RMB	RMB
Cash flows from financing activities		
Repayment of borrowings	**(155,931,157)**	(20,856,176)
Drawdown of borrowings	**104,200,000**	71,731,157
Government grant received	**–**	2,800,000
Uplift of deposits pledged/(Deposits pledged)	**74,116,976**	(74,006,115)
Interest paid	**(3,785,422)**	(1,690,787)
Net cash from/(used in) financing activities	**18,600,397**	(22,021,921)
Net decrease in cash and cash equivalents	**(10,002,602)**	(28,059,958)
Effect of currency translation on cash and cash equivalents	**(836,527)**	1,260,477
Cash and cash equivalents at beginning of financial year	**32,219,225**	59,018,706
Cash and cash equivalents at end of financial year	**21,380,096**	32,219,225
Cash and cash equivalents are represented by:		
Cash and cash equivalents on statement of financial position	**21,363,935**	106,396,640
Disposal group classified as held for sale (Note 19)	**76,600**	–
Less: deposits pledged	**(60,439)**	(74,177,415)
	21,380,096	32,219,225

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. CORPORATE INFORMATION

Sinotel Technologies Pte Ltd (the "Company") (Registration No. 200614275R) is domiciled and incorporated in Singapore on 28 September 2006 under the Singapore Companies Act, Cap. 50. On 18 October 2007, the Company converted into a public limited company and changed its name to Sinotel Technologies Ltd.. The Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited on 12 November 2007.

The principal place of business of the Group is at Room 1802, Guanhu International Tower 1, No. 105 Yaojiayuan Road, Chaoyang District, Beijing, People's Republic of China ("PRC") and the Company's registered address is at 30 Raffles Place, #19-04 Chevron House, Singapore 048622.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are described in Note 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are expressed in Chinese Renminbi ("RMB"), which is the presentation currency of the Group (Note 2(v)).

The financial statements have been prepared in accordance with the provisions of Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS") under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and provisions approximate their respective fair values due to the relatively short-term to maturity of these financial instruments.

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year.

The adoption of these new/revised FRS and INT FRS did not have any material effect on the financial results or position of the Group and the Company.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(d) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

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

Consolidation of the subsidiaries in the PRC is based on the subsidiary's financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary is based on the amounts stated in the PRC statutory financial statements.

(c) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control over another entity.

In the Company's statement of financial position, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and rendering of services, net of sales related taxes, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and related cost can be reliably measured.

Wireless network solutions relate to sales of goods and rendering of services associated with goods sold. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Interest income is recognised on a time proportion basis using the effective interest method.

(f) Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, it is deducted against the asset value in arriving at the carrying amount of the asset.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the related costs that it is intended to compensate.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(h) Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Such state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting date.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

(i) Borrowing costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred except for borrowings costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest expense is calculated using the effective interest method.

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting date.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amounts of its assets and liabilities.

Deferred income tax are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the assets only when it is probable that future economic benefits associated with the assets will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is charged so as to write off the cost of property, plant and equipment, less any estimated residual value over their estimated useful lives, using the straight-line method as follows:

	Years
Office equipment	4 to 8
Project and research & development equipment	5 to 8
Motor vehicles	8
Media streaming platforms	3 to 5
Renovation	5

Construction-in-progress represents a property under construction, stated at cost less any accumulated impairment loss and are not depreciated. Construction-in-progress are reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use.

When events or changes in circumstances indicate that the carrying value may not be recoverable, the carrying amount of the asset is written down to its recoverable amount.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Land use right

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term.

(m) Intangible assets

Intangible assets are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised using straight line method over the estimated useful lives. Where indication of impairment exists, an impairment loss is recognised immediately in profit or loss.

Purchased computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct expenditure, which enhances or extends the performance of computer software beyond its original specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Purchased computer software are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised using straight line method over their estimated useful lives of 3 – 5 years.

(n) Impairment of non-financial assets

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that an asset may be impaired. If any such indication exists or when an annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of non-financial assets (Continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(o) Financial assets

Classification

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables" (excluding advance payment to suppliers) and "cash and cash equivalents" on the statements of financial position.

Loans and receivables are recognised initially at fair value, plus directly attributable transaction costs. Subsequent to initial recognitions, loans and receivables are recognised at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Notes to the **Financial Statements**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial assets (Continued)

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset's is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

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

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

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs, other direct costs and related overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(r) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

The assets are not depreciated or amortised while they are classified as held for sale.

(s) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting date, and are discounted to present value where the effect is material.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share capital

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

(v) Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Singapore dollar. The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the principal entities in the People's Republic of China, and the presentation currency for the consolidated financial statements.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities' financial statements

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of the transactions); and

Notes to the **Financial Statements**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Foreign currencies (Continued)

Translation of Group entities' financial statements (Continued)

(iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(w) Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

(x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosure made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments made in applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgment that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

Withholding taxes arising from PRC subsidiaries' undistributed profits

The Group's determination as to whether to recognise deferred tax for withholding taxes that would be payable on the unremitted earnings of certain subsidiaries that are subject to withholding taxes according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividend. The Group assessed that no more than 10% of the subsidiaries' distributable profits will be declared as dividends in the foreseeable future and accordingly the related deferred tax expense was recognised in profit or loss.

The related carrying amounts included in the Group's deferred tax liabilities at 31 December 2013 were RMB2,042,000 (2012: RMB2,432,000) (Note 20).

