

SINOTEL

THE CHOICE FOR SERVICES AND SOLUTIONS

ANNUAL REPORT 2014

CREATING INNOVATIVE SOLUTIONS

OUR VISION

Our vision is to be the leading provider of innovative applications and solutions for the full spectrum of the wireless telecommunication value chain in the People's Republic of China ("PRC") and in the region.

Today, Sinotel offers a wide range of customised solutions that are able to serve the diverse needs of telecommunication companies ("Telcos").

CONTENTS

01 About Sinotel

06 Chairman's Statement

10 Board of Directors

12 Executive Officer

13 Financial Highlights

14 Operating and Financial Review

16 Corporate Information



ABOUT SINOTEL

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

Sinotel has been listed on the Main Board of the Singapore Exchange since November 12, 2007.





OUR BACKGROUND

Sinotel began operations in 2002 as merely a handset distributor. It has since evolved into a formidable wireless telecommunications innovator that provides a wide range of customised applications and solutions across the telecommunication value chain.

Having only started its operations in Shanxi years ago, the Group's business now spans across several provinces in the PRC. The Group's customers include reputable Telcos like China Mobile and China Unicom.

RESPONDING TO YOUR NEEDS ANYWHERE

Wireless Network Solutions

The Group's key business is the provision of Network Infrastructure Solutions to Telcos which involve the design, installation and enhancement of indoor and outdoor wireless coverage so as to provide or enhance wireless signals for mobile users.

Network Support Solutions involve the design of customised solutions for Telcos according to their specification using our software and hardware engineering so as to enable Telcos and/or Telco Service Providers to provide value-added data services such as ring-tone downloads and multimedia messaging service to the mobile users.





CHAIRMAN'S **STATEMENT**



DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Sinotel Technologies Ltd. ("Sinotel" or the "Group"), I hereby present to the shareholders the annual report for the financial year ended 31 December 2014 ("FY2014").

BUSINESS PERFORMANCE

FY2014 continued to be a challenging year for Sinotel. The Group continued to experience a slowdown in our core business of providing wireless telecommunication network infrastructure solutions due to the cost-saving initiatives rolled out by the telcos. In addition, we experienced a longer collection cycle as our telco customers delayed payment due to their internal restructuring process.

The Group recorded a net loss of RMB458.0 million for FY2014. Our revenue for the year decreased by 34.2% from RMB388.4 million in FY2013 to RMB255.6 million in FY2014 mainly due to decrease in sales of equipment and system integration.

Meanwhile, gross profit was 33.2% down from RMB29.6 million in FY2013 to RMB19.8 million during the reporting year. Despite this, the decrease was offset by the marginal increase in gross profit margin from 7.6% in the previous year to 7.7% in FY2014 as attributed to an increase in gross profit margin from the sales of equipment and design services.

In FY2014, the sale of one of our subsidiaries, XBell (Tianjin) Investment Co., Ltd, was completed and it was sold for a gain of RMB8.3 million.

Correspondingly, the Group registered a loss per share of 108.3 RMB cents in FY2014 as compared to a loss per share of 20.4 RMB cents for FY2013. As at 31 December 2014, the Group's net asset value per share was 91.4 RMB cents as compared to 199.7 RMB cents as at 31 December 2013.

As a result of the challenging business environment, the Group has been incurring losses consecutively for the past three years. As such, we have been placed on the Singapore Exchange watch-list with effect from 4 March 2015. In view of the intense business conditions in the near future, the Group will not be pursuing any major expansion plans. Instead, we will focus on serving our current customers to maintain our current market share until the situation improves. The Group would also be more selective in securing new projects, as well as manage cash flow more effectively, so as to ensure better margin.

Additionally, a mandatory conditional general cash offer was made on 12 March 2015 by myself through Advance Technology Holding Ltd to all shareholders. We will apprise shareholders promptly as new updates unfold along the way.

FUTURE OUTLOOK

As China continues to experience slower growth, the telecommunication industry remains under downward pressure as a result of intense competition from various industry players, as well as rising costs caused by inflation.

Concurrently, the on-going effort of the telcos to implement cost-saving initiatives to lower costs and boost earnings will erode our margins. As such, we continue to experience a slowdown in our core business, compounded by the slower collection from the telcos.

Going forward, we expect the sluggish trend to persist in the coming year. As such, the Group will be holding back any aggressive expansion plans until the external business environment improves. Nevertheless, we will maintain our product quality and deliver the same trusted services to our existing telco customers until the time comes for us to reap enhanced returns when the internal restructuring of our telco customers become more stable.

IN APPRECIATION

On behalf of the Board, I would like to thank our shareholders, business partners and associates for their relentless support and confidence. I would also like to extend our appreciation to all our staff, the management and fellow directors for their commitment and efforts that have steered the Group through these difficult times. With that, I look forward to your continual support in the following year.

賈跃亭
Jia Yue Ting
Executive Chairman





CONNECTING THE WORLD THROUGH INNOVATIVE SOLUTIONS

BOARD OF **DIRECTORS**



JIA YUE TING is the Executive Chairman and a founder of the Group. He was appointed to the Board on 1 March 2007 and is responsible for the formulation of the Group's strategic direction and expansion plans. Before founding the Group in 2002, Mr Jia was a general manager with Shanxi Zhuoyue Industrial Co., Ltd., a company established by him in 1996, where he provided strategic counselling to technology companies in Shanxi. From 1995 to 1996, he was a technical support officer with The Local Taxation Bureau of Yuanqu County, Shanxi, providing technical support on its internal network. Mr Jia holds a Master of Business Administration degree from the University of Shanxi.



LI ZHEN YU is the Executive Director and Chief Executive Officer of the Group. He was appointed as the Director on 21 September 2007 and Chief Executive Officer on 28 February 2008. He is responsible for the daily business operations, all research and development activities, new product developments, quality assurance and technical support services of the Group. Prior to joining the Group in 2003, Mr Li was the chief technology officer of Repeater Technology International Inc.'s representative office in Beijing. From 1999 to 2001, he was the chief technology officer of Tianjin Century Mobile Telecommunications Co., Ltd, a research and development centre for CDMA technology in the PRC. From 1996 to 1999, he was a project manager with Shenzhen Huawei Co., Ltd. Mr Li holds a Bachelor of Automated Control degree from the Tianjin University of Technology and Education, and various certifications in telecommunication technology from Motorola, Inc..



PAN LIANG is the Executive Director – Strategic Development of the Group and was appointed to the Board on 21 September 2007. He is responsible for the business development and investment and corporate finance matters of the Group. He joined the Group in 2004. He began his career as an Internet business support officer with Sanmenxia Telecoms from 1995 to 1998, providing technical support to business and personal users of Internet. From 1998 to 2000, he joined Shanghai Long Distance Telecoms as a project manager. In 2000, he joined Yikang Hudong Technology Co., Ltd as the vice-president of sales, managing its sales and marketing activities. Between 2003 and 2004, he was the vice-president of sales of Beijing Xingge Technology Co., Ltd and was in charge of its sales operations. Mr Pan holds a Bachelor of Economics degree from Henan University of Finance and Economics.



LO FUI CHU is the Executive Director and Chief Financial Officer of the Group and is responsible for the finance, accounting and audit, taxation, treasury and cash management matters of the Group. She was appointed to the Board on 1 June 2009. Prior to joining the Group in 2007, she was engaged in the business of providing financial consultancy services to companies for their listing exercises. Between 2004 and 2005, she was the chief financial officer of Asia Silk Holdings Limited, a company listed on the Catalist. Between 2003 and 2004, she was a corporate finance manager with Sun & Sun Capital Holdings Pte Ltd, a consulting firm in Singapore. From 2000 to 2003, she was an audit senior at KPMG (Singapore). From 1997 to 1999, Ms Lo was a tax management accountant at Borneo Samudera Sdn. Bhd., a Sabah State Government entity. Prior to that, she joined KPMG Peat Marwick, Sabah as an auditor in 1995 and left the firm as an audit senior in 1997. She was awarded the Malaysia Golden Medal in Accounting together with her London Chamber of Commerce and Industry (LCCI) Diploma in 1991 and is a member of the Association of Chartered Certified Accountants since 1994.

ALFRED CHEONG KENG CHUAN was appointed as the Independent Director of the Group on 21 September 2007. He is the Chairman of the Audit Committee and serves as a member of both the Remuneration and Nominating Committees. He is currently an executive director of Crowe Horwath First Trust LLP, a local firm of certified public accountants. He has over 15 years of experience in the audit and financial consulting services industry, including serving 6 years at the legacy Arthur Andersen from 1996 to 2001 and 2 years at Protiviti Pte Ltd from 2003 to 2005. Mr Cheong also has extensive experience in commercial financial management having held the post of regional financial manager at Linklaters Allen & Gledhill Pte Ltd, an international legal firm from 2001 to 2002 and as the financial controller of Aztech Systems Ltd., a public listed company in Singapore from June 2002 to October 2002. Mr Cheong holds a Bachelor's degree in Commerce (with majors in Accountancy and Economics) from Deakin University, Australia. He is a practising member of the Institute of Singapore Chartered Accountants and a Certified Practising Member of the Australian Society of Certified Practicing Accountants. He also serves as an independent director in a few public listed companies.



GOH CHEE WEE was appointed as the Independent Director of the Group on 21 September 2007. He is the Chairman of the Remuneration Committee and serves as a member of both the Audit and Nominating Committees. He is currently a director of several public listed companies. Mr Goh was formerly a Member of Parliament and a Minister of State for Trade and Industry, Labour and Communications. He had also served as the chief executive officer of Comfort Group Ltd and Vicom Ltd. Mr Goh obtained a Bachelor of Science (First-Class Honours) degree from the University of Singapore (now known as the National University of Singapore) and a Master of Science (Engineering) degree from the University of Wisconsin, United States. He also holds a diploma in Business Administration from the University of Singapore.



ZHANG BAICHENG was appointed as the Independent Director of the Group on 26 July 2013. He is the Chairman of the Nominating Committee and serves as a member of both the Audit and Remuneration Committees. From 1999 to 2012, he was the Head of Land Branch Office, Taiyuan High and New Technology Development Zone, Department of Land Resource of Shanxi Province. He is now retired and acting as the researcher for the same office.



