

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

UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

- 1(a) Consolidated statement of comprehensive income for China Yongsheng Limited (the “Company”) and its subsidiaries (the “Group”), together with comparative statement for the corresponding period of the immediately preceding financial year.**

	Group		Increase / (decrease)	
	FY2014	FY2013	Rmb'000	%
	Rmb'000	Rmb'000		
Revenue	656,227	727,944	(71,717)	(9.9)
Cost of sales	(577,342)	(669,826)	(92,484)	(14)
Gross profit	<u>78,885</u>	<u>58,118</u>	<u>20,767</u>	36
Other operating income	4,519	3,479	1,040	30
Selling and distribution expenses	(12,575)	(16,744)	(4,169)	(25)
General and administrative expenses	(42,535)	(36,482)	6,053	17
Other operating expenses	(1,272)	(3,694)	(2,422)	(66)
Share of (loss)/profit of associate	(362)	787	(1,149)	N.M.
Finance income	18,145	17,461	684	4
Finance expenses	<u>(18,249)</u>	<u>(18,689)</u>	<u>(440)</u>	(2)
Profit before income tax	<u>26,556</u>	<u>4,236</u>	<u>22,320</u>	527
Income tax expense				
- current year	(12,659)	(36)	12,623	35,064
- prior years	<u>(15)</u>	<u>1</u>	<u>16</u>	N.M.
Profit for the year, representing total comprehensive income for the year	<u>13,882</u>	<u>4,201</u>	<u>9,681</u>	230

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

	Group	
	FY2014	FY2013
	Rmb'000	Rmb'000
Depreciation of property, plant and equipment	17,235	18,233
Impairment loss on property, plant and equipment	-	1,200
Gain on disposal of property, plant and equipment	(48)	(322)
Property, plant and equipment written off	67	124
Amortisation of land use rights	183	183
Net allowance for doubtful debts/Bad debts written off	9,156	1,411
Foreign currency exchange gain	(269)	(51)
Allowance for inventory obsolescence	-	709

Note:

N.M. – Not Meaningful

1(b)(i) Statements of financial position for the Group and the Company, together with comparative statements as at the end of the immediately preceding financial year

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Non-current assets				
Property, plant and equipment	81,366	116,067	13	23
Land use rights	6,942	7,125	-	-
Subsidiaries	-	-	236,112	236,112
Due from a subsidiary (non-trade)	-	-	96,002	98,926
Associate	3,306	3,668	-	-
Deferred tax assets	9,439	10,889	-	-
	<u>101,053</u>	<u>137,749</u>	<u>332,127</u>	<u>335,061</u>
Current assets				
Inventories	4,293	4,346	-	-
Trade and other receivables	808,713	903,689	11,603	10,617
Cash and cash equivalents	67,484	83,053	667	415
	<u>880,490</u>	<u>991,088</u>	<u>12,270</u>	<u>11,032</u>
Assets classified as held for sale	41,638	22,675	-	-
	<u>922,128</u>	<u>1,013,763</u>	<u>12,270</u>	<u>11,032</u>
Total assets	<u><u>1,023,181</u></u>	<u><u>1,151,512</u></u>	<u><u>344,397</u></u>	<u><u>346,093</u></u>

	Group		Company	
	31 December 2014 Rmb'000	31 December 2013 Rmb'000	31 December 2014 Rmb'000	31 December 2013 Rmb'000
Capital and reserves				
Share capital	182,405	182,405	653,285	653,285
Reserves	79,014	74,297	-	-
Accumulated profits/(losses)	121,485	112,320	(310,370)	(308,530)
Total equity	<u>382,904</u>	<u>369,022</u>	<u>342,915</u>	<u>344,755</u>
Non-current liability				
Mortgage loans	<u>-</u>	<u>6,747</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	397,949	527,471	1,482	1,338
Short-term bank borrowings	219,357	218,850	-	-
Mortgage loans	6,747	15,152	-	-
Income tax payable	7,937	5,983	-	-
	<u>631,990</u>	<u>767,456</u>	<u>1,482</u>	<u>1,338</u>
Liabilities directly associated with assets classified as held for sale	<u>8,287</u>	<u>8,287</u>	<u>-</u>	<u>-</u>
	<u>640,277</u>	<u>775,743</u>	<u>1,482</u>	<u>1,338</u>
Total liabilities	<u>640,277</u>	<u>782,490</u>	<u>1,482</u>	<u>1,338</u>
Total equity and liabilities	<u>1,023,181</u>	<u>1,151,512</u>	<u>344,397</u>	<u>346,093</u>

