



# SINOTEL TECHNOLOGIES LTD.

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

## FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2015

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

#### 1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | THE GROUP       |                 |                         | THE GROUP       |                 |                         |
|--|-----------------|-----------------|-------------------------|-----------------|-----------------|-------------------------|
|  | 2Q15            | 2Q14            | Increase/<br>(Decrease) | 6-mth 15        | 6-mth 14        | Increase/<br>(Decrease) |
|  | RMB '000        | RMB '000        | %                       | RMB '000        | RMB '000        | %                       |
| <b>Revenue</b>   | 22,558          | 15,959          | 41.3 %                  | 179,435         | 60,249          | 197.8 %                 |
| Cost of sales  | (18,530)        | (12,299)        | 50.7 %                  | (167,677)       | (51,701)        | 224.3 %                 |
| <b>Gross profit</b>  | <b>4,028</b>    | <b>3,660</b>    | 10.1 %                  | <b>11,758</b>   | <b>8,548</b>    | 37.6 %                  |
| Other income   | 6               | 8,413           | (99.9)%                 | 746             | 10,464          | -                       |
| Selling and distribution expenses  | (3,179)         | (6,241)         | (49.1)%                 | (6,867)         | (11,296)        | (39.2)%                 |
| General and administrative expenses  | (59,433)        | (17,729)        | 235.2 %                 | (72,442)        | (44,578)        | 62.5 %                  |
| Finance costs  | (8)             | (8)             | 0.0 %                   | (18)            | (106)           | (83.0)%                 |
| <b>Loss before tax</b>   | <b>(58,586)</b> | <b>(11,905)</b> | 392.1 %                 | <b>(66,823)</b> | <b>(36,968)</b> | 80.8 %                  |
| Income tax (expense)/credit  | (2,107)         | (2,823)         | (25.4)%                 | (2,408)         | 1,727           | N.A.                    |
| <b>Loss for the period</b>   | <b>(60,693)</b> | <b>(14,728)</b> | 312.1 %                 | <b>(69,231)</b> | <b>(35,241)</b> | 96.5 %                  |
| Other comprehensive (loss)/income for the period, net of tax:                |                 |                 |                         |                 |                 |                         |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> |                 |                 |                         |                 |                 |                         |
| - Currency translation differences arising from consolidation                | (47)            | 11              |                         | (54)            | 45              |                         |
| <b>Total comprehensive loss for the period</b>                               | <b>(60,740)</b> | <b>(14,717)</b> |                         | <b>(69,285)</b> | <b>(35,196)</b> |                         |

These figures have not been audited.



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### Loss before tax

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

|  | THE GROUP |          | THE GROUP |          |
|--|-----------|----------|-----------|----------|
|  | 2Q15      | 2Q14     | 6-mth 15  | 6-mth 14 |
|  | RMB '000  | RMB '000 | RMB '000  | RMB '000 |
| Interest income  | (6)       | (23)     | (16)      | (34)     |
| Interest expense                                       | -         | -        | -         | 87       |
| Allowance for doubtful trade receivables               | 56,822    | 13,029   | 68,028    | 35,054   |
| Write-back of allowance for doubtful trade receivables | (3,330)   | -        | (6,301)   | (119)    |
| Foreign exchange gain                                  | -         | (2)      | -         | (30)     |
| Amortisation of intangible assets                      | 30        | 28       | 63        | 42       |
| Amortisation of land use right                         | -         | 37       | -         | 93       |
| Gain on disposal of a subsidiary                       | -         | (8,391)  | -         | (8,391)  |
| Allowance for stock obsolescence                       | 980       | -        | 980       | -        |
| Operating lease expenses                               | 616       | 904      | 1,278     | 1,136    |
| Plant and equipment written off                        | 6         | -        | 6         | -        |
| Depreciation of property, plant and equipment          | 8,647     | 9,422    | 18,032    | 18,860   |



# SINOTEL TECHNOLOGIES LTD.

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Company Registration No. 200614275R