EXECUTIVE **OFFICER**



LI RUI is the Chief Operating Officer of the Group and assists the Chief Executive Officer in overseeing the overall management and daily operations of the Group. He joined the Group in 2009 and prior to that, he was an assistant command director with the Communication Department of the Shanxi provincial police bureau from 1999 to 2009. He was a captain with the Economic Investigation Department of the Shanxi Linfen police bureau from 1998 to 1999. Mr Li holds a Bachelor of Law degree from the Party School of the Central Committee of the Communist Party of China.

FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011	2010
Group Revenue (RMB million)	**255.6**	388.4	474.6	513.2	656.4
(Loss)/Profit after Taxation (RMB million)	**(458.0)**	(86.2)	(40.0)	40.3	148.5
Gross Profit Margin (%)	**7.7**	7.6	9.5	26.5	34.4
Net (Loss)/Profit Margin (%)	**(179.1)**	(22.2)	(8.4)	7.8	22.6
Shareholders' Equity (RMB million)	**386.4**	844.4	931.3	970.2	928.8
(Loss)/Earnings per Share (RMB cents)	**(108.3)**	(20.4)	(9.5)	9.5	42.4
Net Asset Value per Share (RMB cents)	**91.4**	199.7	220.2	229.4	220.2
Net Cash (used in)/generated from Operating Activities (RMB million)	**(25.1)**	(23.0)	(2.3)	1.7	42.5
Year-end Cash and Cash Equivalents (RMB million)	**11.5**	21.4	106.4	59.2	133.7



OPERATING AND FINANCIAL REVIEW

REVENUE

In FY2014, the Group reported revenue of RMB255.6 million, which was RMB132.8 million or 34.2% lower than the corresponding period last year. This was mainly due to a decrease in sales of equipment of RMB108.5 million arising from a reduction in sales in Beijing, Tianjin, Hebei Province and Henan Province, as well as a decline in system integration of RMB24.9 million led by a fall in sales in Beijing. Despite this, the decrease was partly offset by an increase in revenue of RMB0.6 million from services related projects.

GROSS PROFIT

The Group registered a gross profit of RMB19.8 million for FY2014, translating to a decrease of RMB9.8 million or 33.2% against FY2013. This was primarily attributed to a drop in sales of equipment and system integration as well as allowance for work-in-progress of RMB3.0 million. Nevertheless, gross profit margin experienced an increase from 7.6% in FY2013 to 7.7% in FY2014 as a result of a rise in gross profit margin derived from sales of equipment and design services.

SELLING AND DISTRIBUTION COSTS

During the year, the selling and distribution expenses incurred stood at RMB17.7 million, falling by RMB5.2 million or 22.8% as compared to the previous year. This was caused by a decrease in entertainment expenses and general expenses of RMB2.2 million and RMB1.6 million respectively, as well as a drop in staff costs of RMB1.1 million and marketing expenses of RMB0.6 million. These were partially offset by the increase in travelling expenses of RMB0.3 million.

GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses for the reporting financial year was RMB480.3 million, representing an increase of RMB380.0 million or 378.8% against the previous year. This was mainly due to increase in allowances for doubtful trade receivables of RMB407.4 million.

However, these hikes were outweighed by a drop in impairment of property, plant and equipment of RMB18.8 million, decrease in depreciation and write-off of property, plant and equipment of RMB3.7 million and RMB2.1 million respectively, fall in operating lease expenses of RMB0.2 million, decline in travelling expenses of RMB0.5 million, a cut in staff costs of RMB0.7 million, dip in amortisation of land use right of RMB0.2 million, as well as reduction in other expenses, including consultation, insurance, entertainment and general expenses of RMB1.3 million.

FINANCE COSTS

Finance costs for the year fell by RMB3.8 million or 96.8% to RMB0.1 million mainly attributed to decrease in borrowings.

TAX

Income tax credit for FY2014 stood at RMB10.0 million, which translated to RMB1.3 million or 14.3% increase as compared to that of FY2013, principally arising from decrease in taxable profit and taxable temporary differences.

NET PROFIT

As a result of more intense competition, which led to a reduction in revenue and an increase in general and administrative expenses, the Group reported a loss of RMB458.0 million in FY2014, representing an increase in loss of RMB371.7 million or 431.1% as compared to FY2013. As such, basic and diluted loss per share increased from 20.4 RMB cents in FY2013 to 108.3 RMB cents in FY2014.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

NON-CURRENT ASSETS

Non-current assets decreased by RMB37.4 million to RMB33.7 million as at 31 December 2014 against RMB71.1 million as at 31 December 2013.

This was largely due to depreciation charge of RMB37.7 million and mitigated by additions to intangible assets of RMB0.3 million.

CURRENT ASSETS

Current assets as at 31 December 2014 were RMB564.8 million, which translated to a decrease of 41.4% from RMB964.3 million as at 31 December 2013. The drop was attributed to decrease in trade receivables of RMB233.1 million mainly resulted from additional allowance for doubtful trade receivables provided due to slow collections from customers. In this aspect, the Directors of the Group have reviewed the collectability of trade receivables and allowance was made accordingly.

Additionally, there were also a decrease in inventories of RMB128.4 million, a decrease in disposal group assets classified as held for sale of RMB27.6 million, a fall in other receivables of RMB0.6 million and a 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 RMB8.4 million (31 December 2013: RMB18.8 million).

CURRENT LIABILITIES

Current liabilities increased by RMB31.5 million from RMB172.2 million as at 31 December 2013 to RMB203.7 million as at 31 December 2014. Reasons for the increase comprised a rise in trade payables of RMB15.6 million as well as other payables of RMB35.9 million. These were partly offset by lower bank borrowings of RMB20.0 million.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased by approximately RMB458.0 million from RMB844.4 million as at 31 December 2013 to RMB386.4 million as at 31 December 2014 caused by loss from operations.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Jia Yue Ting (贾跃亭)
Executive Chairman

Mr Li Zhen Yu (李振宇)
Executive Director and Chief Executive Officer

Mr Pan Liang (潘良)
Executive Director – Strategic Development

Ms Lo Fui Chu
Executive Director and Chief Financial Officer

Mr Alfred Cheong Keng Chuan
Independent Director

Mr Goh Chee Wee
Independent Director

Mr Zhang Baicheng (张百成)
Independent Director

AUDIT COMMITTEE

Mr Alfred Cheong Keng Chuan – Chairman
Mr Goh Chee Wee
Mr Zhang Baicheng

NOMINATING COMMITTEE

Mr Zhang Baicheng – Chairman
Mr Alfred Cheong Keng Chuan
Mr Goh Chee Wee

REMUNERATION COMMITTEE

Mr Goh Chee Wee – Chairman
Mr Alfred Cheong Keng Chuan
Mr Zhang Baicheng

COMPANY SECRETARIES

Ms Wee Woon Hong, LLB (Hons)
Mr Lee Hock Heng, ACIS

REGISTERED OFFICE

30 Raffles Place
#19-04 Chevron House
Singapore 048622
Tel: (65) 6236 0670
Fax: (65) 6536 0688

PRINCIPAL PLACE OF BUSINESS

Room 1802, Guanhu International
Tower 1,
No. 105 Yaojiayuan Road
Chaoyang District
Beijing
People's Republic of China

SHARE REGISTRAR

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

INDEPENDENT AUDITOR

Baker Tilly TFW LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778
Partner-in-charge: Mr Lim Kok Heng, CA Singapore
(appointed in financial year ended 31 December 2014)

CORPORATE GOVERNANCE **REPORT**

The listing rules as stated in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") require an issuer which holds its Annual General Meeting ("AGM") on or after 1 January 2003 to describe its corporate governance policies in its annual report.

Sinotel Technologies Ltd. (the "Company" and together with its subsidiaries, the "Group") has, since its listing on the SGX-ST on 12 November 2007, put in place various policies and practices that will safeguard the interests of shareholders and enhance shareholders' value as part of its effort to maintain high standards of corporate governance. This section outlines the main corporate governance practices and procedures adopted by the Company.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this objective and management remains accountable to the board.

The board of directors of the Company (the "Board" or the "Directors") is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group and to protect and enhance long-term shareholders' value.

Matters which specifically require the Board's decision or approval are those involving:

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment to the Board and appointment of key personnel;
- announcement of quarterly and full-year results, the annual report and financial statements;
- material acquisitions and disposals of assets; and
- all matters of strategic importance.

Board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), have been established to assist the Board in the discharge of specific responsibilities. These committees are chaired by independent Directors and function within clearly defined terms of reference and operating procedures.

The Board meets at least four times a year at regular intervals. Telephonic attendance at Board meetings is allowed under the Company's Articles of Association. The Board and Board committees may also make decisions by way of circulating resolutions. Besides the scheduled Board meetings, the Board meets on an ad hoc basis as warranted by particular circumstances.

When a new Director is to be appointed, he will receive appropriate orientation to familiarise him with the business and organisation structure of the Group. To get a better understanding of the Group's business, the newly appointed Director will also be given the opportunity to visit the Group's operational facilities and meet with the management of the Group (the "Management"). There was no new Director appointed in the financial year ended 31 December 2014 ("FY2014"). The Directors are provided with updates on changes in the relevant new rules and regulations to enable them to make well-informed decision and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. The Directors may also attend appropriate courses, conferences and seminars at the Company's expenses.

CORPORATE GOVERNANCE **REPORT**

During FY2014, the number of meetings held and attended by each member of the Board are as follows:

Name of director	Number of meetings held	Attendance
Jia Yue Ting	4	4
Li Zhen Yu	4	4
Pan Liang	4	2
Lo Fui Chu	4	4
Alfred Cheong Keng Chuan	4	4
Goh Chee Wee	4	4
Zhang Baicheng	4	3

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.