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

	As at 31 December 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Amount repayable in one year or less, or on demand				
Mortgage loans	6,747	-	15,152	-
Short-term bank borrowings and bills payables	273,557	-	326,575	-
	<u>280,304</u>	<u>-</u>	<u>341,727</u>	<u>-</u>
Amount repayable after one year				
Mortgage loans	<u>-</u>	<u>-</u>	<u>6,747</u>	<u>-</u>

Details of any collateral:

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

1(c) Consolidated statement of cash flows for the Group, together with comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	31 December 2014	31 December 2013
	Rmb'000	Rmb'000
Operating activities		
Profit before income tax	26,556	4,236
Adjustments for:		
Depreciation of property, plant and equipment	17,235	18,233
Impairment loss on property, plant and equipment	-	1,200
Gain on disposal of property, plant and equipment	(48)	(322)
Property, plant and equipment written off	67	124
Amortisation of land use rights	183	183
Allowance for impairment loss on trade receivables/Bad debts written off	5,757	1,154
Allowance for impairment loss on other receivables/Bad debts written off	3,399	257
Allowance for inventories	-	709
Share of loss/(profit) of associate	362	(787)
Finance income	(18,145)	(17,461)
Finance expenses	18,249	18,689
Operating cash flows before movements in working capital	53,615	26,215
Trade and other receivables	103,266	(7,394)
Inventories	53	1,177
Trade and other payables	(134,396)	61,595
Cash generated from operations	22,538	81,593
Income tax paid	(10,253)	(6,771)
Net cash from operating activities	12,285	74,822

	Group	
	31 December 2014	31 December 2013
	Rmb'000	Rmb'000
Investing activities		
Purchase of property, plant and equipment	(1,683)	(7,872)
Proceeds from disposal of property, plant and equipment	276	1,719
Amount received from the intended sale of a subsidiary	-	3,545
Deposit received for the intended sale of a subsidiary	4,000	-
Interest received	1,190	1,417
Net cash from/(used in) investing activities	3,783	(1,191)
Financing activities		
Mortgage loan repayments	(15,152)	(16,398)
Loan from related party	-	12,000
Repayment of loans from related party	-	(12,000)
Repayments of short-term bank borrowings	(263,750)	(345,402)
Proceeds from short-term bank borrowings	264,528	307,402
Interest paid	(17,263)	(17,616)
Decrease in pledged bank balances	26,528	12,380
Net cash used in financing activities	(5,109)	(59,634)
Net increase in cash and cash equivalents	10,959	13,997
Cash and cash equivalents at beginning of the year	20,943	6,946
Cash and cash equivalents at end of the year	31,902	20,943
Cash and cash equivalents include:		
Cash at bank and on hand	67,484	83,053
Assets classified as held for sale	23	23
Pledged bank balances	(35,605)	(62,133)
	31,902	20,943

1(d)(i) Statements for the Group and the Company showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital Rmb'000	Reserves Rmb'000	Accumulated profits Rmb'000	Total equity Rmb'000
<u>Group</u>				
At 1 January 2013	182,405	69,838	112,578	364,821
Profit for the year, representing total comprehensive income for the year	-	-	4,201	4,201
Transfer to statutory reserve fund	-	4,459	(4,459)	-
At 31 December 2013	182,405	74,297	112,320	369,022
At 1 January 2014	182,405	74,297	112,320	369,022
Profit for the year, representing total comprehensive income for the year	-	-	13,882	13,882
Transfer to statutory reserve fund	-	4,717	(4,717)	-
At 31 December 2014	182,405	79,014	121,485	382,904
	Share capital Rmb'000	Accumulated losses Rmb'000	Total equity Rmb'000	
<u>Company</u>				
At 1 January 2013	653,285	(301,099)	352,186	
Loss for the year, representing total comprehensive income for the year	-	(7,431)	(7,431)	
At 31 December 2013	653,285	(308,530)	344,755	
At 1 January 2014	653,285	(308,530)	344,755	
Loss for the year, representing total comprehensive income for the year	-	(1,840)	(1,840)	
At 31 December 2014	653,285	(310,370)	342,915	

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company did not issue any new capital during the financial year ended 31 December 2014.

There are no outstanding convertibles or treasury shares as at 31 December 2014 and 31 December 2013 respectively.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company did not hold any treasury shares as at the end of the current financial year reported on and as at the end of the immediately preceding financial year. The total number of issued shares of the Company as at 31 December 2014 and as at 31 December 2013 is 1,663,900,000.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There was no sale, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial year reported on.