## 1(b)(i) STATEMENTS OF FINANCIAL POSITION

|   | THE GROUP                     |                               | THE COMPANY                   |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | As at<br>30-Jun-15<br>RMB'000 | As at<br>31-Dec-14<br>RMB'000 | As at<br>30-Jun-15<br>RMB'000 | As at<br>31-Dec-14<br>RMB'000 |
| <b>Non-current assets</b>                                   |                               |                               |                               |                               |
| Property, plant and equipment                               | 15,453                        | 33,465                        | 2                             | 2                             |
| Intangible assets   | 180                           | 243                           | -                             | -                             |
| Investment in subsidiaries                                  | -                             | -                             | 317,459                       | 367,224                       |
|   | 15,633                        | 33,708                        | 317,461                       | 367,226                       |
| <b>Current assets</b>                                       |                               |                               |                               |                               |
| Inventories   | 104,276                       | 182,581                       | -                             | -                             |
| Trade receivables   | 351,902                       | 346,990                       | -                             | -                             |
| Other receivables   | 20,839                        | 23,771                        | -                             | 1                             |
| Cash and cash equivalents                                   | 3,504                         | 11,461                        | 362                           | 2,387                         |
|   | 480,521                       | 564,803                       | 362                           | 2,388                         |
| <b>Total assets</b>   | 496,154                       | 598,511                       | 317,823                       | 369,614                       |
| <b>Non-current liabilities</b>                              |                               |                               |                               |                               |
| Deferred tax liabilities                                    | 9,548                         | 8,390                         | -                             | -                             |
| <b>Current liabilities</b>                                  |                               |                               |                               |                               |
| Trade payables  | 76,364                        | 107,342                       | -                             | -                             |
| Other payables  | 84,009                        | 87,261                        | 1,459                         | 1,523                         |
| Tax payables  | 9,103                         | 9,103                         | -                             | -                             |
|   | 169,476                       | 203,706                       | 1,459                         | 1,523                         |
| <b>Total liabilities</b>                                    | 179,024                       | 212,096                       | 1,459                         | 1,523                         |
| <b>Net assets</b>   | 317,130                       | 386,415                       | 316,364                       | 368,091                       |
| <b>Equity attributable to equity holders of the Company</b> |                               |                               |                               |                               |
| Share capital   | 454,325                       | 454,325                       | 454,325                       | 454,325                       |
| Currency translation reserve                                | (4,266)                       | (4,212)                       | (42,174)                      | (31,759)                      |
| Accumulated losses  | (132,929)                     | (63,698)                      | (95,787)                      | (54,475)                      |
| <b>Total equity</b>   | 317,130                       | 386,415                       | 316,364                       | 368,091                       |



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Company Registration No. 200614275R

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

|   | <b>THE GROUP</b>          |                  |                               |                  |
|---|---------------------------|------------------|-------------------------------|------------------|
|   | <b>As at 30 June 2015</b> |                  | <b>As at 31 December 2014</b> |                  |
|   | <b>Secured</b>            | <b>Unsecured</b> | <b>Secured</b>                | <b>Unsecured</b> |
|   | <b>RMB '000</b>           | <b>RMB '000</b>  | <b>RMB'000</b>                | <b>RMB '000</b>  |
| Amount repayable in one year or less,<br>or on demand | -                         | -                | -                             | -                |

There was no bank borrowing as at 30 June 2015 and 31 December 2014.