The Board currently consists of:

Executive Directors
Mr Jia Yue Ting (贾跃亭), Executive Chairman
Mr Li Zhen Yu (李振宇), Executive Director and Chief Executive Officer
Mr Pan Liang (潘良), Executive Director – Strategic Development
Ms Lo Fui Chu, Executive Director and Chief Financial Officer

Independent Directors
Mr Alfred Cheong Keng Chuan
Mr Goh Chee Wee
Mr Zhang Baicheng (张百成)

The independence of each Director is subject to annual review by the NC. The NC adopts the definition in the Code of Corporate Governance issued on 2 May 2012 (the "Code") as to what constitutes an independent director in its review to ensure that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. In this regard, the NC is of the view that Mr Alfred Cheong Keng Chuan, Mr Goh Chee Wee and Mr Zhang Baicheng are independent.

The Board through the NC has examined its size and composition and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

There is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in accounting, finance, business and management and strategic planning. The Board includes one female Director in recognition of the value of gender diversity.

CORPORATE GOVERNANCE **REPORT**

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, which ensures there is a balance of power and authority at the top of the Group. The Group keeps the posts of Chairman and Chief Executive Officer separate. Mr Jia Yue Ting is the Executive Chairman while Mr Li Zhen Yu is the Chief Executive Officer and an executive Director. The Chairman is responsible for the formulation of the Group's strategic direction and expansion plans, while the Chief Executive Officer is responsible for the conduct of the Group's daily business operations.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the board.

The NC consists of three independent Directors, namely Mr Zhang Baicheng, Mr Alfred Cheong Keng Chuan and Mr Goh Chee Wee. The Chairman of the NC is Mr Zhang Baicheng. The NC has written terms of reference that describe the responsibilities of its members.

The principal functions of the NC are as follows:

- to re-nominate existing Directors, having regard to their contribution and performance;
- to determine on an annual basis whether a Director is independent; and
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple board representations.

The number of NC meetings held and the attendance thereat during FY2014 are as follows:

Name of director	Appointment	Number of meetings held	Attendance
Zhang Baicheng	Chairman	1	1
Alfred Cheong Keng Chuan	Member	1	1
Goh Chee Wee	Member	1	1

The NC has reviewed the independence of each Director in accordance with the Code's definition of independence and is of the view that Mr Alfred Cheong Keng Chuan, Mr Goh Chee Wee and Mr Zhang Baicheng are independent.

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board. The NC will generally assess suitable candidates for appointment to the Board based on the requisite qualification, expertise and experience. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion.

CORPORATE GOVERNANCE **REPORT**

The Articles of Association of the Company provide that one-third of the Directors shall retire from office by rotation at each AGM of the Company and, all Directors shall retire from office at least once every three years. A retiring Director is eligible for re-election by shareholders at the AGM.

The NC assesses and recommends to the Board whether retiring Directors are suitable for re-election. The NC, in considering the re-appointment of a Director, evaluates such Director's contributions in terms of experience, business perspective and pro-activeness of participation in meetings of the Board and/or Board committees. Each member of the NC shall abstain from recommending his own re-election.

Two Directors, namely Mr Li Zhen Yu and Mr Pan Liang are due for retirement at the forthcoming AGM under Article 107 of the Company's Articles of Association. The NC has recommended the re-election of Mr Li Zhen Yu and Mr Pan Liang at the forthcoming AGM and the Board has accepted the NC's recommendation.

The dates of initial appointment and re-election of the Directors are set out below:

Name of director	Age of director	Date of initial appointment	Date of last re-election
Jia Yue Ting	41	1 March 2007	30 April 2014
Li Zhen Yu	40	21 September 2007	7 November 2012
Pan Liang	42	21 September 2007	7 November 2012
Lo Fui Chu	43	1 June 2009	29 April 2013
Alfred Cheong Keng Chuan	46	21 September 2007	29 April 2013
Goh Chee Wee	68	21 September 2007	30 April 2014
Zhang Baicheng	59	26 July 2013	30 April 2014

Notwithstanding that some of the Directors have multiple board representations, the Board is satisfied that each Director is able to and has been adequately carrying out his or her duties as a Director of the Company. As such, the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises.

Key information regarding the Directors and information on shareholdings in the Company held by each Director are set out in the "Board of Directors" and "Directors' Report" sections of this annual report respectively.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the Board committees, and for assessing the contribution from each individual Director to the effectiveness of the Board. Assessment checklists which include evaluation factors such as Board composition and structure, conduct of meetings, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, training and recruitment, compensation, financial reporting and communicating with shareholders, are disseminated to each Director for completion and the assessment results are discussed at the NC meeting. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

CORPORATE GOVERNANCE **REPORT**

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are furnished regularly with information from the Management about the Group as well as the relevant background information relating to the business to be discussed at Board meetings. The Directors are also provided with the contact details of the Management and the company secretary to facilitate separate and independent access.

The company secretary and/or the representative attend Board and Board committee meetings. Together with the Management, the company secretary is responsible for ensuring that appropriate procedures are followed, and that the requirements of the Companies Act, Cap. 50 and the provisions in the Listing Manual of the SGX-ST are complied with. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as a Director.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC consists of three independent Directors, namely Mr Goh Chee Wee, Mr Alfred Cheong Keng Chuan and Mr Zhang Baicheng. The Chairman of the RC is Mr Goh Chee Wee. The RC has written terms of reference that describe the responsibilities of its members.

The RC was formed to recommend to the Board a framework of remuneration for the Directors and the senior management and to determine specific remuneration packages for each executive Director. The RC should cover all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

The number of RC meetings held and the attendance thereat during FY2014 are as follows:

Name of director	Appointment	Number of meetings held	Attendance
Goh Chee Wee	Chairman	1	1
Alfred Cheong Keng Chuan	Member	1	1
Zhang Baicheng	Member	1	1

CORPORATE GOVERNANCE **REPORT**

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Company has a remuneration policy for its executive Directors and executive officer which consists of a fixed component and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus, respectively, and take into account the performance of the Group and the performance of the individual executive Director and executive officer.

Having reviewed and considered the variable components of the executive Directors and executive officer, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

The independent Directors are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into account factors such as the effort and time spent and the responsibilities of each independent Director. The Directors' fees are subject to approval by the shareholders at the AGM. Except as disclosed, the independent Directors do not receive any other remuneration from the Company.

The Company has adopted a performance share scheme in the year 2009 and the Directors are eligible to participate in the performance share scheme. Please refer to the "Directors' Report" section of this annual report for more information of the performance share scheme.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Board supports and is keenly aware of the need for transparency. However, the Board is of the view that full disclosure of the specific remuneration of each individual Director and key management personnel of the Group is not in the best interests of the Company, having taken into consideration the sensitive nature of the matter and the competitive business environment the Group operates in.

CORPORATE GOVERNANCE **REPORT**

The breakdown of the total remuneration of the Directors for FY2014 is set out below:

Name of director	Fee	Salary	Bonus	Benefits	Total remuneration
	%	%	%	%	%
S$250,001 to S$500,000					
Jia Yue Ting	–	98	–	2	100
Below S$250,000					
Li Zhen Yu	–	94	–	6	100
Pan Liang	–	92	–	8	100
Lo Fui Chu	–	90	6	4	100
Alfred Cheong Keng Chuan	100	–	–	–	100
Goh Chee Wee	100	–	–	–	100
Zhang Baicheng	100	–	–	–	100

The breakdown of the total remuneration of the top five key executives of the Group for FY2014 is set out below:

Name of executive	Salary	Bonus	Benefits	Total remuneration
	%	%	%	%
Below S$250,000				
Li Rui	94	–	6	100
Chen Jing	93	–	7	100
Li Xiu Ying	100	–	–	100
Liu Ya Qing	84	–	16	100
Shi Chen Hui	83	–	17	100

The aggregate total remuneration paid to the top five key executives of the Group amounted to S$377,581 for FY2014.

There is no employee (not being a Director or an executive officer) who is an immediate family member of any Director whose remuneration exceeds S$50,000 during FY2014.

CORPORATE GOVERNANCE **REPORT**

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The board should present a balanced and understandable assessment of the company's performance, position and prospects.

For the financial performance reporting via the SGXNET announcement to SGX-ST and the annual report to the shareholders, the Board has a responsibility to present a fair assessment of the Group's financial position, including the prospects of the Group.

The Board ensures that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the Group's assets.

The Management will provide all members of the Board with management accounts of the Group, with explanatory details on its operations on a periodic basis. Board papers are given prior to any Board meeting to facilitate effective discussion and decision-making.

Risk Management and Internal Controls

Principle 11: The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company does not have a risk management committee. However, the Management regularly reviews and improves the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate such risks. The Management reviews significant control policies and procedures and highlights significant matters to the Board and the AC.

The AC engaged Pinnacle Financial Advisory Services Pte Ltd to review the Group's payroll cycle in respect of FY2014 and no significant control issues were reported.

Although the Board acknowledges that it is responsible for the Group's overall system of internal controls, the Board also recognises that no cost-effective internal controls system will preclude all errors and irregularities. The Group's system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational and compliance risks, and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, and assets are safeguarded.

Relying on the reports from the independent auditor and the internal auditor and the representation letters from the Management, the AC will carry out assessments of the effectiveness of key internal controls. Any material non-compliance or weaknesses in internal controls or recommendations from the independent auditor based on the review undertaken as part of its statutory audits, and internal auditor to further improve the internal controls will be reported to the AC. The AC will also follow up on the actions to be taken by the Management and on the recommendations made by both the independent auditor and internal auditor.

CORPORATE GOVERNANCE **REPORT**

Based on the various representation letters from the Management and the reports from the independent auditor and internal auditor, periodic reviews by the Management and the AC and to the best knowledge and belief of the Board, the Board with the concurrence of the AC is of the opinion that the risk management and internal controls system in place addressing material financial, operational, compliance and information technology risks maintained by the Group during FY2014 are adequate and effective in meeting the current needs of the Group's business operations and provide reasonable, but not absolute, assurance against material financial misstatements or material loss and to safeguarding the Group's assets.

The Board will continue its risk assessment process with a view to improve the Group's internal controls system. In this regard, the Board will continue to appoint internal auditor to review, recommend and have subsequent rectifications follow-up on the Group's internal controls system, and to expand and enhance on its policies and procedures manual.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer (a) that the financial records have been properly maintained and the financial statements for FY2014 give a true and fair view of the Group's operations and finances; and (b) that the Group has put in place and will continue to maintain a reasonably adequate and effective system of risk management and internal controls.