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

The figures have not been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in section 5 below, the Group has adopted the same accounting policies and methods of computation for the current financial year ended 31 December 2014 as compared with the audited consolidated financial statements for the financial year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted various new/revised Financial Reporting Standards (FRS) and Interpretations of FRSs (INT FRSs) which took effect for the financial year beginning on 1 January 2014. The adoption of these new/revised FRS and INT FRSs did not result in any significant impact on the financial statements of the Group.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	31 December 2014	31 December 2013
	Rmb	Rmb
(a) Based on weighted average number of ordinary shares (cents/share)	0.83	0.25
(b) Based on fully diluted basis (cents/share)	0.83	0.25
Weighted average number of shares ('000) in issue used for calculation of earnings per share	1,663,900	1,663,900

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

The Group does not have any potential dilutive ordinary shares in existence for the financial years ended 31 December 2014 and 31 December 2013.

7. **Net asset value for the Group and the Company per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
- (a) **current financial period reported on; and**
- (b) **immediately preceding financial year.**

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	Rmb	Rmb	Rmb	Rmb
Net asset value per ordinary share based on issued share capital as at the end of the year (cents/share)	23.01	22.18	20.61	20.72
Number of shares in issue as at end of the year ('000)	1,663,900	1,663,900	1,663,900	1,663,900

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Performance

Cost of sales

Cost of sales decreased from Rmb669.8 million in FY2013 to Rmb577.3 million in FY2014, in line with the decrease in revenue, resulting from lower construction activities experienced in the year.

Gross profit

Gross profit increased from Rmb58.1 million in FY2013 to Rmb78.9 million in FY2014 mainly due to higher gross profit margin resulting from the increase in average unit selling price of concrete sales being greater than the increase in average unit cost of production. The increase in average unit selling price of concrete sales is mainly due to favourable demand conditions.

Other operating income

Other operating income increased from Rmb3.5 million in FY2013 to Rmb4.5 million in FY2014 mainly due to higher compensation received from customers for late payment of debts. This is partially offset by the decrease in rental income.

Selling and distribution expenses

Selling and distribution expenses decreased from Rmb16.7 million in FY2013 to Rmb12.6 million in FY2014 mainly due to lower marketing expenses incurred in the year.

General and administrative expenses

General and administrative expenses increased from Rmb36.5 million in FY2013 to Rmb42.5 million in FY2014 mainly due to higher allowance for doubtful debts in the year. This is partially offset by decreases in depreciation, travelling expenses, audit and legal fees.

Other operating expenses

Other operating expenses decreased from Rmb3.7 million in FY2013 to Rmb1.3 million in FY2014 mainly due to absence of impairment loss on property, plant and equipment and allowance for inventory obsolescence.

Income tax expense

The higher income tax expense in FY2014 was mainly attributable to absence of deferred tax income recognised in FY2014.

Review of Financial Position

Property, plant and equipment decreased from Rmb116.1 million as at 31 December 2013 to Rmb81.4 million as at 31 December 2014 mainly due to classification of a subsidiary's property, plant and equipment as assets held for sale.

Deferred tax assets decreased from Rmb10.9 million as at 31 December 2013 to Rmb9.4 million as at 31 December 2014 due to recognition of deferred tax expense.

Trade and other receivables decreased from Rmb903.7 million as at 31 December 2013 to Rmb808.7 million as at 31 December 2014 mainly due to decrease in trade receivables, in line with the decrease in revenue.

Property, plant and equipment of a subsidiary, Suzhou Industrial Park Yongsheng Concrete Co., Ltd, which are expected to be sold within next twelve months have been classified as assets held for sale, resulting in the increase in assets held for sale.

Mortgage loans decreased from Rmb21.9 million as at 31 December 2013 to Rmb6.7 million as at 31 December 2014 due to repayment made during the year.

Trade and other payables decreased from Rmb527.5 million as at 31 December 2013 to Rmb397.9 million as at 31 December 2014 mainly due to decrease in trade payables, in line with the decrease in cost of sales.

Income tax payable increased from Rmb6.0 million as at 31 December 2013 to Rmb7.9 million as at 31 December 2014 due to tax provisions being made, offset by income tax paid.

Review of Cash Flows

The Group reported positive cash flows from operating activities of Rmb12.3 million in FY2014 mainly due to profit before income tax adjusted for depreciation, which were partially offset by movements in working capital, where the decrease in trade and other payables is greater than the decrease in trade and other receivables.

Cash flows from investing activities in FY2014 amounting to Rmb3.8 million were mainly attributable to deposit received for the intended sale of a subsidiary, partially offset by purchase of property, plant and equipment.

Cash flows used in financing activities in FY2014 amounting to Rmb5.1 million were mainly attributable to repayments of mortgage loans and interest paid, which were partially offset by decrease in pledged bank balances.

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

No forecast or prospect statement has been previously disclosed to the shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group continues to operate in a challenging and competitive environment amidst the continuing weaknesses in the building and housing industries in Suzhou.