# SINOTEL TECHNOLOGIES LTD.

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

## 1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

|   | THE GROUP       |                  | THE GROUP            |                      |
|---|-----------------|------------------|----------------------|----------------------|
|   | 2Q15<br>RMB'000 | 2Q14<br>RMB '000 | 6-mth 15<br>RMB '000 | 6-mth 14<br>RMB '000 |
| <b>Cash flows from operating activities</b>                   |                 |                  |                      |                      |
| Loss before tax   | (58,586)        | (11,905)         | (66,823)             | (36,968)             |
| Adjustments for:  |                 |                  |                      |                      |
| Gain on disposal of subsidiary                                | -               | (8,391)          | -                    | (8,391)              |
| Depreciation of property, plant and equipment                 | 8,647           | 9,422            | 18,032               | 18,860               |
| Amortisation of intangible assets                             | 30              | 28               | 63                   | 42                   |
| Amortisation of land use right                                | -               | 37               | -                    | 93                   |
| Plant and equipment written off                               | 6               | -                | 6                    | -                    |
| Interest expense  | -               | -                | -                    | 87                   |
| Interest income   | (6)             | (23)             | (16)                 | (34)                 |
| Unrealised gain on foreign exchange                           | (49)            | -                | (50)                 | (1)                  |
| Operating loss before working capital changes                 | (49,958)        | (10,832)         | (48,788)             | (26,312)             |
| Changes in working capital:                                   |                 |                  |                      |                      |
| Inventories   | (2,326)         | 202              | 78,305               | (8,936)              |
| Trade receivables   | 60,758          | 1,914            | (4,912)              | (18,274)             |
| Other receivables   | 5,235           | (737)            | 2,932                | 11,174               |
| Trade payables  | (10,316)        | (5,010)          | (30,978)             | 18,131               |
| Other payables  | (5,533)         | 246              | (3,214)              | 28,458               |
| Cash (used in)/generated from operations                      | (2,140)         | (14,217)         | (6,655)              | 4,241                |
| Income tax paid   | (761)           | (30)             | (1,250)              | (82)                 |
| Interest received   | 6               | 23               | 16                   | 34                   |
| <b>Net cash (used in)/generated from operating activities</b> | <b>(2,895)</b>  | <b>(14,224)</b>  | <b>(7,889)</b>       | <b>4,193</b>         |
| <b>Cash flows from investing activities</b>                   |                 |                  |                      |                      |
| Purchase of property, plant and equipment                     | (12)            | (9)              | (25)                 | (3,993)              |
| Purchase of intangible assets                                 | -               | (285)            | -                    | (285)                |
| Net cash inflow from disposal of a subsidiary                 | -               | 25,102           | -                    | 25,102               |
| <b>Net cash (used in)/generated from investing activities</b> | <b>(12)</b>     | <b>24,808</b>    | <b>(25)</b>          | <b>20,824</b>        |
| <b>Cash flows from financing activities</b>                   |                 |                  |                      |                      |
| Interest paid   | -               | -                | -                    | (87)                 |
| Repayment of bank borrowings                                  | -               | -                | -                    | (20,000)             |
| Uplift of pledged deposits                                    | -               | 60               | -                    | 60                   |
| <b>Net cash generated from/(used in) financing activities</b> | <b>-</b>        | <b>60</b>        | <b>-</b>             | <b>(20,027)</b>      |
| Net (increase)/decrease in cash and cash equivalents          | (2,907)         | 10,644           | (7,914)              | 4,990                |
| Cash and cash equivalents at beginning of the period          | 6,384           | 15,784           | 11,461               | 21,380               |
| Effect of exchange rate changes on cash and cash equivalents  | 27              | 20               | (43)                 | 78                   |
| <b>Cash and cash equivalents at end of the period</b>         | <b>3,504</b>    | <b>26,448</b>    | <b>3,504</b>         | <b>26,448</b>        |



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Company Registration No. 200614275R

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

### STATEMENTS OF CHANGES IN EQUITY

|   | <b>The Group</b>     |                                     |                                     |                     |
|---|----------------------|-------------------------------------|-------------------------------------|---------------------|
|   | <b>Share capital</b> | <b>Currency translation reserve</b> | <b>Accumulated profits/(losses)</b> | <b>Total equity</b> |
|   | <b>RMB'000</b>       | <b>RMB'000</b>                      | <b>RMB'000</b>                      | <b>RMB'000</b>      |
| <b>Balance at 1 January 2014</b>                              | 454,325              | (4,202)                             | 394,257                             | 844,380             |
| Loss for the period   | -                    | -                                   | (35,241)                            | (35,241)            |
| Other comprehensive income for the period, net of tax:        |                      |                                     |                                     | -                   |
| - currency translation differences arising from consolidation | -                    | 45                                  | -                                   | 45                  |
| Total comprehensive income/(loss) for the period              | -                    | 45                                  | (35,241)                            | (35,196)            |
| <b>Balance at 30 June 2014</b>                                | 454,325              | (4,157)                             | 359,016                             | 809,184             |
| <b>Balance at 1 January 2015</b>                              | 454,325              | (4,212)                             | (63,698)                            | 386,415             |
| Loss for the period   | -                    | -                                   | (69,231)                            | (69,231)            |
| Other comprehensive loss for the period, net of tax:          |                      |                                     |                                     | -                   |
| - currency translation differences arising from consolidation | -                    | (54)                                | -                                   | (54)                |
| Total comprehensive loss for the period                       | -                    | (54)                                | (69,231)                            | (69,285)            |
| <b>Balance at 30 June 2015</b>                                | 454,325              | (4,266)                             | (132,929)                           | 317,130             |