Audit Committee

Principle 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

The AC consists of three independent Directors, namely Mr Alfred Cheong Keng Chuan, Mr Goh Chee Wee and Mr Zhang Baicheng. The Chairman of the AC is Mr Alfred Cheong Keng Chuan. The AC has written terms of reference that describe the responsibilities of its members. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

The AC will meet periodically to discuss, *inter alia*, the following:

- reviewing the announcements of the quarterly and full-year results and the financial statements of the Group;
- reviewing the audit plans and reports of the independent auditor and the internal auditor, and considering the effectiveness of the actions taken by the Management on the independent auditor and the internal auditor's recommendations;
- appraising and reporting to the Board on the audits undertaken by the independent auditor, the adequacy of disclosure of information, and the appropriateness and quality of the system of risk management and internal controls;
- reviewing the assistance and co-operation given by the Management to the independent auditor;
- discussing problems and concerns, if any, arising from the external and internal audits;
- nominating independent auditor for re-appointment; and
- reviewing interested person transactions, as defined in the Listing Manual of the SGX-ST.

Apart from the duties listed above, the AC is given the task to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

CORPORATE GOVERNANCE **REPORT**

The AC had met with the independent auditor and the internal auditor, without the presence of the Management to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audits, and the independence, objectivity and observations of the independent auditor and the internal auditor.

The AC confirms that it has undertaken a review of all non-audit services provided by the independent auditor and that such non-audit services would not in the AC's opinion, affect the independence of the independent auditor. In the AC's opinion, Baker Tilly TFW LLP is suitable for re-appointment and it has accordingly recommended to the Board that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming AGM.

The Board has, on the recommendation of the AC, implemented a whistle blowing policy whereby the staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the independent auditor and the work carried out by the independent auditor based on value for money consideration. During FY2014, the aggregate amount of fees paid or payable to the independent auditor for the audit and non-audit services is reflected in Note 7 to the audited financial statements.

The Company is in compliance with Rules 712 and 715 of the Listing Manual of the SGX-ST in appointing the audit firms for the Group.

It is the Company's practice for the independent auditor to present to the AC its audit plan and with updates relating to any changes in accounting standards impacting the financial statements. During FY2014, the changes in accounting standards did not have any material impact on the Group's financial statements.

The number of AC meetings held and the attendance thereat during FY2014 are as follows:

Name of director	Appointment	Number of meetings held	Attendance
Alfred Cheong Keng Chuan	Chairman	4	4
Goh Chee Wee	Member	4	4
Zhang Baicheng	Member	4	3

CORPORATE GOVERNANCE **REPORT**

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC is aware of the need to establish a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risks.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. The AC engaged Pinnacle Financial Advisory Services Pte Ltd to review the Group's payroll cycle in respect of FY2014. The internal auditor reports directly to the AC and administratively to the executive Directors. The objective of the internal control review is to assess the adequacy and effectiveness of the Group's system of internal controls and compliance with the Group's policies and procedures.

The internal auditor plans the internal audit schedules in consultation with, but independent of, the Management. The AC will approve the annual internal audit plan, and review the scope and the results of the internal audit performed by the internal auditor. The AC will also review the adequacy of the internal audit function annually to be satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group to perform its duties effectively.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Group's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate the exercise of shareholders' ownership rights, the Group ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

All shareholders are entitled to attend the AGM of the Company and are afforded the opportunity to participate effectively at the AGM. The Articles of Association of the Company allow a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the AGM of the Company.

CORPORATE GOVERNANCE **REPORT**

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. In line with the continuous disclosure obligations of the Company pursuant to the Listing Manual of the SGX-ST and the Companies Act, Cap. 50, it is the Board's policy to ensure that all shareholders are informed on a timely basis of every significant development that has an impact on the Group.

The Company does not practise selective disclosure. Results and annual reports are announced or issued within the mandatory period.

The Company conducts its investor relations on the following principles:

(a) Information deemed to be price-sensitive is disseminated without delay via announcements and/or press releases on SGXNET;

(b) Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions; and

(c) Operate an open policy with regard to investors' enquiries.

No dividend was paid or proposed for FY2014 as the Group recorded a net loss for FY2014. The Management feels it is prudent to retain cash resources so that the Group has the flexibility to execute its business plans effectively.

Conduct of Shareholders Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders will receive the Company's annual report and notice of AGM. Shareholders will be given the opportunity and time to voice their views and ask Directors or the Management questions regarding the Company at the forthcoming AGM.

The Chairman of each Board committee is required to be present to address questions at the AGM. The independent auditor will also be present at such meeting to assist the Directors to address shareholders' queries, if necessary.

The Articles of Association of the Company allow any member of the Company, if he is unable to attend a general meeting, to appoint not more than two proxies to attend and vote on his behalf at the meeting through proxy forms sent in advance to the Company.

CORPORATE GOVERNANCE **REPORT**

ADDITIONAL INFORMATION

Dealing in Securities

The Company has adopted policies in line with the requirements of the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company and its officers are prohibited from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month and two weeks before the date of the announcement of the full-year and quarterly results respectively and ending on the date of the announcement of the relevant results.

In addition, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Details of the interested person transactions entered into by the Group for FY2014 as required to be disclosed pursuant to Rule 1207(17) of the Listing Manual of the SGX-ST are set out below:

Name of interested person	Aggregate value of all interested person transactions during FY2014 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Shanxi XBell Communications Technology Co., Ltd.	Lease of premises – RMB625,536	Nil
Beijing Wangjiu Electronic Commerce Co., Ltd	Purchase of gifts – RMB493,366	Nil

The Board confirms that the above interested person transactions were entered into on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Material Contracts and Loans

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except as disclosed in the Directors' Report and the audited financial statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the Chief Executive Officer or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

DIRECTORS' REPORT

The directors hereby present their report to the members together with the audited consolidated financial statements of Sinotel Technologies Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

Directors

The directors of the Company in office at the date of this report are:

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)

Arrangements to enable directors to acquire benefits

Except as disclosed under "Performance Share Scheme", neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the "Act") except as follows:

	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which a director is deemed to have interest		
Name of directors and companies in which interest are held	At 1 January 2014	At 31 December 2014	At 21 January 2015	At 1 January 2014	At 31 December 2014	At 21 January 2015
The Company						
Jia Yue Ting	–	–	–	113,606,856	113,606,856	113,606,856
Li Zhen Yu	–	–	–	3,150,000	3,150,000	3,150,000
Pan Liang	–	–	–	1,459,000	1,459,000	1,459,000
Lo Fui Chu	50,000	50,000	50,000	2,500,000	2,500,000	2,500,000
Alfred Cheong Keng Chuan	50,000	50,000	50,000	–	–	–
Goh Chee Wee	50,000	50,000	50,000	–	–	–

The director, Jia Yue Ting, by virtue of Section 7 of the Act, is deemed to have an interest in the shares held by the Company in its wholly-owned subsidiaries.

DIRECTORS' REPORT

Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than disclosed in the consolidated financial statements and this report) by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of these related corporations.

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, 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.

The Scheme is intended to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. Participants are not required to pay for the grant of any awards to them under the Scheme. 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 in the Scheme by directors who are also controlling shareholders and their associates are subject to the approval by independent shareholders of the Company.

The Scheme is administered by a committee comprising Jia Yue Ting, Goh Chee Wee, Alfred Cheong Keng Chuan and Zhang Baicheng.

	Performance shares granted during financial year	Aggregate performance shares granted since commencement of the Scheme to end of financial year	Aggregate performance shares released since commencement of the Scheme to end of financial year	Aggregate performance shares not released as at end of financial year
Directors of the Company				
Lo Fui Chu	–	50,000	(50,000)	–
Alfred Cheong Keng Chuan	–	50,000	(50,000)	–
Goh Chee Wee	–	50,000	(50,000)	–
Former director				
Cao Gui Xing	–	50,000	(50,000)	–
Key executive of the Group				
Li Rui	–	2,365,000	(2,365,000)	–
	–	2,565,000	(2,565,000)	–

DIRECTORS' REPORT

Share options

No option to take up unissued shares of the Company or its subsidiaries was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit Committee

The Audit Committee comprises three independent and non-executive directors during the financial year and at the date of this report are as follows:

Alfred Cheong Keng Chuan (Chairman)
Goh Chee Wee
Zhang Baicheng

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act and the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"). Their functions are detailed in the Report of Corporate Governance in the Group's Annual Report.

In performing its functions, the Audit Committee met with the Company's independent and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and independent auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST).

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Independent auditor's remuneration

The directors have reviewed the quantum and nature of fees, expenses and emoluments paid to the independent auditor for non-audit services under Section 206 (1A) of the Act and are satisfied that the provision of such services does not affect their independence.

DIRECTORS' REPORT

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Jia Yue Ting
Director

Li Zhen Yu
Director

7 April 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 set out on pages 37 to 80 are properly 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 2014 and 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, after considering the measures taken by the Group with respect to the Group's ability to continue as a going concern as described in Note 2(a) to the financial statements, 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

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 37 to 80, 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.

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.

INDEPENDENT **AUDITOR'S REPORT**

To the Members of Sinotel Technologies Ltd.