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

The Company had also announced on 23 October 2014 that Assetgold Finance Limited (“Assetgold”) and Suzhou Yongsheng Concrete Co., Ltd (“SY Concrete”), both wholly-owned subsidiaries of the Company, had entered into a legally binding letter of intent (the “LOI”) with Shanghai Jiangong Construction Material Co., Ltd (“SJCM”) and Shanghai Construction Overseas (Holdings) Limited (collectively, the “Purchasers”), pursuant to which it is proposed that Assetgold and SY Concrete shall sell their entire equity interest in Suzhou Industrial Park Yongsheng Concrete Co., Ltd (“SIP Yongsheng”) to the Purchasers (the “Disposal”). At this stage, no definitive agreement has been entered into in relation to the abovementioned subject matter and there is no certainty that any transactions will result from the abovementioned event.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared during the current financial period reported on?

Nil

(b) Corresponding period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil

(c) Date Payable.

Not applicable.

(d) Book closure date.

Not applicable.

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

No dividend has been declared/recommended.

13. Interested Person Transactions (“IPT”)

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

The aggregate value of transactions entered into by the Group with interested persons and their affiliates, as defined in the SGX Listing Manual, are as follows:

	Aggregate value of all transactions (excluding transactions less than S\$100,000 and conducted under a shareholders’ mandate pursuant to Rule 920)	Aggregate value of all transactions conducted under a shareholders’ mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000)
	FY2014	FY2014
Interested Persons (“IP”)	Rmb’000	Rmb’000
Suzhou Lingyun Concrete Co., Ltd (“Lingyun”)	450	-
Suzhou Huaqing Co., Ltd (“Huaqing”)	432	-

Transactions between the Group and Lingyun or Huaqing are deemed to be transactions between the Group with the same interested person as Huaqing owns 57.55% interest in Lingyun.

The Group does not have any general mandate from shareholders for the current financial year pursuant to Rule 920.

14. Negative confirmation pursuant to Rule 705(5).

Not applicable.

PART II: ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

- 15. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group operates in only one segment, which is the production and supply of concrete and related products. Accordingly, no reporting by operating segment is presented.

- 16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

Not applicable.

- 17. A breakdown of sales.**

	Group		Increase / (decrease)	
	FY2014 Rmb'000	FY2013 Rmb'000	Rmb'000	%
Sales reported for first half year	323,553	311,660	11,893	4
Profit/(Loss) after tax before deducting minority interests reported for first half year	3,273	(9,693)	12,966	N.M.
Sales reported for second half year	332,674	416,284	(83,610)	(20)
Profit after tax before deducting minority interests reported for second half year	10,609	13,894	(3,285)	(24)

Note: N.M. - Not Meaningful

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

	Latest Full Year FY2014 S\$'000	Previous Full Year FY2013 S\$'000
Ordinary	-	-
Preference	-	-
Total	-	-

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer

Pursuant to Rule 704(10) of the SGX-ST Catalist Listing Manual, persons occupying managerial positions in the Company or any of its principal subsidiaries who are related to a director or chief executive officer or substantial shareholder of the Company are as follows:

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Sun Liping	48	Refer to note below.	Non-executive director of the following subsidiaries: (1) Assetgold Finance Limited (2004); (2) Suzhou Yongsheng Concrete Co., Ltd (2001); (3) Suzhou Yongsheng Chemical Co., Ltd (2001); (4) Wujiang Yongsheng Concrete Co., Ltd (2006); (5) Suzhou Industrial Park Yongsheng Concrete Co., Ltd (2006); (6) Wuxi Lianyou Concrete Co., Ltd (2006).	Nil
Xu Hong	45	Brother-in-law of Zhao Deming and uncle of Zhao Lei (Refer to note below)	Sales Manager and Assistant to General Manager of a subsidiary, Suzhou Yongsheng Concrete Co., Ltd (2012). He is responsible for sales and customers' relations for Suzhou Yongsheng Concrete Co., Ltd.	Nil
Sun Jianfeng	40	Nephew of Sun Jinnan (Refer to note below)	Sales Manager and Assistant to General Manager of a subsidiary, Wujiang Yongsheng Concrete Co., Ltd (2012). He is responsible for sales and customers' relations for Wujiang Yongsheng Concrete Co., Ltd.	Nil

Note:

Sun Jianming (Executive Chairman of the Company) is the son of Sun Jinnan (Executive Director of the Company). Sun Liping is the daughter of Sun Jinnan. Sun Jianming and Sun Liping are siblings. Zhao Lei (Executive Director of the Company) is the son of Zhao Deming (Chief Executive Officer/Managing Director of the Company). Zhao Deming and Sun Jianfeng are the nephews of Sun Jinnan. Zhao Deming, Sun Liping, Sun Jianming and Sun Jianfeng are cousins.