

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

UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014

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The details of the contact person for the Sponsor are:

Name: Mr Tan Chong Huat (Registered Professional, RHT Capital Pte. Ltd.)
Address: Six Battery Road #10-01 Singapore 049909
Telephone: 6381 6757

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UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 Second quarter ended		Increase / (decrease)		Group Half year ended		Increase / (decrease)	
	30 June 14 Rmb'000	30 June 13 Rmb'000			30 June 14 Rmb'000	30 June 13 Rmb'000		
Revenue	190,305	182,985	7,320	4	323,553	311,660	11,893	4
Cost of sales	(167,399)	(171,139)	(3,740)	(2)	(293,234)	(290,363)	2,871	1
Gross profit	<u>22,906</u>	<u>11,846</u>	<u>11,060</u>	93	<u>30,319</u>	<u>21,297</u>	<u>9,022</u>	42
Other operating income	2,083	904	1,179	130	2,719	1,720	999	58
Selling and distribution expenses	(2,938)	(3,936)	(998)	(25)	(6,389)	(8,373)	(1,984)	(24)
General and administrative expenses	(5,703)	(9,072)	(3,369)	(37)	(14,757)	(18,938)	(4,181)	(22)
Other operating expenses	(336)	(1,021)	(685)	(67)	(756)	(1,136)	(380)	(33)
Share of profit of associate	1,178	197	981	498	1,175	127	1,048	825
Finance income	1,097	5,589	(4,492)	(80)	5,023	7,525	(2,502)	(33)
Finance expenses	(4,774)	(4,470)	304	7	(10,121)	(9,278)	843	9
Profit/(Loss) before income tax	<u>13,513</u>	<u>37</u>	<u>13,476</u>	36,422	<u>7,213</u>	<u>(7,056)</u>	<u>14,269</u>	N.M.
Income tax expense								
- current year	(3,061)	(2,380)	681	29	(3,940)	(2,638)	1,302	49
- prior years	<u>-</u>	<u>1</u>	<u>(1)</u>	N.M.	<u>-</u>	<u>1</u>	<u>(1)</u>	N.M.
Profit/(Loss) for the period, representing total comprehensive income for the period	<u><u>10,452</u></u>	<u><u>(2,342)</u></u>	<u><u>12,794</u></u>	N.M.	<u><u>3,273</u></u>	<u><u>(9,693)</u></u>	<u><u>12,966</u></u>	N.M.

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

	Group		Group	
	Second quarter ended		Half year ended	
	30 June 14	30 June 13	30 June 14	30 June 13
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Depreciation of property, plant and equipment	4,375	4,658	8,705	9,359
Loss/(Gain) on disposal of property, plant and equipment	-	42	56	(243)
Property, plant and equipment written off	50	124	51	124
Amortisation of land use rights	46	46	92	92
Net (write back of)/allowance for doubtful debts/Bad debts written off	(709)	571	2,435	1,449
Foreign currency exchange gain	(174)	(18)	(125)	(41)
Allowance for inventory obsolescence	-	460	-	460

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	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Non-current assets				
Property, plant and equipment	107,554	116,067	18	23
Land use rights	7,033	7,125	-	-
Subsidiaries	-	-	236,112	236,112
Due from a subsidiary (non-trade)	-	-	100,117	98,926
Associate	4,843	3,668	-	-
Deferred tax assets	10,889	10,889	-	-
	<u>130,319</u>	<u>137,749</u>	<u>336,247</u>	<u>335,061</u>
Current assets				
Inventories	4,590	4,346	-	-
Trade and other receivables	888,208	903,689	11,056	10,617
Cash and cash equivalents	60,317	83,053	787	415
	<u>953,115</u>	<u>991,088</u>	<u>11,843</u>	<u>11,032</u>
Assets classified as held for sale	22,675	22,675	-	-
	<u>975,790</u>	<u>1,013,763</u>	<u>11,843</u>	<u>11,032</u>
Total assets	<u><u>1,106,109</u></u>	<u><u>1,151,512</u></u>	<u><u>348,090</u></u>	<u><u>346,093</u></u>