Report on the Financial Statements (Continued)

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.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND **OTHER COMPREHENSIVE INCOME**

For the Financial Year ended 31 December 2014

	Note	Group 2014 RMB	2013 RMB
Revenue	4	**255,644,501**	388,398,008
Cost of sales		**(235,890,225)**	(358,836,649)
Gross profit		**19,754,276**	29,561,359
Other income	5	**10,401,066**	2,542,308
Selling and distribution expenses		**(17,683,694)**	(22,920,686)
General and administrative expenses		**(480,341,075)**	(100,324,205)
Finance costs	6	**(123,416)**	(3,874,220)
Loss before tax	7	**(467,992,843)**	(95,015,444)
Tax credit	9	**10,037,844**	8,785,100
Loss for the financial year		**(457,954,999)**	(86,230,344)
Other comprehensive loss for the financial year, net of tax:			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(10,446)**	(732,701)
Total comprehensive loss for the financial year		**(457,965,445)**	(86,963,045)
Loss per share for loss for the financial year attributable to equity holders of the Company (in RMB cents per share)			
Basic and diluted	10	**(108.29)**	(20.39)

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

STATEMENTS OF **FINANCIAL POSITION**

At 31 December 2014

	Note	Group 2014 RMB	Group 2013 RMB	Company 2014 RMB	Company 2013 RMB
Non-current assets					
Property, plant and equipment	11	**33,465,055**	71,079,481	**1,713**	2,976
Intangible assets	12	**243,053**	67,480	**–**	–
Subsidiaries	13	**–**	–	**367,224,109**	375,160,470
		33,708,108	71,146,961	**367,225,822**	375,163,446
Current assets					
Inventories	14	**182,580,616**	310,955,471	**–**	–
Trade receivables	15	**346,989,459**	580,097,687	**–**	–
Other receivables	16	**23,770,878**	24,334,802	**927**	943
Cash and cash equivalents	17	**11,461,007**	21,363,935	**2,387,126**	5,903,655
		564,801,960	936,751,895	**2,388,053**	5,904,598
Disposal group assets classified as held for sale	18	**–**	27,554,712	**–**	–
		564,801,960	964,306,607	**2,388,053**	5,904,598
Total assets		**598,510,068**	1,035,453,568	**369,613,875**	381,068,044
Non-current liabilities					
Deferred tax liabilities	19	**8,389,914**	18,837,766	**–**	–
Current liabilities					
Trade payables		**107,342,370**	91,739,087	**–**	–
Other payables	20	**87,259,573**	51,275,148	**1,523,089**	2,067,382
Borrowing	21	**–**	20,000,000	**–**	–
Tax payables		**9,103,346**	9,155,369	**–**	–
		203,705,289	172,169,604	**1,523,089**	2,067,382
Liabilities directly associated with disposal group classified as held for sale	18	**–**	65,888	**–**	–
		203,705,289	172,235,492	**1,523,089**	2,067,382
Total liabilities		**212,095,203**	191,073,258	**1,523,089**	2,067,382
Net assets		**386,414,865**	844,380,310	**368,090,786**	379,000,662
Equity attributable to equity holders of the Company					
Share capital	22	**454,324,943**	454,324,943	**454,324,943**	454,324,943
Currency translation reserve	23	**(4,211,988)**	(4,201,542)	**(31,758,766)**	(17,891,433)
Accumulated (losses)/profits		**(63,698,090)**	394,256,909	**(54,475,391)**	(57,432,848)
Total equity		**386,414,865**	844,380,310	**368,090,786**	379,000,662

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

STATEMENT OF **CHANGES IN EQUITY**

For the Financial Year ended 31 December 2014

	Share capital RMB	Currency translation reserve RMB	Accumulated profits/(losses) RMB	Total equity RMB
Group				
Balance at 1 January 2013	454,324,943	(3,468,841)	480,487,253	931,343,355
Loss for the financial year	–	–	(86,230,344)	(86,230,344)
Other comprehensive loss for the financial year, net of tax				
– Currency translation differences arising on consolidation	–	(732,701)	–	(732,701)
Total comprehensive loss for the financial 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
Loss for the financial year	**–**	**–**	**(457,954,999)**	**(457,954,999)**
Other comprehensive loss for the financial year, net of tax				
– Currency translation differences arising on consolidation	**–**	**(10,446)**	**–**	**(10,446)**
Total comprehensive loss for the financial year	**–**	**(10,446)**	**(457,954,999)**	**(457,965,445)**
Balance at 31 December 2014	**454,324,943**	**(4,211,988)**	**(63,698,090)**	**386,414,865**

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

STATEMENT OF **CHANGES IN EQUITY**

For the Financial Year ended 31 December 2014

	Share capital RMB	Currency translation reserve RMB	Accumulated losses RMB	Total equity RMB
Company				
Balance at 1 January 2013	454,324,943	7,905,300	(67,789,035)	394,441,208
Profit for the financial year	–	–	10,356,187	10,356,187
Other comprehensive loss for the financial year, net of tax				
– Currency translation differences arising from translation to presentation currency	–	(25,796,733)	–	(25,796,733)
Total comprehensive (loss)/income for the financial 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
Profit for the financial year	**–**	**–**	**2,957,457**	**2,957,457**
Other comprehensive loss for the financial year, net of tax				
– Currency translation differences arising from translation to presentation currency	**–**	**(13,867,333)**	**–**	**(13,867,333)**
Total comprehensive (loss)/income for the financial year	**–**	**(13,867,333)**	**2,957,457**	**(10,909,876)**
Balance at 31 December 2014	**454,324,943**	**(31,758,766)**	**(54,475,391)**	**368,090,786**

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the Financial Year ended 31 December 2014

	Group	
	2014	**2013**
	RMB	**RMB**
Cash flows from operating activities		
Loss before tax	**(467,992,843)**	(95,015,444)
Adjustments for:		
Amortisation of land use right	**–**	223,847
Amortisation of intangible assets	**109,606**	1,979,441
Depreciation of property, plant and equipment	**37,651,799**	41,339,087
Gain on disposal of a subsidiary	**(8,285,131)**	–
Impairment loss of property, plant and equipment	**–**	18,796,222
Loss on disposal of property, plant and equipment	**–**	17,526
Property, plant and equipment written off	**25,538**	2,153,551
Interest expense	**86,534**	3,785,422
Interest income	**(76,571)**	(1,691,855)
Unrealised loss on foreign exchange	**2,707**	2,501
Operating cash flows before working capital changes	**(438,478,361)**	(28,409,702)
Changes in operating assets and liabilities, net of effects from disposal of a subsidiary:		
Inventories	**128,374,855**	49,107,823
Trade receivables	**233,108,228**	(33,724,281)
Other receivables	**584,709**	30,052,313
Trade payables	**15,603,283**	(42,422,222)
Other payables	**36,081,885**	(28,431,252)
Cash used in operations	**(24,725,401)**	(53,827,321)
Unauthorised purchase amounts recovered	**–**	31,278,835
Income tax paid	**(462,031)**	(2,135,288)
Interest received	**76,571**	1,691,855
Net cash used in operating activities	**(25,110,861)**	(22,991,919)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(62,968)**	(5,989,591)
Purchase of intangible assets	**(285,179)**	–
Proceeds from disposal of property, plant and equipment	**–**	269,021
Net cash inflow from disposal of a subsidiary (Note 13(b))	**35,637,225**	–
Net cash from/(used in) investing activities	**35,289,078**	(5,720,570)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the Financial Year ended 31 December 2014

	Group	
	2014	**2013**
	RMB	**RMB**
Cash flows from financing activities		
Repayment of borrowings	**(20,000,000)**	(155,931,157)
Drawdown of borrowings	**–**	104,200,000
Uplift of deposits pledged	**60,439**	74,116,976
Interest paid	**(86,534)**	(3,785,422)
Net cash (used in)/from financing activities	**(20,026,095)**	18,600,397
Net decrease in cash and cash equivalents	**(9,847,878)**	(10,112,092)
Effect of exchange rate changes on cash and cash equivalents	**(71,211)**	(727,037)
Cash and cash equivalents at beginning of financial year	**21,380,096**	32,219,225
Cash and cash equivalents at end of financial year	**11,461,007**	21,380,096

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise the following:

Cash and cash equivalents on statement of financial position	**11,461,007**	21,363,935
Disposal group classified as held for sale (Note 18)	**–**	76,600
Less: deposits pledged (Note 17)	**–**	(60,439)
	11,461,007	21,380,096

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

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

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. 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 the subsidiaries are described in Note 13.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) 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(w)).

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act 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 in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

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

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. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new and revised FRS and INT FRS did not have any material effect on the financial results or position of the Group and the Company except as disclosed below:

FRS 110 Consolidated Financial Statements

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. This change had no significant impact on the consolidated financial statements of the Group and statement of financial position and the statement of changes in equity of the Company.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation (Continued)

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2014 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company except as disclosed below:

FRS 109 Financial Instruments

FRS 109 includes guidance on the classification and measurement of financial assets and financial liabilities and de-recognition of financial instruments. FRS 109, when effective will replace FRS 39 *Financial Instruments: Recognition and Measurement*. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will review the requirements of FRS 109 and re-assess the classification and measurement of its financial assets and financial liabilities in accordance with this standard.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent 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.

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(e). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

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, consolidated 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.

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) and therefore, no gain or loss is recognised in profit or loss.

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, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

Consolidation of the subsidiaries in PRC are 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 are based on the amounts stated in the PRC statutory financial statements.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated 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 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

(f) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

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.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment, less any estimated residual value over their estimated useful lives. The estimated useful lives are as follows:

	Years
Office equipment	4 to 8
Project and research & development equipment	5 to 8
Motor vehicles	8
Renovation	5

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. 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.

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

(g) Land use rights

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. The land use rights are amortised on a straight-line basis over the lease term.

(h) Intangible assets

Intangible assets are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. 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 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 to 5 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, 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.

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 the 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.

(j) Inventories

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

(k) 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 and excludes pledged deposits.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) Financial assets

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 end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables" (excluding advance payment to suppliers and value added tax receivable) 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 recognition, loans and receivables are carried 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 financial asset has expired or has been transferred and the Group has transferred substantially all risks and rewards of ownership. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

The Group assesses at the end of each reporting period 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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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.

(n) Financial liabilities

Financial liabilities include trade payables, other payables (excluding advances from customers and sales tax, value added tax and other tax payables) and borrowings. Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions for other liabilities

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 period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

(p) 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.

(q) 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.

(r) 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 related 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 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Operating leases

Leases where a significant portion of the risks and rewards incidental to 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 taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, 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.

(t) 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 period.

(u) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Income taxes

Income tax on the profit or loss for the financial 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 period, 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 period 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 period.

Deferred income tax is 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.

(w) Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Company is Singapore dollars. 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 subsidiaries in PRC, and the presentation currency for the consolidated financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Foreign currencies (Continued)

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 period;

(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

(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 within equity.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

Functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

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 undistributed profits of certain PRC 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 PRC subsidiaries' undistributable 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 2014 were RMB1,720,000 (2013: RMB2,042,000) (Note 19).