  

|   | <b>The Company</b>   |                                     |                           |                     |
|---|----------------------|-------------------------------------|---------------------------|---------------------|
|   | <b>Share capital</b> | <b>Currency translation reserve</b> | <b>Accumulated losses</b> | <b>Total equity</b> |
|   | <b>RMB'000</b>       | <b>RMB'000</b>                      | <b>RMB'000</b>            | <b>RMB'000</b>      |
| <b>Balance at 1 January 2014</b>                              | 454,325              | (17,891)                            | (57,433)                  | 379,001             |
| Loss for the period   | -                    | -                                   | (9,690)                   | (9,690)             |
| Other comprehensive income for the period, net of tax:        |                      |                                     |                           | -                   |
| - currency translation differences arising from consolidation | -                    | 8,201                               | -                         | 8,201               |
| Total comprehensive income/(loss) for the period              | -                    | 8,201                               | (9,690)                   | (1,489)             |
| <b>Balance at 30 June 2014</b>                                | 454,325              | (9,690)                             | (67,123)                  | 377,512             |
| <b>Balance at 1 January 2015</b>                              | 454,325              | (31,759)                            | (54,475)                  | 368,091             |
| Loss for the period   | -                    | -                                   | (41,312)                  | (41,312)            |
| Other comprehensive loss for the period, net of tax:          |                      |                                     |                           | -                   |
| - currency translation differences arising from consolidation | -                    | (10,415)                            | -                         | (10,415)            |
| Total comprehensive (loss)/income for the period              | -                    | (10,415)                            | (41,312)                  | (51,727)            |
| <b>Balance at 30 June 2015</b>                                | 454,325              | (42,174)                            | (95,787)                  | 316,364             |



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Company Registration No. 200614275R

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

Not applicable.

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

The total number of issued shares excluding treasury shares as at 30 June 2015 is 422,915,000 shares (31 December 2014: 422,915,000 shares).

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the period and as at 30 June 2015.

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

The figures have not been audited or reviewed by the auditors.

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

Not applicable.

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

The Group has applied the same accounting policies and method of computation in the financial statements for the current financial period, which are consistent with those described in the audited financial statements for the financial year ended 31 December 2014, except as disclosed in paragraph 5 below.



## SINOTEL TECHNOLOGIES LTD.

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Company Registration No. 200614275R

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

In the current financial period, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and are effective for annual periods beginning on 1 January 2015. The adoption of the new and revised FRSs and INT FRSs does not result in any significant changes to the accounting policies of the Group and the Company and has no material effect on the amounts reported for the current and prior years.

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

|                                | THE GROUP        |                  | THE GROUP            |                      |
|--------------------------------|------------------|------------------|----------------------|----------------------|
|                                | 2Q15<br>RMB '000 | 2Q14<br>RMB '000 | 6-mth 15<br>RMB '000 | 6-mth 14<br>RMB '000 |
| Loss for the period            | (60,693)         | (14,728)         | (69,231)             | (35,241)             |
| Loss per share (in RMB cents): |                  |                  |                      |                      |
| Basic and diluted              | (14.4)           | (3.5)            | (16.4)               | (8.3)                |