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property, plant and equipment

Management estimates the useful lives of the property, plant and equipment to be within 3 to 8 years. The estimates for the useful lives and related depreciation charges for its property, plant and equipment is based on commercial and production factors which could change significantly as a result of level of usage, technical innovation and competitor actions in response to severe market conditions. Changes in those commercial and production factors could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 December 2013 and 31 December 2012 are disclosed in Note 11 and Note 19.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty *(Continued)*

Impairment of other non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Property, plant and equipment and intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of the Group's and the Company's property, plant and equipment at 31 December 2013 and 31 December 2012 are disclosed in Note 11 and Note 19.

The carrying amounts of the Group's intangible assets at 31 December 2013 and 31 December 2012 are disclosed in Note 12 and Note 19.

Allowances for doubtful receivables

An allowance is provided for doubtful accounts on the estimated losses resulting from the subsequent inability of the Group's customers to make required payments. If the financial conditions of the customers were to deteriorate resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debts, customer creditworthiness, current economic trends and changes in customer payment trends when making a judgment to evaluate the adequacy of the allowance for doubtful receivables. The carrying amounts of the Group's trade receivables at 31 December 2013 were RMB580,097,687 (2012: RMB546,373,406).

Tax liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the nature or existing contractual agreements, differences arising between the actual results the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

The carrying amounts of the Group's tax liabilities at 31 December 2013 were RMB9,155,369 (2012: RMB11,170,506).

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

4. REVENUE

	Group	
	2013 RMB	2012 RMB
Sales of goods and services – Wireless network solutions	**388,398,008**	474,582,808

5. OTHER INCOME

	Group	
	2013 RMB	2012 RMB
Interest income	**1,691,855**	253,038
Sundry income	**850,453**	267,915
	2,542,308	520,953

6. FINANCE COSTS

	Group	
	2013 RMB	2012 RMB
Interest on bank borrowings	**3,785,422**	1,690,787
Bank charges	**88,798**	48,997
	3,874,220	1,739,784

7. LOSS BEFORE TAX

	Group	
	2013 RMB	2012 RMB
Loss before tax is arrived at after charging/(crediting):		
Allowance for doubtful trade receivables (Note 16)	**51,656,374**	4,603,500
Allowance for work-in-progress (Note 15)	**–**	45,299
Amortisation of intangible assets (Note 12)	**1,979,441**	4,902,941
Amortisation of land use right (Note 13)	**223,847**	249,542
Depreciation of property, plant and equipment (Note 11)	**41,339,087**	49,591,838
Directors' fees (Note 26)	**694,469**	827,635
Fees for audit services paid to independent auditor of the Company	**740,734**	887,548
Fees for non-audit services paid to independent auditor of the Company	**9,632**	91,326
Impairment loss of property, plant and equipment (Note 11)	**18,796,222**	–
Loss on disposal of property, plant and equipment	**17,526**	12,388,338
Loss/(gain) on foreign exchange	**51,458**	(79,963)
Operating lease expenses	**2,741,290**	2,777,451
Professional fees paid to Special Auditors	**649,643**	3,681,287
Property, plant and equipment written off (Note 11)	**2,153,551**	2,502
Staff costs (Note 8)	**20,809,758**	21,574,381

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

8. STAFF COSTS

	Group	
	2013	2012
	RMB	RMB
Short-term employee benefits	**8,139,848**	16,464,133
Contribution to defined contribution plans	**12,669,910**	5,110,248
	20,809,758	21,574,381

Staff costs include key management personnel compensation as disclosed in Note 26.

9. TAX (CREDIT)/EXPENSE

	Group	
	2013	2012
	RMB	RMB
Income tax on the loss for the year		
– current income tax	**120,151**	2,312,156
– deferred income tax	**(8,905,251)**	7,579,730
	(8,785,100)	9,891,886

The income tax (credit)/expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to loss in the countries where the Group operates due to the following factors:

	Group	
	2013	2012
	RMB	RMB
Loss before tax	**(95,015,444)**	(30,134,606)
Tax at domestic rates applicable to profits in the countries where the Group operates	**(17,966,701)**	(7,533,652)
Income tax exemption	**(1,302,111)**	(985,630)
Expenses not deductible for tax purposes	**15,974,621**	11,057,750
Income not taxable for tax purpose	**(200,294)**	(5,272)
Deferred tax assets not recognised	**(2,117,145)**	2,870,790
Others	**(3,173,470)**	4,487,900
	(8,785,100)	9,891,886

Notes to the **Financial Statements**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

9. TAX EXPENSE (Continued)

The Company

The Company has no taxable income during the financial year. The statutory income tax rate applicable to the Company is 17%.

Xbell Union Communication (Beijing) Co., Ltd ("Xbell Union")

In accordance with New-Tech Enterprise's Exempting from Enterprise Income Tax issued by local tax bureau of Haidian District of Beijing, Xbell Union is exempted from enterprise income tax from 2007 to 2009, and will be taxed at a preferential tax rate of 7.5% from 2011 to 2012 and 15% after 2012.

The statutory income tax rate applicable to subsidiaries in the PRC is 25%.