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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:

Allowances for inventories

Management reviews the inventory listing on a periodic basis to determine whether an allowance is required for any shortfall in net realisable value of inventories. The review involves a comparison of the carrying value of the inventory items with the respective net realisable value. Following the review, management sets up the necessary allowance for any shortfall in the net realisable value of the inventories.

An allowance for work-in-progress of RMB2,955,032 is recognised in profit or loss during the financial year. The carrying amounts of the Group's inventories at the end of the reporting period are disclosed in Note 14.

Property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives, after taking into account their estimated residual values.

The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with the accounting policy in Note 2(f). The estimation of the useful lives and residual values involves assumptions concerning the future and estimation of the assets common life expectancies and expected level of usage. The net carrying amount of the Group's and the Company's property, plant and equipment at 31 December 2014 and 31 December 2013 are disclosed in Note 11 and Note 18.

Any changes in the expected useful lives and residual values of these assets would affect the net carrying amount of property, plant and equipment, and the depreciation changes for the financial year.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. 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 2014 and 31 December 2013 are disclosed in Note 11 and Note 18.

The carrying amounts of the Group's intangible assets at 31 December 2014 and 31 December 2013 are disclosed in Note 12 and Note 18.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

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.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. 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 company's domicile.

The carrying amount of the Group's tax payables at 31 December 2014 is RMB9,103,346 (2013: RMB9,155,369).

The carrying amount of the Group's deferred tax liabilities at 31 December 2014 is RMB8,389,914 (2013: RMB18,837,766).

4. REVENUE

	Group	
	2014	**2013**
	RMB	**RMB**
Sales of goods and services rendered		
– Wireless network solutions	**255,644,501**	388,398,008

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

5. OTHER INCOME

	Group	
	2014	**2013**
	RMB	**RMB**
Interest income	**76,571**	1,691,855
Gain on disposal of a subsidiary (Note13(b))	**8,285,131**	–
Sundry income	**2,039,364**	850,453
	10,401,066	2,542,308

6. FINANCE COSTS

	Group	
	2014	**2013**
	RMB	**RMB**
Interest expense on bank borrowings	**86,534**	3,785,422
Bank charges	**36,882**	88,798
	123,416	3,874,220

7. LOSS BEFORE TAX

	Group	
	2014	**2013**
	RMB	**RMB**
Loss before tax is arrived at after charging/(crediting):		
Allowance for doubtful trade receivables (Note 15)	**459,100,530**	51,656,374
Allowance for work-in-progress (Note 14)	**2,955,032**	–
Amortisation of intangible assets (Note 12)	**109,606**	1,979,441
Amortisation of land use right	**–**	223,847
Depreciation of property, plant and equipment (Note 11)	**37,651,799**	41,339,087
Directors' fees	**836,612**	694,469
Fees for audit services paid to independent auditor of the Company	**794,851**	740,734
Fees for non-audit services paid to independent auditor of the Company	**10,462**	9,632
(Gain)/loss on foreign exchange	**(21,036)**	51,458
Impairment loss of property, plant and equipment (Note 11)	**–**	18,796,222
Loss on disposal of property, plant and equipment	**–**	17,526
Operating lease expenses	**2,532,007**	2,741,290
Professional fees paid to Special Auditors	**–**	649,643
Property, plant and equipment written off (Note 11)	**25,538**	2,153,551
Staff costs (Note 8)	**19,085,726**	20,809,758

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

8. STAFF COSTS

	Group	
	2014	**2013**
	RMB	**RMB**
Short-term employee benefits	**13,871,822**	15,508,900
Contribution to defined contribution plans	**5,213,904**	5,300,858
	19,085,726	20,809,758

Staff costs include key management personnel compensation as disclosed in Note 25.

9. TAX CREDIT

	Group	
	2014	**2013**
	RMB	**RMB**
Income tax on the loss for the financial year		
– current income tax	**380,436**	120,151
– deferred income tax	**(10,447,852)**	(8,905,251)
	(10,067,416)	(8,785,100)
Underprovision in respect of previous financial year		
– current income tax	**29,572**	–
	(10,037,844)	(8,785,100)

The income tax credit on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to profit/loss in the countries where the Group operates due to the following factors:

	Group	
	2014	**2013**
	RMB	**RMB**
Loss before tax	**(467,992,843)**	(95,015,444)
Tax at domestic rates applicable to profit/loss in the countries where the Group operates	**(104,384,033)**	(17,966,701)
Income tax exemption	**–**	(1,302,111)
Expenses not deductible for tax purposes	**4,751,632**	241,094
Income not taxable for tax purpose	**(2,576,280)**	(200,294)
Underprovision in respect of previous financial year	**29,572**	–
Deferred tax assets not recognised	**93,974,656**	15,733,527
Utilisation of deferred tax assets previously not recognised	**–**	(2,117,145)
Others	**(1,833,391)**	(3,173,470)
	(10,037,844)	(8,785,100)

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

9. TAX CREDIT (Continued)

The above tax reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The potential deferred tax assets on the following temporary differences have not been recognised in the financial statements at the end of the reporting period:

	Group	
	2014	**2013**
	RMB	**RMB**
Allowance for doubtful receivables	**474,235,000**	56,260,000
Accelerated accounting depreciation	**35,451,000**	35,451,000
Others	**4,850,000**	1,914,000
	514,536,000	93,625,000

The potential deferred tax assets have not been recognised in the financial statements as it is not probable that the future taxable income in these companies will be available and sufficient to allow these temporary differences to be realised in the foreseeable future.

The Company

The Company has no taxable income during the financial year. The statutory income tax rate applicable to the Company is 17% (2013: 17%).

PRC subsidiaries

In accordance with New-Tech Enterprise's Exempting from Enterprise Income Tax issued by local tax bureau of Haidian District of Beijing, Xbell Union Communication (Beijing) Co., Ltd 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 2013 and 15% after 2013.

The statutory income tax rate applicable to other PRC subsidiaries is 25% (2013: 25%).

10. LOSS PER SHARE

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

	Group	
	2014	**2013**
Loss for the financial year (RMB)	**(457,954,999)**	(86,230,344)
Weighted average number of ordinary shares for basic loss per share	**422,915,000**	422,915,000

Diluted loss per share is same as basic loss per share as there was no potential dilutive ordinary shares for the financial years ended 31 December 2014 and 31 December 2013.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB	Project and research & development equipment RMB	Motor vehicles RMB	Total RMB
Group				
2014				
Cost				
At 1 January 2014	1,029,401	233,983,726	6,486,284	241,499,411
Additions	62,968	–	–	62,968
Write-off	(541,730)	(309,450)	–	(851,180)
Currency translation difference	(2,191)	–	–	(2,191)
At 31 December 2014	548,448	233,674,276	6,486,284	240,709,008
Accumulated depreciation and impairment losses				
At 1 January 2014	801,502	165,608,815	4,009,613	170,419,930
Depreciation charge	146,185	36,585,055	920,559	37,651,799
Write-off	(525,472)	(300,170)	–	(825,642)
Currency translation difference	(2,134)	–	–	(2,134)
At 31 December 2014	420,081	201,893,700	4,930,172	207,243,953
Representing:				
Accumulated depreciation	420,081	166,442,478	4,930,172	171,792,731
Accumulated impairment losses	–	35,451,222	–	35,451,222
	420,081	201,893,700	4,930,172	207,243,953
Net carrying value				
At 31 December 2014	128,367	31,780,576	1,556,112	33,465,055

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Office equipment RMB	Project and research & development equipment RMB	Motor vehicles RMB	Renovation RMB	Construction work-in-progress RMB	Total RMB
Group						
2013						
Cost						
At 1 January 2013	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
Disposals	(75,941)	(45,250)	–	–	–	(121,191)
Write-off	(345,996)	–	(93,399)	(3,697,941)	–	(4,137,336)
Reclassified to disposal group classified as held for sale (Note 18)	(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 losses						
At 1 January 2013	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
Disposals	(64,088)	(32,866)	–	–	–	(96,954)
Write-off	(335,616)	–	(90,596)	(1,557,573)	–	(1,983,785)
Impairment loss	–	18,796,222	–	–	–	18,796,222
Reclassified to disposal group classified as held for sale (Note 18)	(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
Representing:						
Accumulated depreciation	801,502	130,157,593	4,009,613	–	–	134,968,708
Accumulated impairment losses	–	35,451,222	–	–	–	35,451,222
	801,502	165,608,815	4,009,613	–	–	170,419,930
Net carrying value						
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 2014

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Office equipment RMB
Company	
Cost	
At 1 January 2013	63,365
Currency translation difference	(4,085)
At 31 December 2013	59,280
Currency translation difference	(2,191)
At 31 December 2014	**57,089**
Accumulated depreciation	
At 1 January 2013	44,144
Depreciation charge	15,430
Currency translation difference	(3,270)
At 31 December 2013	56,304
Depreciation charge	1,206
Currency translation difference	(2,134)
At 31 December 2014	**55,376**
Net carrying value	
At 31 December 2013	2,976
At 31 December 2014	**1,713**

In 2013, the Group carried out a review of the recoverable amount of the project and research & development equipment relating to Emergency Mobile Base Station as there was no income generated from these assets during the financial year and also there was no future order. As a result of the review, an impairment loss of RMB18,796,222 was recognised in profit or loss under “general and administrative expenses” to provide full impairment loss on the remaining net carrying amount of such assets.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

12. INTANGIBLE ASSETS

	Group	
	2014	**2013**
	RMB	**RMB**
Computer software		
Cost		
At 1 January	**27,885,392**	27,911,192
Additions	**285,179**	–
Reclassified to disposal group classified as held for sale (Note 18)	**–**	(25,800)
At 31 December	**28,170,571**	27,885,392
Accumulated amortisation and impairment losses		
At 1 January	**27,817,912**	25,854,238
Amortisation charge	**109,606**	1,979,441
Reclassified to disposal group classified as held for sale (Note 18)	**–**	(15,767)
At 31 December	**27,927,518**	27,817,912
Representing:		
Accumulated amortisation	**26,127,766**	26,018,160
Accumulated impairment losses	**1,799,752**	1,799,752
	27,927,518	27,817,912
Net carrying value		
At 31 December	**243,053**	67,480

13. SUBSIDIARIES

	Company	
	2014	**2013**
	RMB	**RMB**
Unquoted equity shares at cost	**91,515,344**	95,027,652
Amounts due from subsidiaries	**275,708,765**	280,132,818
	367,224,109	375,160,470

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. 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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

13. **SUBSIDIARIES** (Continued)

(a) The subsidiaries as at 31 December 2014 are as follows:

Name of subsidiary	Country of incorporation and place of incorporation	Principal activities	Ownership held 2014	Ownership held 2013
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** ("Xbell Union")	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 PRC	**100%**	100%
Subsidiary held by Xbell Union				
Xbell (Tianjin) Investment Co., Ltd ("Xbell Investment")	PRC	Investment company engaging in property investment, development of wireless technology and provision of new infrastructure solutions	**–**	100%

** Audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements of the Group.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

13. SUBSIDIARIES (Continued)

(b) Disposal of a subsidiary

On 15 January 2014, Xbell Union entered into a sale and purchase agreement with Leshi Holdings (Beijing) Co., Ltd ("Leshi"), a related party to dispose 100% equity interest in its wholly-owned subsidiary, Xbell Investment. The disposal transaction was completed on 12 June 2014.