	Group		Company	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Capital and reserves				
Share capital	182,405	182,405	653,285	653,285
Reserves	74,297	74,297	-	-
Accumulated profits/(losses)	115,593	112,320	(306,204)	(308,530)
Total equity	<u>372,295</u>	<u>369,022</u>	<u>347,081</u>	<u>344,755</u>
Non-current liability				
Mortgage loans	<u>2,574</u>	<u>6,747</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	453,777	527,471	1,009	1,338
Short-term bank borrowings	251,387	218,850	-	-
Mortgage loans	10,659	15,152	-	-
Income tax payable	7,130	5,983	-	-
	<u>722,953</u>	<u>767,456</u>	<u>1,009</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>731,240</u>	<u>775,743</u>	<u>1,009</u>	<u>1,338</u>
Total liabilities	<u>733,814</u>	<u>782,490</u>	<u>1,009</u>	<u>1,338</u>
Total equity and liabilities	<u>1,106,109</u>	<u>1,151,512</u>	<u>348,090</u>	<u>346,093</u>

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

	As at 30 June 2014		As at 31 December 2013	
	Secured Rmb'000	Unsecured Rmb'000	Secured Rmb'000	Unsecured Rmb'000
Amount repayable in one year or less, or on demand				
Mortgage loans	10,659	-	15,152	-
Short-term bank borrowings and bills payables	301,787	-	326,575	-
	<u>312,446</u>	<u>-</u>	<u>341,727</u>	<u>-</u>
Amount repayable after one year				
Mortgage loans	<u>2,574</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, bank balances and trade receivables 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		Group	
	Second quarter ended		Half year ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Operating activities				
Profit/(Loss) before income tax	13,513	37	7,213	(7,056)
Adjustments for:				
Depreciation of property, plant and equipment	4,375	4,658	8,705	9,359
Loss/(Gain) on disposal of property, plant and equipment	-	42	56	(243)
Property, plant and equipment written off	50	124	51	124
Amortisation of land use rights	46	46	92	92
(Write back of)/Allowance for impairment loss on trade receivables/Bad debts written off	(709)	571	2,435	1,217
Allowance for impairment loss on other receivables/Bad debts written off	-	-	-	232
Allowance for inventories	-	460	-	460
Share of profit of associate	(1,178)	(197)	(1,175)	(127)
Finance income	(1,097)	(5,589)	(5,023)	(7,525)
Finance expenses	4,774	4,470	10,121	9,278
Operating cash flows before movements in working capital	19,774	4,622	22,475	5,811
Trade and other receivables	(13,399)	(31,513)	16,907	895
Inventories	374	217	(244)	1,023
Trade and other payables	(18,964)	33,496	(73,949)	3,171
Cash (used in)/generated from operations	(12,215)	6,822	(34,811)	10,900
Income tax paid	(1,133)	(581)	(2,793)	(1,938)
Net cash (used in)/from operating activities	(13,348)	6,241	(37,604)	8,962

	Group Second quarter ended		Group Half year ended	
	30 June 2014 Rmb'000	30 June 2013 Rmb'000	30 June 2014 Rmb'000	30 June 2013 Rmb'000
Investing activities				
Purchase of property, plant and equipment	(311)	(1,688)	(330)	(3,679)
Proceeds from disposal of property, plant and equipment	-	40	52	1,436
Amount received from the intended sale of a subsidiary	-	-	-	3,245
Interest received	241	493	675	869
Net cash (used in)/from investing activities	(70)	(1,155)	397	1,871
Financing activities				
Mortgage loan repayments	(4,374)	(4,061)	(8,666)	(8,046)
Loan from related party	-	-	-	12,000
Repayment of loans from related party	-	(8,000)	-	(12,000)
Repayments of short-term bank borrowings	(159,150)	(222,880)	(210,150)	(265,280)
Proceeds from short-term bank borrowings	158,854	164,380	242,779	244,912
Interest paid	(4,618)	(4,433)	(9,492)	(8,311)
Decrease in pledged bank balances	19,220	68,519	26,931	39,759
Net cash from/(used in) financing activities	9,932	(6,475)	41,402	3,034
Net (decrease)/increase in cash and cash equivalents	(3,486)	(1,389)	4,195	13,867
Cash and cash equivalents at beginning of the period	28,624	22,202	20,943	6,946
Cash and cash equivalents at end of the period	25,138	20,813	25,138	20,813
Cash and cash equivalents include:				
Cash at bank and in hand	60,317	55,544	60,317	55,544
Assets classified as held for sale	23	23	23	23
Pledged bank balances	(35,202)	(34,754)	(35,202)	(34,754)
	25,138	20,813	25,138	20,813