10. EARNINGS PER SHARE

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

	Group	
	2013	2012
	RMB	RMB
Loss for the year	(86,230,344)	(40,026,492)
Weighted average number of ordinary shares in issue	422,915,000	422,915,000

Diluted earnings per share is same as basic earnings per share as there were no potential dilutive ordinary shares for the financial years ended 31 December 2013 and 31 December 2012.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

11. PROPERTY, PLANT AND EQUIPMENT

Group	Office equipment RMB	Project and research & development equipment RMB	Motor vehicles RMB	Renovation RMB	Construction-in-progress RMB	Total RMB
Cost						
At 1 January 2012	1,424,006	274,600,689	5,452,724	3,697,941	8,535,888	293,711,248
Additions	96,465	–	1,126,959	–	2,669,457	3,892,881
Disposals	(35,065)	(40,571,713)	–	–	–	(40,606,778)
Write-off	(20,328)	–	–	–	–	(20,328)
Currency translation difference	3,590	–	–	–	–	3,590
At 31 December 2012	**1,468,668**	**234,028,976**	**6,579,683**	**3,697,941**	**11,205,345**	**256,980,613**
Additions	**40,104**	**–**	**–**	**–**	**5,949,487**	**5,989,591**
Disposal	**(75,941)**	**(45,250)**	**–**	**–**	**–**	**(121,191)**
Write-off	**(345,996)**	**–**	**(93,399)**	**(3,697,941)**	**–**	**(4,137,336)**
Reclass to disposal group classified as held for sale (Note 19)	**(53,349)**	**–**	**–**	**–**	**(17,154,832)**	**(17,208,181)**
Currency translation difference	**(4,085)**	**–**	**–**	**–**	**–**	**(4,085)**
At 31 December 2013	**1,029,401**	**233,983,726**	**6,486,284**	**–**	**–**	**241,499,411**
Accumulated depreciation and impairment loss						
At 1 January 2012	644,146	86,389,484	2,288,199	119,813	–	89,441,642
Depreciation charge	330,473	47,658,663	883,822	718,880	–	49,591,838
Disposals	(19,565)	(26,604,901)	–	–	–	(26,624,466)
Write-off	(17,826)	–	–	–	–	(17,826)
Currency translation difference	2,035	–	–	–	–	2,035
At 31 December 2012	**939,263**	**107,443,246**	**3,172,021**	**838,693**	**–**	**112,393,223**
Depreciation charge	**289,806**	**39,402,213**	**928,188**	**718,880**	**–**	**41,339,087**
Impairment loss	**–**	**18,796,222**	**–**	**–**	**–**	**18,796,222**
Disposals	**(64,088)**	**(32,866)**	**–**	**–**	**–**	**(96,954)**
Write-off	**(335,616)**	**–**	**(90,596)**	**(1,557,573)**	**–**	**(1,983,785)**
Reclass to disposal group classified as held for sale (Note 19)	**(24,593)**	**–**	**–**	**–**	**–**	**(24,593)**
Currency translation difference	**(3,270)**	**–**	**–**	**–**	**–**	**(3,270)**
At 31 December 2013	**801,502**	**165,608,815**	**4,009,613**	**–**	**–**	**170,419,930**
Carrying amount						
At 31 December 2012	529,405	126,585,730	3,407,662	2,859,248	11,205,345	144,587,390
At 31 December 2013	**227,899**	**68,374,911**	**2,476,671**	**–**	**–**	**71,079,481**

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Office equipment RMB
Cost	
At 1 January 2012	76,802
Disposals	(17,027)
Currency translation difference	3,590
At 31 December 2012	63,365
Currency translation difference	(4,085)
At 31 December 2013	**59,280**
Accumulated depreciation	
At 1 January 2012	39,336
Depreciation charge	19,262
Disposals	(16,489)
Currency translation difference	2,035
At 31 December 2012	44,144
Depreciation charge	15,430
Currency translation difference	(3,270)
At 31 December 2013	**56,304**
Carrying amount	
At 31 December 2012	19,221
At 31 December 2013	**2,976**

Impairment of assets

The Group conducts a review of the recoverable amount of its project and research and development equipment on an annual basis by sub-dividing these assets to which revenue and cost are separately identifiable – cash generating units.

Full impairment of RMB18,796,222 was made on equipments relating to Emergency Mobile Base Station as there was no income generated from this equipment during the year and there was no future order.

Impairment loss is recognised in the profit and loss account under "general and administrative expense" for the financial year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

12. INTANGIBLE ASSETS

	Group	
	2013	2012
	RMB	RMB
Cost		
At 1 January	**27,911,192**	27,768,692
Additions	**–**	142,500
Reclass to disposal group classified as held for sale (Note 19)	**(25,800)**	–
At 31 December	**27,885,392**	27,911,192
Accumulated amortisation and impairment losses		
At 1 January	**25,854,238**	20,951,297
Amortisation for the year	**1,979,441**	4,902,941
Reclass to disposal group classified as held for sale (Note 19)	**(15,767)**	–
At 31 December	**27,817,912**	25,854,238
Representing:		
Accumulated depreciation	**26,018,160**	24,054,486
Accumulated impairment	**1,799,752**	1,799,752
	27,817,912	25,854,238
Carrying value		
At 31 December	**67,480**	2,056,954

13. LAND USE RIGHT

	Group	
	2013	2012
	RMB	RMB
Cost		
At 1 January	**10,744,677**	13,544,677
Grant received	**–**	(2,800,000)
Reclass to disposal group classified as held for sale (Note 19)	**(10,744,677)**	–
At 31 December	**–**	10,744,677
Accumulated amortisation		
At 1 January	**276,529**	26,987
Amortisation for the year	**223,847**	249,542
Reclass to disposal group classified as held for sale (Note 19)	**(500,376)**	–
At 31 December	**–**	276,529
Carrying value		
At 31 December	**–**	10,468,148