The following summarises the effects of the disposal of Xbell Investment:

	Group 2014 RMB
Property, plant and equipment	**21,164,965**
Intangible assets	**10,033**
Land use right	**10,244,301**
Other receivables	**19,364**
Cash and cash equivalents	**19,881**
Other payables	**(4,086,569)**
Total identifiable net assets	**27,371,975**
Gain on disposal of a subsidiary (Note 5)	**8,285,131**
Total cash considerations*	**35,657,106**
Cash and cash equivalents in a subsidiary disposed of	**(19,881)**
Net cash inflow from disposal of a subsidiary	**35,637,225**

* Total cash considerations include an amount of RMB10,534,800 received for settlements of the debts due from Xbell Investment to other subsidiaries within the Group.

14. INVENTORIES

	Group	
	2014 RMB	2013 RMB
Statement of Financial Position		
Raw materials at net realisable value	**–**	–
Work-in-progress at cost or net realisable value	**182,580,616**	310,955,471
	182,580,616	310,955,471
Statement of Profit or Loss and Other Comprehensive Income		
Inventories recognised as an expense in cost of sales	**235,763,957**	356,657,775
Inclusive of allowance for work-in-progress	**2,955,032**	–

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

15. TRADE RECEIVABLES

	Group	
	2014	**2013**
	RMB	**RMB**
Third party trade receivables	**862,349,863**	635,907,561
Notes receivable	**–**	450,000
	862,349,863	636,357,561
Less: allowance for doubtful receivables	**(515,360,404)**	(56,259,874)
	346,989,459	580,097,687

Movement in allowance for doubtful receivables during the financial year are as follows:

	Group	
	2014	**2013**
	RMB	**RMB**
At 1 January	**56,259,874**	4,603,500
Allowance made (Note 7)	**459,100,530**	51,656,374
At 31 December	**515,360,404**	56,259,874

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.

The table below is an ageing analysis of trade receivables at the end of the reporting period:

	Group	
	2014	**2013**
	RMB	**RMB**
Not past due and not impaired	**858,550**	117,714,295
Past due but not impaired (i)	**510,000**	425,221,028
	1,368,550	542,935,323
Impaired receivables – individually assessed (ii)	**860,981,313**	93,422,238
Less: allowance for doubtful receivables	**(515,360,404)**	(56,259,874)
	345,620,909	37,162,364
Total trade receivables, net	**346,989,459**	580,097,687

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

15. TRADE RECEIVABLES (Continued)

(i) Ageing of trade receivables that are past due but not impaired are as follows:

	Group	
	2014	**2013**
	RMB	**RMB**
Past due < 90 days	**–**	99,058,102
Past due 91 to 270 days	**–**	22,223,772
Past due 271 to 365 days	**–**	100,235,636
Past due above 365 days	**510,000**	203,703,518
	510,000	425,221,028

(ii) These amounts are stated before any deduction for impairment losses. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties or have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Ageing of impaired receivables are as follows:

	Group	
	2014	**2013**
	RMB	**RMB**
Not past due	**139,539,261**	–
Past due < 90 days	**102,169,883**	–
Past due 91 to 270 days	**36,417,704**	15,137,791
Past due 271 to 365 days	**108,644,550**	22,024,573
Past due above 365 days	**474,209,915**	56,259,874
	860,981,313	93,422,238

16. OTHER RECEIVABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB	**RMB**	**RMB**	**RMB**
Advance payment to suppliers	**15,460,000**	12,581,700	**–**	–
Other receivables	**4,379,547**	1,824,162	**927**	943
Value added tax receivable	**3,931,331**	9,928,940	**–**	–
	23,770,878	24,334,802	**927**	943

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB	**RMB**	**RMB**	**RMB**
Cash on hand	**109,608**	89,746	**2,050**	2,129
Cash at banks	**11,158,899**	14,942,337	**2,385,076**	588,654
Deposits	**192,500**	6,331,852	**–**	5,312,872
	11,461,007	21,363,935	**2,387,126**	5,903,655

In 2013, deposits included amount of RMB60,439 that was pledged as security for letter of guarantee granted.

At 31 December 2014, the Group's cash and cash equivalents deposited with banks in PRC denominated in RMB amounting to RMB8,983,086 (2013: RMB12,161,346). RMB is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

18. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

At the board meeting held on 29 April 2013, the management proposed to dispose of Xbell Investment to Leshi.

On 15 January 2014, Xbell Union entered into a sale and purchase agreement with Leshi to dispose of 100% equity interest in Xbell Investment. The disposal transaction was completed on 12 June 2014.

In 2013, the assets and liabilities related to 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".

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

18. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

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:

	Group 2013 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	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

Statement of cash flows disclosures

The cash flows attributed to Xbell Investment are as follows:

	Group 2013 RMB
Cash flows from operating activities	5,845,385
Cash flows from investing activities	(5,958,987)
Net cash outflows	(113,602)

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

19. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities are as follows:

	Group	
	2014	**2013**
	RMB	**RMB**
At 1 January	**18,837,766**	27,743,017
Tax credit to profit or loss	**(10,447,852)**	(8,905,251)
At 31 December	**8,389,914**	18,837,766

The deferred tax liabilities on temporary differences recognised in the financial statements are in respect of tax effects arising from the following:

	Group	
	2014	**2013**
	RMB	**RMB**
Withholding taxes arising from PRC subsidiaries' undistributed profits	**1,720,000**	2,042,000
Accrued revenue	**6,669,914**	16,795,766
	8,389,914	18,837,766

Withholding taxes arising from PRC subsidiaries' undistributed profits

The distributable profits generated from those PRC subsidiaries with effect from 1 January 2008 will be subjected to withholding tax when these PRC subsidiaries declare dividend to its foreign investor. Management expects that no more than 10% of these PRC subsidiaries' undistributable profits will be distributed to the Company in the foreseeable future and accordingly, the deferred tax liabilities is provided on this amount.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of PRC subsidiaries for which deferred tax liabilities have not been recognised is RMB310,433,000 (2013: RMB426,890,000). No liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such temporary differences will not reverse in the foreseeable future.

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 period.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

20. OTHER PAYABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB	**RMB**	**RMB**	**RMB**
Advances from customers	**38,446,292**	25,677,361	**–**	–
Accrued operating expenses	**10,707,860**	9,467,414	**1,016,811**	1,062,536
Other payables	**7,241,887**	4,973,198	**506,278**	1,004,846
Unpaid consideration for acquisition of property, plant and equipment	**1,500,000**	1,500,000	**–**	–
Sales tax, value added tax and other tax payables	**29,363,534**	9,657,175	**–**	–
	87,259,573	51,275,148	**1,523,089**	2,067,382

21. BORROWING

	Group	
	2014	**2013**
	RMB	**RMB**
Short term loan	**–**	20,000,000

The short term loan was secured by corporate guarantee from an affiliated company and was fully settled during the financial year.

The short term loan bore effective interest rate of 7.80% per annum.

The carrying amount of the short term loan approximates its fair value at the end of the reporting period.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

22. SHARE CAPITAL

	Group and Company			
	2014		2013	
	No. of ordinary shares	RMB	No. of ordinary shares	RMB
Issued and paid up capital:				
At 1 January/31 December	**422,915,000**	**454,324,943**	422,915,000	454,324,943

All issued shares are fully paid ordinary shares with no par value.

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, 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 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 financial year.

23. 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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

24. COMMITMENTS

Capital commitments

	Group	
	2014 RMB	2013 RMB
Capital commitments contracted for but not provided for:		
– the design and consultation for building construction in relation to Xbell Investment	–	6,174,700

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 period, but not recognised as liabilities, are payable as follows:

	Group	
	2014 RMB	2013 RMB
Not later than one financial year	**660,725**	756,361

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

25. RELATED PARTY TRANSACTIONS

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2014	**2013**
	RMB	**RMB**
With companies in which a director has controlling interest		
– Lease of premises	**625,536**	917,536
– Gift purchase	**562,468**	364,214

Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2014	**2013**
	RMB	**RMB**
Directors of the Company:		
– short-term employee benefits	**3,891,450**	3,617,453
– contribution to defined contribution plans	**165,880**	154,102
– directors' fees	**836,612**	694,469
	4,893,942	4,466,024
Other key management personnel:		
– short-term employee benefits	**959,615**	888,000
– contribution to defined contribution plans	**69,459**	71,064
	1,029,074	959,064
	5,923,016	5,425,088

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2014 RMB	2013 RMB	2014 RMB	2013 RMB
Financial assets				
Loans and receivables	**362,830,013**	603,402,574	**2,388,053**	5,904,598
Financial liabilities				
Financial liabilities at amortised cost	**126,792,117**	127,745,587	**1,523,089**	2,067,382

(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 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 borrowings denominated in the relevant local currency and natural hedges. It is not the Group's policy to takes speculative positions in foreign currencies.