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) **current financial period reported on; and**  
(b) **immediately preceding financial year.**

|  | THE GROUP          |                    | THE COMPANY        |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | As at<br>30-Jun-15 | As at<br>31-Dec-14 | As at<br>30-Jun-15 | As at<br>31-Dec-14 |
| Net assets (RMB'000):                    | 317,130            | 386,415            | 316,364            | 368,091            |
| Net asset value per share (in RMB cents) | 75.0               | 91.4               | 74.8               | 87.0               |





## SINOTEL TECHNOLOGIES LTD.

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Company Registration No. 200614275R

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

### REVIEW OF PERFORMANCE

#### A Consolidated Statement of Comprehensive Income (2Q15 vs 2Q14 and 6-mth 15 vs 6-mth 14)

|                           | THE GROUP     |               |              |                         |                |               |                |                         |
|---------------------------|---------------|---------------|--------------|-------------------------|----------------|---------------|----------------|-------------------------|
|                           | 2Q15          | 2Q14          | Variance     | Increase/<br>(Decrease) | 6-mth 15       | 6-mth 14      | Variance       | Increase/<br>(Decrease) |
|                           | RMB '000      | RMB '000      | RMB '000     | %                       | RMB '000       | RMB '000      | RMB '000       | %                       |
| Sales of equipment        | -             | -             | -            | -                       | 128,897        | 31,904        | 96,993         | 304.0 %                 |
| Services related projects | 15,286        | 13,251        | 2,035        | 15.4 %                  | 31,552         | 25,637        | 5,915          | 23.1 %                  |
| System integration        | 7,272         | 2,708         | 4,564        | 168.5 %                 | 18,986         | 2,708         | 16,278         | 601.1 %                 |
|                           | <u>22,558</u> | <u>15,959</u> | <u>6,599</u> | <u>41.3 %</u>           | <u>179,435</u> | <u>60,249</u> | <u>119,186</u> | <u>197.8 %</u>          |

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

#### (i) Revenue

Revenue for 2Q15 increased by RMB6.6 million (41.3%) compared to 2Q14 mainly due to:

- (a) Increase in system integration of RMB4.6 million arising from increase in sales in Beijing; and
- (b) Increase in services related projects of RMB2.0 million arising from increase in sales in Beijing.

Revenue for 6-mth 15 increased by RMB119.2 million (197.8%) compared to 6-mth 14. The increase was mainly due to:

- (a) Increase in sales of equipment of RMB97.0 million (304.0%) arising from increase in sales in Hebei, Henan and Shanxi Provinces;
- (b) Increase in system integration of RMB16.3 million arising from increase in sales in Beijing; and
- (c) Increase in services related projects of RMB5.9 million arising from increase in sales in Beijing.



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### **Cost of Sales and Gross Profit**

Gross profit for 2Q15 increased by RMB0.4 million (10.1%) compared to 2Q14 mainly due to increase in system integration. The increase was offset by the decrease in gross profit margin from 22.9% in 2Q14 to 17.9% in 2Q15 due to decrease in gross profit margin from services related projects.

The gross profit for 6-mth 15 increased by RMB3.2 million (37.6%) compared to 6-mth 14 mainly due to increase in sales of equipment and system integration. The increase was offset by the decrease in gross profit margin from 14.2% in 6-mth 14 to 6.6% in 6-mth 15 due to decrease in gross profit margin contribution from sales of equipment.

### **(ii) Other Income**

Other income in 2Q15 decreased by RMB8.4 million (99.9%) compared to 2Q14 mainly due to gain on disposal of a subsidiary of RMB8.4 million in 2Q14.

The other income for 6-mth 15 decreased by RMB9.7 million (92.9%) compared to 6-mth 14. The decrease was mainly due to gain on disposal of a subsidiary of RMB8.4 million in 6-mth 14 and the reversal of unclaimed liabilities of RMB1.2 million relating to distribution of handsets business prior to 2007 in 6-mth 14.

### **(iii) Operating Expenses**

#### **Selling and distribution expenses**

Selling and distribution expenses for 2Q15 decreased by RMB3.1 million (49.1%) compared to 2Q14. The decrease was mainly due to:

- (a) Decrease in entertainment expenses of RMB0.4 million;
- (b) Decrease in general expenses of RMB2.4 million; and
- (c) Decrease in staff costs of RMB0.3 million.