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2013	**2012**
	RMB	**RMB**
Unquoted equity shares at cost	**95,027,652**	101,574,751
Amounts due from subsidiaries	**280,132,818**	277,471,812
	375,160,470	379,046,563

The subsidiaries as at 31 December 2013 are:

Name of subsidiary	**Country of incorporation and place of incorporation**	**Principal activities**	**Equity holding**	
			2013	**2012**
Subsidiary held by the Company				
Xbell Union Communication Technology Limited**	British Virgin Islands	Investment holding	**100%**	100%
Subsidiary held by Xbell Union Communication Technology Limited				
Xbell Union Communication (Beijing) Co., Ltd**	PRC	Provision of wireless telecommunication network infrastructure solutions, hardware and software supports and distribution of telecommunication devices	**100%**	100%
Subsidiaries held by Xbell Union Communication (Beijing) Co., Ltd				
Xbell Union Communication (Tianjin) Co., Ltd**	PRC	Provision of wireless telecommunication network infrastructure solutions, hardware and software supports and distribution of telecommunication devices	**100%**	100%
Shanxi Xbell Communication Co., Ltd**	PRC	Provision of customised applications and solutions across the telecommunication value chain in the PRC	**100%**	100%

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

14. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiary	Country of incorporation and place of incorporation	Principal activities	Equity holding 2013	Equity holding 2012
Subsidiary held by Xbell Union Communication (Tianjin) Co., Ltd				
Xbell (Tianjin) Investment Co., Ltd**	PRC	Investment company engaging in property investment, development of wireless technology and provision of new infrastructure solutions	**100%**	100%

** Audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements.

Management determined that owing to the nature of the activities of the subsidiaries, the amounts due from subsidiaries are quasi-equity in nature and non-interest bearing with effect from 1 July 2010. Therefore, it is included in investment in subsidiaries. The quasi-equity amounts have no repayment terms and are repayable only when cash flows of the subsidiaries permit. Accordingly, the amounts are stated at cost.

15. INVENTORIES

	Group 2013 RMB	Group 2012 RMB
Statement of Financial Position		
Raw materials	**45,299**	45,299
Work-in-progress	**311,024,531**	360,132,354
Allowance	**(114,359)**	(114,359)
	310,955,471	360,063,294
Statement of Comprehensive Income		
Inventories recognised as an expense in cost of sales	**356,657,775**	417,952,961
Allowance for work-in-progress	**–**	45,299

Notes to the **Financial Statements**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

16. TRADE RECEIVABLES

	Group	
	2013	**2012**
	RMB	**RMB**
Third party trade receivables	**635,907,561**	550,976,906
Notes receivable	**450,000**	–
Less: allowance for doubtful receivables	**(56,259,874)**	(4,603,500)
	580,097,687	546,373,406

Movement in allowance for doubtful receivables during the financial year are as follows:

	Group	
	2013	**2012**
	RMB	**RMB**
At 1 January	**4,603,500**	–
Allowances made during the year	**51,656,374**	4,603,500
At 31 December	**56,259,874**	4,603,500

Trade receivables are non-interest bearing and has no fixed credit term. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

Trade receivables that are individually determined to be impaired at the end of the reporting date and those relating to receivables that are in significant financial difficulties, have defaulted on payments, or are disputing the amount due will be provided for doubtful receivables.

The table below is an ageing analysis of trade receivables at the end of the reporting date:

	Group	
	2013	**2012**
	RMB	**RMB**
Not past due and not impaired	**117,689,667**	180,496,483
Past due but not impaired	**462,408,020**	365,876,923
Past due and impaired	**56,259,874**	4,603,500
	636,357,561	550,976,906

Full allowance for doubtful receivables had been provided for impaired receivables.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

16. TRADE RECEIVABLES (Continued)

At the end of the reporting date, the Group has unsecured trade receivables that are past due at the end of the reporting date but not impaired. The analysis of their ageing at the end of the reporting date are as follows:

	Group	
	2013 RMB	2012 RMB
Trade receivables past due:		
1 to 90 days	**99,601,615**	39,655,756
91 to 270 days	**36,842,677**	137,756,573
271 to 365 days	**122,260,210**	47,905,241
Over 1 year	**203,703,518**	140,559,353
	462,408,020	365,876,923

17. OTHER RECEIVABLES

	Group		Company	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Advance payment to suppliers	**12,581,700**	25,005,650	**–**	–
Other receivables	**1,824,162**	3,428,546	**943**	731
Proceeds receivable from disposal of property, plant and equipment	**–**	262,310	**–**	–
Value added tax receivable	**9,928,940**	25,993,166	**–**	–
Unauthorised purchase amounts	**–**	31,278,835	**–**	–
	24,334,802	85,968,507	**943**	731

In 2011, the Company identified unauthorised purchases ("Unauthorised Purchase Amounts") carried out between June to December 2011 of two subsidiaries, XBell Beijing and XBell Shanxi, in the aggregate amount of RMB105,456,250 relating to the purchase of fourth generation ("4G") mobile communication research and development equipment and software (the "Equipment") during the year ended 31 December 2011 contracted with two suppliers (the "Suppliers"). The payments for these purchases were included in Other Receivables as "Unauthorised Purchase Amounts".

On 11 June 2012, the Board of Directors of the Company appointed Special Auditors, PricewaterhouseCoopers LLP ("PwC") to conduct an independent investigation into the Unauthorised Purchase Amounts.

PwC's Findings to Date ("Findings") is attached to the Company's announcement issued on 19 February 2013.