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
Loss for the period, representing total comprehensive income for the period	-	-	(9,693)	(9,693)
At 30 June 2013	182,405	69,838	102,885	355,128
At 1 January 2014	182,405	74,297	112,320	369,022
Profit for the period, representing total comprehensive income for the period	-	-	3,273	3,273
At 30 June 2014	182,405	74,297	115,593	372,295
	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 period, representing total comprehensive income for the period	-	(5,434)	(5,434)	
At 30 June 2013	653,285	(306,533)	346,752	
At 1 January 2014	653,285	(308,530)	344,755	
Profit for the period, representing total comprehensive income for the period	-	2,326	2,326	
At 30 June 2014	653,285	(306,204)	347,081	

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 period ended 30 June 2014.

There are no outstanding convertibles or treasury shares as at 30 June 2014 and 30 June 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 period reported on and as at the end of the immediately preceding financial year. The total number of issued shares of the Company as at 30 June 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 period 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 period ended 30 June 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 Second quarter ended		Group Half year ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Rmb	Rmb	Rmb	Rmb
(a) Based on weighted average number of ordinary shares (cents/share)	0.63	(0.14)	0.20	(0.58)
(b) Based on fully diluted basis (cents/share)	0.63	(0.14)	0.20	(0.58)
Weighted average number of shares ('000) in issue used for calculation of earnings per share	1,663,900	1,663,900	1,663,900	1,663,900

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

The Group does not have any potential dilutive ordinary shares in existence for the financial periods ended 30 June 2014 and 30 June 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	
	30 June 2014	31 December 2013	30 June 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 period (cents/share)	22.37	22.18	20.86	20.72
Number of shares in issue as at end of the period ('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 – 2nd Quarter of FY2014

Gross profit

Gross profit increased from Rmb11.8 million in the second quarter of FY2013 to Rmb22.9 million in the second quarter of FY2014 mainly due to higher gross profit margin resulting from favourable supply and demand situations.

Other operating income

Other operating income increased from Rmb0.9 million in the second quarter of FY2013 to Rmb2.1 million in the second quarter of FY2014 mainly due to higher government subsidies in the current quarter.

Selling and distribution expenses

Selling and distribution expenses decreased from Rmb3.9 million in the second quarter of FY2013 to Rmb2.9 million in the second quarter of FY2014 mainly due to lower personnel costs.

General and administrative expenses

General and administrative expenses decreased from Rmb9.1 million in the second quarter of FY2013 to Rmb5.7 million in the second quarter of FY2014 mainly due to write back of allowance for doubtful debts and lower personnel costs.

Other operating expenses

Other operating expenses decreased from Rmb1.0 million in the second quarter of FY2013 to Rmb0.3 million in the second quarter of FY2014 mainly due to absence of allowance for inventory obsolescence in this quarter.

Share of profit of associate

The increase in share of profit of associate was due to higher profits reported by the associate.

Finance income

The effect of the discounting of trade receivables which are contractually collectible after one year is debited against revenue whereas the subsequent unwinding effect of discounting is recognised as finance income. Finance income decreased from Rmb5.6 million in the second quarter of FY2013 to Rmb1.1 million in the second quarter of FY2014 mainly due to lower unwinding effect of the discounting in the second quarter of FY2014.