At the end of the reporting period, the Group and the Company have the following financial assets denominated in foreign currencies based on information provided to key management:

	2014		2013	
	Singapore dollars RMB	United States dollars RMB	Singapore dollars RMB	United States dollars RMB
Group				
Cash and cash equivalents	**90,795**	**64,225**	3,298,933	63,926
Company				
Cash and cash equivalents	**–**	**64,225**	–	63,926

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 2014

26. 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 at the end of the reporting period, RMB345,620,909 or 99% (2013: RMB570,856,154 or 98%) of the Group's trade receivables were due from 7 (2013: 7) major debtors, of which 6 (2013: 3) debtors are individually represented at least 10% of the trade 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 which are regulated and have good credit standings.

Financial assets that are either past due and/or impaired

Information regarding financial assets that are either past due and/or impaired is disclosed in Note 15.

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 reputable financial institutions.

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 period, 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 2014

26. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

Liquidity risk is the risk 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 financial liabilities of the Group and the Company as presented in the statements of financial position are due within twelve months from the end of the reporting period and approximate the contracted undiscounted repayment obligations.

(c) Fair value

The carrying amounts of the financial assets and financial liabilities recorded in the statements of the financial position of the Group and the Company approximate their fair values due to the relatively short-term maturity of these financial instruments.

27. 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 2014 and 31 December 2013.

The Group and the Company monitor capital using a gearing ratio, which is net debts divided by total capital plus net debts. 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.

The Group's and the Company's policy is to keep the gearing ratio below 100% as shown below:

	Group		Company	
	2014 RMB	**2013 RMB**	**2014 RMB**	**2013 RMB**
Borrowings	**–**	20,000,000	**–**	–
Trade payables	**107,342,370**	91,739,087	**–**	–
Other payables	**87,259,573**	51,275,148	**1,523,089**	2,067,382
Less: Cash and cash equivalents	**(11,461,007)**	(21,363,935)	**(2,387,126)**	(5,903,655)
Net debts	**183,140,936**	141,650,300	**(864,037)**	(3,836,273)
Equity attributable to the equity holders of the Company	**386,414,865**	844,380,310	**368,090,786**	379,000,662
Total capital and net debts	**569,555,801**	986,030,610	**367,226,749**	375,164,389
Gearing ratio (%)	**32**	14	*****	*

* In net cash position.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year ended 31 December 2014

28. 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 are as follows:

	Group	
	2014	**2013**
	RMB	**RMB**
Customer 1	**56,294,487**	62,868,718
Customer 2	**42,285,283**	42,285,283
Customer 3	**37,573,226**	58,959,727
Customer 4	**32,673,932**	43,962,008
Customer 5	**29,110,644**	38,373,508
Customer 6	**25,326,653**	54,424,951
	223,264,225	300,874,195

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) On 3 March 2015, the Company announced that following 3 Consecutive Years' Losses suffered by the Group, the Company will be placed on the watch-list on the Singapore Exchange Securities Trading Limited with effect from 4 March 2015.

(ii) On 12 March 2015, the Company announced that Religare Capital Markets Corporate Finance Pte Limited, for and on behalf of Advance Technology Holding Ltd (the "Offeror") has made a mandatory conditional general offer to acquire all of the issued and paid-up ordinary shares in the capital of the Company not already owned, controlled or agreed to be acquired by the Offeror and parties acting or deemed to be acting in concert with it.

30. 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 2014 were authorised for issue in accordance with a resolution of the directors dated 7 April 2015.

STATISTICS OF **SHAREHOLDINGS**

AS AT 20 MARCH 2015

Share Capital

Issued and fully paid capital	:	S$95,782,021.50
Total number of shares in issue	:	422,915,000
Number of treasury shares	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per share

Shareholdings Held in Hands of Public

Based on the information available and to the best knowledge of the Directors, approximately 59.0% of the ordinary shares of the Company were held in the hands of the public as at 20 March 2015 and therefore Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

Distribution of Shareholdings

Range of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	9	0.20	116	0.00
100 – 1,000	114	2.55	99,203	0.02
1,001 – 10,000	1,336	29.88	8,866,027	2.10
10,001 – 1,000,000	2,982	66.70	165,564,850	39.15
1,000,001 and above	30	0.67	248,384,804	58.73
	4,471	100.00	422,915,000	100.00

STATISTICS OF **SHAREHOLDINGS**

AS AT 20 MARCH 2015

Twenty Largest Shareholders

No.	Name of Shareholders	Shares Held	%
1.	Maybank Kim Eng Securities Pte Ltd	100,462,800	23.76
2.	Citibank Nominees Singapore Pte Ltd	30,551,500	7.23
3.	UOB Kay Hian Pte Ltd	18,029,250	4.26
4.	CIMB Securities (Singapore) Pte Ltd	16,582,048	3.92
5.	New Force Management Ltd	9,846,000	2.33
6.	Ford Field International Limited	8,856,856	2.09
7.	Chua Kee Tee	7,308,000	1.73
8.	RHB Securities Singapore Pte Ltd	6,374,000	1.51
9.	Phillip Securities Pte Ltd	5,163,450	1.22
10.	Raffles Nominees (Pte) Ltd	4,299,500	1.02
11.	DBS Vickers Securities (S) Pte Ltd	3,778,250	0.89
12.	Smart Sound Holdings Limited	3,775,000	0.89
13.	Goh Bee Lan	3,483,000	0.82
14.	Lim Neo Seng	3,290,000	0.78
15.	OCBC Securities Private Ltd	3,248,545	0.77
16.	Teo Ah Ban	2,500,000	0.59
17.	Helen Yang	2,000,000	0.47
18.	Teo Yong Choon or Teo Ah Ban	2,000,000	0.47
19.	Yoon Keat Meng Lester	1,793,250	0.43
20.	Ng Ngee Hung	1,698,800	0.40
	Total:	235,040,249	55.58

Substantial Shareholders

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Ford Field International Limited [(1)]	8,856,856	2.1	114,186,000	27.0
Advance Technology Holding Ltd [(1)]	–	–	39,202,000	9.3
Jia Yue Ting [(1)]	–	–	162,244,856	38.4

Note:

(1) Ford Field International Limited and Advance Technology Holding Ltd are wholly-owned by Mr Jia Yue Ting. As such, Mr Jia Yue Ting is deemed to be interested in all the shares held by Ford Field International Limited and Advance Technology Holding Ltd under Section 7 of the Companies Act, Cap. 50.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of SINOTEL TECHNOLOGIES LTD. (the "Company") will be held at Level 11, Room 11-02, 108 Robinson Road, Finexis Building, Singapore 068900 on Wednesday, 29 April 2015 at 11.00 a.m., for the following purposes:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2014 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$172,557 for the financial year ending 31 December 2015, to be paid quarterly in arrears (2014: S$172,557). **(Resolution 2)**

3. To re-elect Mr Li Zhen Yu, a Director retiring pursuant to Article 107 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Mr Pan Liang, a Director retiring pursuant to Article 107 of the Company's Articles of Association. **(Resolution 4)**

5. To re-appoint Baker Tilly TFW LLP as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:–

6. That pursuant to Section 161 of the Companies Act, Cap. 50 (the "Companies Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to: **(Resolution 6)**

   (a) (i) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) 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) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF **ANNUAL GENERAL MEETING**

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(see explanatory note 1)

NOTICE OF **ANNUAL GENERAL MEETING**

7. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries

14 April 2015
Singapore

Explanatory Note

1. The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier, unless such authority is varied or revoked by the Company in a general meeting, to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the Company's issued share capital (excluding treasury shares), of which up to 20% may be issued other than on a pro rata basis to existing shareholders of the Company.

Notes:

(i) A member of the Company entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote instead of him/her.

(ii) Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 30 Raffles Place #19-04 Chevron House Singapore 048622, not less than 48 hours before the time appointed for holding the above meeting.

Personal Data Privacy:

"Personal data" in this Notice of AGM has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your name and your proxy's and/or representative's name, address and NRIC/Passport number. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Your personal data and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share register and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

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SINOTEL TECHNOLOGIES LTD.

(Company Registration Number 200614275R)
(Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy shares in the capital of Sinotel Technologies Ltd., this annual report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

2015 ANNUAL GENERAL MEETING

I/We, _____ (Name) of

_____ (Address)

being a member/members of SINOTEL TECHNOLOGIES LTD. (the "Company") hereby appoint the Chairman of the Meeting* or:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary to demand a poll, at the 2015 Annual General Meeting of the Company to be held at Level 11, Room 11-02, 108 Robinson Road, Finexis Building, Singapore 068900 on Wednesday, 29 April 2015 at 11.00 a.m. and at any adjournment thereof.

* A Member may appoint not more than two proxies to attend and vote at the same Meeting. If you wish to appoint some person other than the Chairman of the Meeting to be your proxy, please delete the words "Chairman of the Meeting".

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the 2015 Annual General Meeting.)

No.	Resolutions relating to:	To be used on a show of hands		To be used in the event of a poll	
		For	Against	Number of Votes For	Number of Votes Against
ORDINARY BUSINESS					
1.	To receive and adopt the Directors' and Independent Auditor's Reports and the Audited Financial Statements				
2.	To approve the payment of Directors' fees of S$172,557 for the financial year ending 31 December 2015, to be paid quarterly in arrears				
3.	To re-elect Mr Li Zhen Yu as a Director				
4.	To re-elect Mr Pan Liang as a Director				
5.	To re-appoint Baker Tilly TFW LLP as Independent Auditor				
SPECIAL BUSINESS					
6.	To authorise the Directors to allot and issue shares or convertible securities pursuant to Section 161 of the Companies Act, Cap. 50				

Dated this _____ day of _____ 2015

Total Number of Shares held

_____
Signature(s) of Shareholder(s)/or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:–

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 30 Raffles Place #19-04 Chevron House Singapore 048622, not less than 48 hours before the time appointed for the meeting.

4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by the Depository to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522



SINOTEL TECHNOLOGIES LTD.
Company Registration Number: 200614275R