Notes to the **Financial Statements**
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17. OTHER RECEIVABLES (Continued)

The Company announced on 19 February 2013 a summary of the key issues under the Findings of PwC as follows:

(i) PwC noted that whilst the Board had approved the purchase of 4G equipment and software for a total sum of RMB123,689,500 and that various contracts were awarded to specific authorised suppliers, there were large payments made to an unauthorised supplier for such purchases. The PRC Management informed PwC that they were not aware the payments made to the unauthorised supplier until the discovery of such Unauthorised Purchase Payments at a much later date, when the statutory auditors informed the Company that they were unable to complete certain audit procedures. In addition, the PRC Management is not aware of any relationship between the shareholders of such unauthorised supplier and the employees of the Company and its subsidiaries as at the date of the Findings. PwC noted that a total sum of approximately RMB105.4 million was paid to the various suppliers for the 4G equipment and software.

(ii) PwC understands that, following the discovery of these payments to the unauthorised supplier, the PRC Management had terminated all 4G equipment and software contracts and returned all equipment and software to the respective suppliers. PwC noted that a total sum of approximately RMB74.1 million has been recovered by a subsidiary of the Company, XBell Union Communication (Beijing) Co., Ltd (西伯尔联合通信科技（北京）有限公司) ("XBell Beijing") following the return of the 4G equipment and software.

(iii) PwC understands that the Finance Seal and Legal Representative Seal are required to effect payments. Wang, the manager-in-charge of the Channel Partnering Department of XBell Beijing, was the person handling the procurement of 4G equipment and software. PwC noted that Wang, along with Meng (XBell Beijing's assistant cashier) and Niu (cashier of XBell Beijing's Shanxi branch ("XBell Shanxi") who held the Legal Representative Seal of XBell Beijing and XBell Shanxi respectively, have admitted to their involvement to the Unauthorised Purchase Payments and that they are currently assisting the local public security bureau (公安局) (the "PSB") with its investigation. However, the finance managers of XBell Beijing and XBell Shanxi, who held the respective Finance Seals, were uncertain how the cashiers obtained the seals to effect such Unauthorised Purchase Payments. PwC also noted that there has been no evidence that the finance managers of XBell Beijing and XBell Shanxi were personally involved in such Unauthorised Purchase Payments. Currently, the Finance Seals are kept by the Finance Managers of XBell Beijing and XBell Shanxi, respectively.

(iv) To date, PwC has not found any evidence to identify any other personnel, besides Wang, Meng and Niu as stated above, in the Company which were involved in the Unauthorised Purchase Payments.

(v) In performing its work, PwC has interviewed the management personnel (the "PRC Management"), relevant employees of XBell Beijing and XBell Shanxi, independent professionals and relevant government officials. PwC also reviewed documents made available to it by the PRC Management and obtained evidence from independent sources.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17. OTHER RECEIVABLES (Continued)

On 19 February 2013, the Company also announced that they have successfully recovered the sum of approximately RMB74.1 million up to 19 February 2013. The Company has secured these recovered funds in a designated fixed deposit account (the "FD account"). The FD account can only be drawn down with the specific approval of the Board of Directors (including the specific approval by each member of the Audit Committee).

The Management and the Board are satisfied that the RMB74.1 million recovered in 2012 had been correctly offset against the amount included in Other Receivables as Unauthorised Purchase Amounts at 31 December 2012.

On 22 March 2013, the Company announced that the Group has successfully recovered the full sum of the unauthorised purchase payments of approximately RMB105.4 million following the collection of the remaining sum of approximately RMB31.3 million.

The Management and the Board are satisfied that the RMB31.3 million collected are for the recovery of the Unauthorised Purchase Amounts.

On 12 November 2013, the Company announced that the full sum of RMB105.4 million recovered had been fully utilised in 2013 as follows:

	RMB million
Repayment of the Group's bank loans upon their maturity	76.2
Payment of the Group's operating expenses and funding of working capital	2.9
Funding of project costs and expenditures	26.3
	105.4

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Cash on hand	**89,746**	338,393	**2,129**	234,263
Cash at bank	**14,942,337**	21,835,652	**588,654**	8,575,889
Deposits	**6,331,852**	84,222,595	**5,312,872**	8,262,768
	21,363,935	106,396,640	**5,903,655**	17,072,920

Deposits include amount of RMB60,439 (2012: RMB74,177,415) that were pledged as security for letter of guarantee granted (2012: borrowings of RMB71,731,157 (Note 22)).

Notes to the **Financial Statements**

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19. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

At the board meeting held on 29 April 2013, the management proposed to dispose Xbell (Tianjin) Investment Co., Ltd ("Xbell Investment") to related party, Leshi Holding (Beijing) Co., Ltd ("Leshi").

On 15 Jan 2014, Xbell Union Communication (Tianjin) Co., Ltd ("Xbell Union) entered into a sale and purchase agreement with Leshi for the proposed sale by Xbell Union of the entire 100% equity interest in Xbell Investment to Leshi with aggregate sale consideration of RMB25,122,307.

The sale is expected to be completed in first quarter of 2014.

As at 31 December 2013, the assets and liabilities related Xbell Investment have been presented in the statement of financial position as "Disposal group assets classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale".