Income tax expense

Income tax expense of Rmb3.1 million incurred in the second quarter of FY2014 was mainly attributable to taxable income generated by profitable subsidiaries.

Review of Performance – Half year of FY2014

Gross profit

Gross profit increased from Rmb21.3 million in the first half of FY2013 to Rmb30.3 million in the first half of FY2014 mainly due to higher gross profit margin resulting from favourable supply and demand situations.

Other operating income

Other operating income increased from Rmb1.7 million in the first half of FY2013 to Rmb2.7 million in the first half of FY2014 mainly due to higher government subsidies in the current period.

Selling and distribution expenses

Selling and distribution expenses decreased from Rmb8.4 million in the first half of FY2013 to Rmb6.4 million in the first half of FY2014 mainly due to lower marketing expenses incurred during the period.

General and administrative expenses

General and administrative expenses decreased from Rmb18.9 million in the first half of FY2013 to Rmb14.8 million in the first half of FY2014 mainly due to lower personnel costs and legal fees.

Other operating expenses

Other operating expenses decreased from Rmb1.1 million in the first half of FY2013 to Rmb0.8 million in the first half of FY2014 mainly due to absence of allowance for inventory obsolescence.

Share of profit of associate

The increase in share of profit of associate was due to higher profits reported by the associate.

Finance income

The effect of the discounting of trade receivables which are contractually collectible after one year is debited against revenue whereas the subsequent unwinding effect of discounting is recognised as finance income. Finance income decreased from Rmb7.5 million in the first half of FY2013 to Rmb5.0 million in the first half of FY2014 mainly due to lower unwinding effect of the discounting in the first half of FY2014.

Income tax expense

Income tax expense of Rmb3.9 million incurred in the first half of FY2014 was mainly attributable to taxable income generated by profitable subsidiaries.

Review of Financial Position

Investment in associate increased from Rmb3.7 million as at 31 December 2013 to Rmb4.8 million as at 30 June 2014 due to recognition of share of profit of associate.

Mortgage loans decreased from Rmb21.9 million as at 31 December 2013 to Rmb13.2 million as at 30 June 2014 due to repayment made during the period.

Trade and other payables decreased from Rmb527.5 million as at 31 December 2013 to Rmb453.8 million as at 30 June 2014 mainly due to decrease in bills payables.

Short-term bank borrowings increased from Rmb218.9 million as at 31 December 2013 to Rmb251.4 million as at 30 June 2014 mainly due to increase in bills payable to banks.

Income tax payable increased from Rmb6.0 million as at 31 December 2013 to Rmb7.1 million as at 30 June 2014 mainly due to tax provisions being made.

Review of Cash Flows

The Group reported negative cash flows from operating activities of Rmb13.3 million in the second quarter of FY2014 mainly due to movements in working capital, where there is a decrease in trade and other payables and an increase in trade and other receivables. However, with the decrease in pledged bank balances under cash flows from financing activities, the Group maintained cash and bank balances of Rmb60.3 million as at 30 June 2014.

Negative cash flows from investing activities in the second quarter of FY2014 amounting to Rmb0.1 million were attributable to purchase of property, plant and equipment during the period which was partially offset by interest received.

Cash flows from financing activities in the second quarter of FY2014 amounting to Rmb9.9 million were mainly attributable to a decrease in pledged bank balances which was partially offset by interest paid and mortgage loan repayments.

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 the PRC.

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/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded.

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, is less than S\$100,000.

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

Confirmation By The Board

We, Sun Jianming and Zhao Lei, being two Directors of China Yongsheng Limited (the “Company”), do hereby confirm on behalf of the Board of Directors of the Company 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 financial results for the 6 months period ended 30 June 2014 as set out above to be false or misleading in any material aspect.

For and on behalf of the Board

Sun Jianming

Zhao Lei