



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: | | | | |
| <i>Items that are or may be reclassified subsequently to profit and loss:</i> | | | | |
| - Currency translation differences arising on consolidation | (10) | (10) | - | |
| Total comprehensive loss for the financial year | (457,965) | (300,322) | (157,643) | |



SINOTEL TECHNOLOGIES LTD.

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

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) | |



SINOTEL TECHNOLOGIES LTD.

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

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 equipment | 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 | - | |



SINOTEL TECHNOLOGIES LTD.

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

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