Statement of financial position disclosures

The major classes of assets and liabilities of Xbell Investment classified as held for sale as at 31 December 2013 are as follows:

	RMB
Assets:	
Property, plant and equipment	17,183,588
Intangible assets	10,033
Land use right	10,244,301
Other receivables	40,190
Cash and cash equivalents	76,600
Disposal group assets classified as held for sale	27,554,712
Liabilities:	
Other payables and accruals	65,888
Liabilities directly associated with disposal group classified as held for sale	65,888
Net assets directly associated with disposal group classified as held for sale	27,488,824

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

19. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

Statement of cash flow disclosures

The cash flow attributed to Xbell Investment are as follows:

	RMB
Operating	5,845,385
Investing	(5,958,987)
Net cash outflow	**(113,602)**

20. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities are as follows:

	Group	
	2013	2012
	RMB	RMB
At 1 January	**27,743,017**	20,163,287
Tax charge to profit or loss	**(8,905,251)**	7,579,730
At 31 December	**18,837,766**	27,743,017

The deferred tax liabilities on temporary differences recognised in the financial statements are in respect of tax effects arising from the following:

	Group	
	2013	2012
	RMB	RMB
Withholding taxes arising from PRC incorporated subsidiaries' undistributed profits	**2,042,000**	2,432,000
Accrued revenue	**16,795,766**	25,311,017
	18,837,766	27,743,017

Withholding taxes arising from distribution of dividends

The distributable earnings generated from those subsidiaries incorporated in the PRC from 1 January 2008 will be subjected to withholding tax when these subsidiaries declare dividend to its foreign investor. The directors expect that no more than 10% of these subsidiaries' earnings each year will be distributed to the Company in the foreseeable future and accordingly, the deferred tax liability is provided on this amount.

Notes to the **Financial Statements**
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20. DEFERRED TAX LIABILITIES (Continued)

Accrued revenue

Income tax submission is based on sales invoices issued, hence deferred tax liability is provided on those accrued revenue at the end of the reporting date.

21. OTHER PAYABLES

	Group		Company	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Advance payment from customers	**25,677,361**	58,104,937	**–**	–
Accrued operating expenses	**9,467,414**	7,486,265	**1,062,536**	1,056,472
Other payables	**4,973,198**	2,832,273	**1,004,846**	641,755
Unpaid consideration for acquisition of property, plant and equipment	**1,500,000**	1,500,000	**–**	–
Sales tax, value added tax and other tax payables	**9,657,175**	9,841,520	**–**	–
	51,275,148	79,764,995	**2,067,382**	1,698,227

22. BORROWINGS

	Group	
	2013 RMB	2012 RMB
Short term loans	**20,000,000**	71,731,157

In 2012, the short term loans are secured by deposits with financial institutions of RMB74,177,415 (Note 18) and personal guarantee from a director of the Company.

The short term loans bear fixed effective interest rate of 7.80% (2012: 5.04% to 8.20%) per annum.

The carrying amounts of short term loan approximate its fair value at the end of the reporting date.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

23. SHARE CAPITAL

	Group and Company			
	2013		2012	
	No. of shares	RMB	No. of shares	RMB
At 1 January/31 December	**422,915,000**	**454,324,943**	422,915,000	454,324,943

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

Performance share scheme

The Company's performance share scheme (the "Scheme") was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 27 April 2009, and shall continue to be in operation at the discretion of the committee administering the Scheme, subject to a maximum period of 10 years commencing on the date the Scheme is adopted by the Company in general meeting, provided always that the Scheme may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Under the rules of the Scheme, all confirmed full-time employees of the Group who have attained the age of 21 years and above, and directors of the Group are eligible to participate in the Scheme. However, participation of the Scheme by directors who are also controlling shareholders and their associates are subject to the approval by independent shareholders of the Company. Participants are not required to pay for the grant of any awards to them under the Scheme.

The Company's performance share scheme is administered by a committee comprising Jia Yue Ting, Goh Chee Wee, Alfred Cheong Keng Chuan and Zhang Baicheng.

The Company has not granted any Performance Shares during the year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

24. CURRENCY TRANSLATION RESERVE

Currency translation reserve arises from the translation of the financial statements of entities within the Group whose functional currencies are different from the Group's presentation currency.

25. COMMITMENTS

Capital commitments

	Group	
	2013	2012
	RMB	RMB
Capital commitments contracted for but not provided for:		
– the design and consultation for building construction	**6,174,700**	3,171,812

Operating lease commitments

The Group leases various premises from related and non-related parties under non-cancellable operating lease arrangements. The leases have rights to renew by the lessee.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting date, but not recognised as liabilities, are payable as follows:

	Group	
	2013	2012
	RMB	RMB
Not later than one financial year	**756,361**	1,723,103
Later than one financial year but not later than five financial years	**–**	625,536
	756,361	2,348,639

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

26. RELATED PARTY TRANSACTIONS

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the Company or that has an interest in the Company that gives it significant influence over the Company's financial and operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Company resides with, directly or indirectly. Related party includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

26. RELATED PARTY TRANSACTIONS (Continued)

In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

	Group	
	2013	2012
	RMB	RMB
With corporation in which a certain director has substantial financial interest		
– Lease of premises from a related party	**917,536**	864,792
– Gift purchase from a related party	**364,214**	–

Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2013	2012
	RMB	RMB
Directors of the Company:		
– short-term employee benefits	**3,617,453**	2,832,755
– contribution to defined contribution plans	**154,102**	164,144
– directors' fees	**694,469**	827,635
	4,466,024	3,824,534
Other key management personnel:		
– short-term employee benefits	**888,000**	817,200
– contribution to defined contribution plans	**71,064**	71,352
	959,064	888,552
	5,425,088	4,713,086

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments at the end of the reporting date are as follows:

	Group		Company	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Financial assets				
Loans and receivables	**613,331,514**	713,732,903	**5,904,598**	17,073,651
Financial liabilities				
Financial liabilities at amortised cost	**137,402,762**	227,552,524	**2,067,382**	1,698,227

(b) Financial risk management objectives and policies

The Group's and the Company's overall risk management policy is to ensure adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its foreign currency, credit, interest rate and liquidity and cash flows risks. The Group's and the Company's overall risks management are determined and carried out by the Board of Directors. The policies for managing each of these risks are summarised as follows:

Foreign currency risk

The Group and the Company have minimal dealings in foreign currencies and as such, have minimal exposure to foreign currency risk.