The decrease was offset by the increase in marketing expenses of RMB 0.1 million.

Selling and distribution expenses for 6-mth15 decreased by RMB4.4 million (39.2%) compared to 6-mth 14. The decrease was mainly due to:

- (a) Decrease in general expenses of RMB1.5 million;
- (b) Decrease in entertainment expenses of RMB1.7 million;
- (c) Decrease in staff costs of RMB0.6 million; and
- (d) Decrease in marketing expenses of RMB0.6 million.

#### **General and administrative expenses**

General and administrative expenses for 2Q15 increased by RMB41.7 million (235.2%) compared to 2Q14. The increase was mainly due to:

- (a) Increase in allowance for doubtful trade receivables of RMB43.8 million;
- (b) Increase in allowance for stock obsolescence of RMB1.0 million;
- (c) Increase in professional fee of RMB0.5 million; and
- (d) Increase in general expenses of RMB0.2 million.



## **SINOTEL TECHNOLOGIES LTD.**

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Company Registration No. 200614275R

The increase was offset by:

- (a) Increase in written back of allowance for doubtful trade receivables of RMB3.3 million;
- (b) Decrease in staff costs of RMB0.2 million; and
- (c) Decrease in operating lease expense of RMB0.2 million.

General and administrative expenses for 6-mth 15 increased by RMB27.9 million (62.5%) compared to 6-mth 14. The increase was mainly due to:

- (a) Increase in allowance for doubtful trade receivables of RMB33.0 million;
- (b) Increase in allowance for stock obsolescence of RMB1.0 million;
- (c) Increase in professional fee of RMB0.4 million;
- (d) Increase in operating lease expense of RMB0.2 million; and
- (e) Increase in general expenses of RMB0.1 million.

The increase was offset by the increase in written back of allowance for doubtful trade receivables of RMB6.2 million and decrease in staff costs of RMB0.6 million.

### **(iv) Finance Costs**

Finance costs for 2Q15 had no material variance from 2Q14.

Finance costs for 6-mth 15 decreased by RMB0.1 million (83.0%) compared to 6-mth 14 mainly due to decrease in borrowings.

### **(v) Income Tax**

Income tax expense for 2Q15 decreased by RMB0.7 million (25.4%) compared to 2Q14 mainly due to decrease in taxable profit.

Income tax expense for 6-mth15 increased by RMB4.1 million (239.4%) compared to 6-mth14 mainly arising from increase in taxable profit and deferred tax arising from changes in taxable temporary differences.

### **(vi) Net Loss**

As a result of the above, the loss for 2Q15 and 6-mth 15 were RMB60.7 million (2Q14: RMB14.7million) and RMB69.2 million (6-mth 14: RMB35.2 million) respectively.



## SINOTEL TECHNOLOGIES LTD.

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

### B Statements of Financial Position (30 June 2015 vs 31 December 2014)

#### Non-current Assets

Non-current assets as at 30 June 2015 were RMB15.6 million (31 December 2014: RMB33.7 million). The decrease was mainly due to depreciation charge of RMB18.0 million.

#### Current Assets

Current assets as at 30 June 2015 were RMB480.5 million (31 December 2014: RMB564.8 million). The decrease was mainly due to:

- (a) Decrease in inventories of RMB78.3 million;
- (b) Decrease in other receivables of RMB2.9 million; and
- (c) Decrease in cash and cash equivalent of RMB8.0 million.

The decrease was offset by the below:

- (a) Increase in trade receivables of RMB4.9 million.

Trade receivables as at 30 June 2015 were RMB351.9 million (31 December 2014: RMB347.0 million). The trade receivables increased by 1.4%. The increase was mainly due to increase in revenue of 197.8%.

