

SINOTEL TECHNOLOGIES LTD.

(Incorporated in Singapore)

(Company Registration Number: 200614275R)

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE SGX-ST LISTING MANUAL

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of Sinotel Technologies Ltd. (the "Company") wishes to announce 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.

Please refer to the copy of the Independent Auditor's Report and extracts of the relevant notes to the financial statements attached herein for further details.

By Order of the Board

Jia Yue Ting
Executive Chairman
7 April 2015

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 8 to 45, which comprise the statements of financial position of the Group and the Company as at 31 December 2014, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINOTEL TECHNOLOGIES LTD. (cont'd)

Report on the Financial Statements (cont'd)

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 the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Emphasis of Matter

Allowance for doubtful receivables

We draw attention to the significant disclosure in Note 3 to the financial statements which describes the material estimation uncertainty surrounding the management's assessment for allowance for doubtful receivables. As at 31 December 2014, the total amount of allowance made for doubtful trade receivables was RMB515,360,404 (2013: RMB56,259,874). This involves significant assumptions on the future collection from the long outstanding debtors and there is a significant risk that a material adjustment to the allowance made on the Group's trade receivables as at 31 December 2014 may be required in the future financial periods.

Going concern

We draw attention to Note 2(a) to the financial statements which states that the financial statements have been prepared on a going concern basis notwithstanding the Group continuing to incur net losses and generate net cash outflows from operating activities. During the financial year, the Group reported a net loss of RMB457,954,999 (2013: RMB86,230,344) and net cash outflows from operating activities of RMB25,110,861 (2013: RMB22,991,919). These factors indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the Group to remain as a going concern is dependent on the assumptions by the directors of the Company as disclosed in Note 2(a) to the financial statements, which are premised on future events and market conditions, and the outcome of which is inherently uncertain. The financial statements did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

Our opinion is not modified in respect of the matters mentioned above.

**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

7 April 2015

Note 2(a) to the Financial Statements
For the financial year ended 31 December 2014

2. Summary of significant accounting policies

(a) Going concern

The financial statements have been prepared on a going concern basis notwithstanding the Group continuing to incur net losses and generate net cash outflows from operating activities. During the financial year, the Group reported a net loss of RMB457,954,999 (2013: RMB86,230,344) and net cash outflows from operating activities of RMB25,110,861 (2013: RMB22,991,919). These factors indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern.

At 31 December 2014, the Group has net current assets of RMB361,096,671 (2013: RMB792,071,115). The current assets of the Group consisted mostly of inventories of RMB182,580,616 (2013: RMB310,955,471) (Note 14) and trade receivables of RMB346,989,459 (2013: RMB580,097,687) (Note 15).

The directors of the Company, having considered the following, believe that the going concern basis of preparation is appropriate:

- (i) The Group will be able to realise inventories of RMB182,580,616 and trade receivables of RMB346,989,459 into cash in the normal course of business;
- (ii) The Group will be able to secure new contracts with better margin and positive cash flows; and
- (iii) The Group will be able to generate sufficient cash flows from its operations in the next twelve months to meet its current and future obligations.

The ability of the Group to remain as a going concern is therefore dependent on the above assumptions, which are premised on future events and market conditions, the outcome of which is inherently uncertain. The financial statements did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

**Extract of Note 3 to the Financial Statements
For the financial year ended 31 December 2014**

3. *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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:

Allowance for doubtful receivables

The Group assesses the recoverability of the trade receivables at the end of each reporting period. Allowances for doubtful debts are applied to trade receivables where there are events or changes in circumstances which indicate that the balances may not be collectible. The identification of doubtful debts requires the use of estimations in assessing the recoverability of the debts based on the past collection trends from each debtor and the ageing of the past due amounts. The Group assessed that there is significant doubt in its ability to collect certain long outstanding debts and accordingly, an allowance for doubtful debts was made on these balances.

Since the Group cannot predict with certainty the collection of the long outstanding debts from the debtors, where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and doubtful debts expenses in the period in which such estimate has been changed.

The carrying amounts of the Group's trade receivables at the end of the reporting period and allowance for doubtful receivables charged to profit or loss during the financial year are disclosed in Note 15.