The Company and its subsidiaries maintain their respective books and accounts in their functional currencies. As a result, the Group is subjected to transaction and translation exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses currency borrowings and natural hedges. It is not the Group's policy to takes speculative positions in foreign currencies.

At the end of the reporting date, the Group and the Company have the following financial assets denominated in foreign currencies based on information provided to key management:

	2013		2012	
	Singapore dollars RMB	United States dollars RMB	Singapore dollars RMB	United States dollars RMB
Group				
Cash and cash equivalents	**3,298,933**	**63,926**	710,231	110,035
Company				
Cash and cash equivalents	**–**	**63,926**	–	110,035

The sensitivity analysis for foreign currency risk is not disclosed as the effect on the profit or loss and other comprehensive income is considered not significant.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

27. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with low risk credit quality counterparties.

Included in the Group's trade receivables, approximately 99% (2012: 95%) of the Group's trade receivables were due from 5 (2012: 5) major receivables.

As the Group and the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 to the financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings and deposits placed with the financial institution.

The Group's policy is to manage interest cost using mix of fixed and floating rate debts, which depends on the interest rates market and economic conditions. At the end of the reporting date, all the Group's borrowings are at a fixed interest rate. For interest income from deposits, the Group managed the interest rate risks by placing deposits with reputable financial institutions on varying maturities and interest rate terms.

The sensitivity analysis for interest rate risk is not disclosed as the effect on the profit or loss is considered not significant.

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

27. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies *(Continued)*

Liquidity and cash flow risks

Liquidity and cash flow risks are the risks that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company maintain sufficient cash and cash equivalents, and internally generated cash flows to finance its activities.

The Group adopts prudent liquidity risk management by maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The financial liabilities of the Group and the Company as presented in the statements of financial position are due within twelve months from the reporting date and approximate the contracted undiscounted payments.

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

The carrying amounts of the financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their fair values due to the relatively short-term maturity of these financial instruments.

The Group and the Company have no other financial instruments.

28. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares and obtain new borrowings.

There were no changes in the objectives, policies or processes during the financial years ended 31 December 2013 and 31 December 2012.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group and the Company include within net debts, borrowings, trade payables and other payables, less cash and cash equivalents. Capital represents equity attributable to the equity holders of the Company.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

28. CAPITAL MANAGEMENT (Continued)

The Group's and the Company's policy is to keep the gearing ratio below 100% as shown below:

	Group		Company	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Borrowings	**20,000,000**	71,731,157	**–**	–
Trade payables	**91,739,087**	134,161,309	**–**	–
Other payables	**51,275,148**	79,764,995	**2,067,382**	1,698,227
Less: cash and cash equivalents	**(21,363,935)**	(106,396,640)	**(5,903,655)**	(17,072,920)
Net debts	**141,650,300**	179,260,821	**(3,836,273)**	(15,374,693)
Equity attributable to the equity holders of the Company	**844,380,310**	931,343,355	**379,000,662**	394,441,208
Capital and net debt	**986,030,610**	1,110,604,176	**375,164,389**	379,066,515
Gearing ratio	**14%**	16%	**(1%)**	(4%)

29. SEGMENT INFORMATION

The Group is principally engaged in the provision of wireless telecommunication network infrastructure solutions, hardware and software supports and distribution of telecommunication devices. All provisions are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are mainly attributable to a single reportable operating segment.

Geographical information

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the PRC, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

Information about major customer

Customers with revenue more than 10% of the Group's total revenue amounted to approximately RMB263 million (2012: RMB231 million).

30. SUBSEQUENT EVENTS

On 15 January 2014, the Group entered into a sale and purchase agreement with a related party, Leshi Holding (Beijing) Co., Ltd ("Leshi") for the proposed sale by Xbell Union of the entire 100% equity interest in Xbell (Tianjin) Investment Co., Ltd ("Xbell Investment") to Leshi for a consideration of RMB25.1 million. Leishi shall repay on behalf of Xbell Investment, all loans granted to Xbell Investment by the Group which remain outstanding as at the completion date (the "Sinotel Loans"). The aggregate amount of the Sinotel Loans as at 15 January 2014 was approximately RMB10.5 million.

Notes to the **Financial Statements**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

31. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors dated 25 March 2014.

SINOTEL TECHNOLOGIES LTD.

(Incorporated in Singapore on 28 September 2006)
Company Registration No. 200614275R

DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS AND THE UNAUDITED FINANCIAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Board of Directors (the "Board") of Sinotel Technologies Ltd. (the "Company" and together with its subsidiaries, the "Group") refers to the unaudited financial results announcement for the year ended 31 December 2014 ("FY2014") released on 1 March 2015 (the "Unaudited Results").