The ageing analysis of trade receivables as at 30 June 2015 is as below:

|  | <b>30 June 2015</b> | <b>31 December 2014</b> |
|--|---------------------|-------------------------|
|  | <b>RMB'000</b>      | <b>RMB'000</b>          |
| Not past due                                   | 79,957              | 140,398                 |
| Past due:                                      |                     |                         |
| 1 to 90 days                                   | 12,524              | 102,170                 |
| 91 to 270 days                                 | 289,281             | 36,418                  |
| 271 to 365 days                                | 31,464              | 108,644                 |
| More than 365 days                             | 515,763             | 474,720                 |
|  | <u>928,989</u>      | <u>862,350</u>          |
| Less: Allowance for doubtful trade receivables | <u>(577,087)</u>    | <u>(515,360)</u>        |
|  | <u>351,902</u>      | <u>346,990</u>          |

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

#### Non-current Liabilities

Non-current liabilities as at 30 June 2015 consisted of deferred tax liabilities of RMB9.5 million (31 December 2014: RMB8.4 million).



## **SINOTEL TECHNOLOGIES LTD.**

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

### **Current Liabilities**

Current liabilities as at 30 June 2015 amounted to RMB169.5 million (31 December 2014: RMB203.7 million). The decrease was mainly due to decrease in trade payables of RMB31.0 million and other payables of RMB3.3 million.

### **Shareholders' Equity**

Shareholders' equity of the Group decreased by approximately RMB69.3 million mainly due to the loss from operations.



## **SINOTEL TECHNOLOGIES LTD.**

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

### **C. Consolidated Statement of Cash Flows (2Q15 vs 2Q14 and 6-mth 15 vs 6-mth 14)**

In 2Q15, net cash of RMB2.9 million was used in operating activities mainly due to:

- (a) Increase in inventories of RMB2.3 million;
- (b) Decrease in trade payables of RMB10.3 million;
- (c) Decrease in other payables of RMB5.5 million;
- (d) Income tax paid of RMB0.8 million; and
- (e) Operating loss before working capital changes of RMB50.0 million.

However, the cash outflow above was offset by the cash inflow as below:

- (a) Decrease in trade receivables of RMB60.8 million; and
- (b) Decrease in other receivables of RMB5.2 million.

In 6-mth 15, net cash of RMB7.9 million was used in operating activities mainly due to:

- (a) Increase in trade receivables of RMB4.9 million;
- (b) Decrease in trade payables of RMB31.0 million;
- (c) Decrease in other payables of RMB3.2 million;
- (d) Income tax paid of RMB1.3 million; and
- (e) Operating loss before working capital changes of RMB48.8 million.

However, the cash outflow above was offset by the cash inflow as below:

- (a) Decrease in inventories of RMB78.3 million; and
- (b) Decrease in other receivables of RMB2.9 million.



## **SINOTEL TECHNOLOGIES LTD.**

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

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

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

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

The on-going effort of the telecommunication companies in the PRC to implement cost-saving initiatives to lower costs and boost earnings erodes the Group's margins. As such, the Group continues to experience a slowdown in its core business, compounded by the slower collection from its customers.

Barring a significant change in the overall environment of the telecommunications industry in the PRC, the Group expects the sluggish trend to persist in the coming year. As such, it will be holding back any aggressive expansion plans until the external business environment improves.

**11. If a decision regarding dividend has been made:**

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

None.

**(b)(i) Amount per share**

Not applicable.

**(ii) Previous corresponding period**

Not applicable.

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

Not applicable.

**(d) The date the dividend is payable**

Not applicable.

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

Not applicable.



## **SINOTEL TECHNOLOGIES LTD.**

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

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

No dividend is recommended for the financial period reported on.

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

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





## **SINOTEL TECHNOLOGIES LTD.**

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Company Registration No. 200614275R

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

Not applicable.

**BY ORDER OF THE BOARD**

**Jia Yue Ting  
Executive Chairman  
4 August 2015**



## **SINOTEL TECHNOLOGIES LTD.**

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

### **Negative assurance confirmation on interim financial results under Rule 705(5) of the Listing Manual**

On behalf of the Board of Directors of the Company, we, Jia Yue Ting and Li Zhen Yu, being two Directors of the Company, do hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the interim financial results for the six-month period ended 30 June 2015 of the Company and of the Group to be false or misleading in any material respect.

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Jia Yue Ting

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Li Zhen Yu