During the finalisation of audit, the auditors of the Company have highlighted to the Company that there could be recoverability issue of certain long outstanding trade receivables reflected in the Unaudited Results. Having considered the auditors' feedback and further information gathered in relation to the recoverability of the trade receivables from customers, additional allowance for doubtful trade receivables was made in the audited financial statements for FY2014. Certain reclassification and adjustment were also made to the Unaudited Results, which may be considered material.

Pursuant to Rule 704(6) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Board wishes to disclose that there are material differences between the audited financial statements for FY2014 and the Unaudited Results due to the additional allowance for doubtful trade receivables, reclassification and adjustment referred to in the above, as set out in the following:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited Results FY2014 RMB '000	Unaudited Results FY2014 RMB '000	Difference RMB '000	Note
Revenue	255,645	255,645	-	
Cost of sales	(235,890)	(232,935)	(2,955)	(1)
Gross profit	**19,755**	**22,710**	(2,955)	
Other income	10,401	10,401	-	
Selling and distribution expenses	(17,684)	(17,684)	-	
General and administrative expenses	(480,341)	(319,042)	(161,299)	(1), (2)
Finance costs	(123)	(123)	-	
Loss before tax	**(467,992)**	**(303,738)**	**(164,254)**	
Income tax credit	10,037	3,426	6,611	(3)
Loss for the financial year	**(457,955)**	**(300,312)**	**(157,643)**	
Other comprehensive loss for the financial year, net of tax:				
Items that are or may be reclassified subsequently to profit and loss:				
- Currency translation differences arising on consolidation	(10)	(10)	-	
Total comprehensive loss for the financial year	**(457,965)**	**(300,322)**	**(157,643)**	

SINOTEL TECHNOLOGIES LTD.

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STATEMENTS OF FINANCIAL POSITION

	Audited Results FY2014 RMB'000	Unaudited Results FY2014 RMB'000	Difference RMB'000	Note
Non-current assets				
Property, plant and equipment	33,465	33,465	-	
Intangible assets	243	243	-	
	33,708	33,708	-	
Current assets				
Inventories	182,581	182,581	-	
Trade receivables	346,990	511,244	(164,254)	(2)
Other receivables	23,771	23,771	-	
Cash and cash equivalents	11,461	11,461	-	
	564,803	729,057	(164,254)	
Total assets	598,511	762,765	(164,254)	
Non-current liabilities				
Deferred tax liabilities	8,390	15,001	(6,611)	(3)
Current liabilities				
Trade payables	107,342	107,342	-	
Other payables	87,261	87,261	-	
Tax payables	9,103	9,103	-	
	203,706	203,706	-	
Total liabilities	212,096	218,707	(6,611)	
Net assets	386,415	544,058	(157,643)	
Equity attributable to equity holders of the Company				
Share capital	454,325	454,325	-	
Currency translation reserve	(4,212)	(4,212)	-	
Accumulated (losses)/profits	(63,698)	93,945	(157,643)	(2), (3)
Total equity	386,415	544,058	(157,643)	

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Results FY2014 RMB'000	Unaudited Results FY2014 RMB '000	Difference RMB '000	Note
Cash flows from operating activities				
Loss before income tax	(467,992)	(303,738)	(164,254)	(2)
Adjustments for:			-	
Gain on disposal of a subsidiary	(8,285)	(8,285)	-	
Depreciation of property, plant and equiment	37,652	37,652	-	
Amortisation of intangible assets	110	110	-	
Property, plant and equipment written off	26	26	-	
Interest expense	87	87	-	
Interest income	(77)	(77)	-	
Unrealised loss on foreign exchange	2	(17)	19	
Operating cash flows before working capital changes	(438,477)	(274,242)	(164,235)	
Changes in operating assets and liabilities, net of effects from disposal of a subsidiary:			-	
Inventories	128,374	128,374	-	
Trade receivables	233,108	68,854	164,254	(2)
Other receivables	585	564	21	
Trade payables	15,603	15,603	-	
Other payables	36,082	36,038	44	
Cash used in operations	(24,725)	(24,809)	84	
Income tax paid	(462)	(462)	-	
Interest received	77	77	-	
Net cash used in operating activities	(25,110)	(25,194)	84	
Cash flows from investing activities			-	
Purchase of property, plant and equipment	(63)	(63)	-	
Purchase of intangible assets	(285)	(285)	-	
Net cash inflow from disposal of a subsidiary	35,637	35,697	(60)	
Net cash generated from investing activities	35,289	35,349	(60)	
Cash flows from financing activities				
Interest paid	(87)	(87)	-	
Repayment of borrowings	(20,000)	(20,000)	-	
Uplift of pledged deposits	60	60	-	
Net cash used in financing activities	(20,027)	(20,027)	-	
Net decrease in cash and cash equivalents	(9,848)	(9,872)	24	
Cash and cash equivalents at beginning of the financial year	21,380	21,380	-	
Effect of exchange rate changes on cash and cash equivalents	(71)	(47)	(24)	
Cash and cash equivalents at end of the financial year	11,461	11,461	-	
Cash and cash equivalents represented by:				
Cash and bank balances	11,461	11,461	-	
Less: Deposits pledged	-	-	-	
	11,461	11,461	-	

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Notes:

(1) The difference was due to the reclassification of the allowance for stock obsolescence of RMB3.0 million from general and administrative expenses to cost of sales.

(2) The difference was due to additional allowance for doubtful trade receivables of RMB164.3 million.

(3) The difference was due to the tax effect of (2) above.

By Order of the Board

Jia Yue Ting
Executive Chairman
7 April 2015