

**STELECOM INTERNATIONAL HOLDINGS CO. LTD.**

(Registration No. 34713)

(Incorporated in Bermuda)

**1(a) (i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**CONSOLIDATED INCOME STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (RMB'000)  
For the third quarter ended 30 September 2014**

	<b>GROUP</b>		
	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>+ / (-) %</b>
<b>Revenue</b>	<b>163,071</b>	<b>120,723</b>	<b>35.08</b>
Cost of sales	(127,717)	(93,892)	<b>36.03</b>
<b>Gross profit</b>	<b>35,354</b>	<b>26,831</b>	<b>31.77</b>
Other operating income, net	585	89	<b>557.30</b>
Change in fair value of other financial assets	156	-	<b>n/m</b>
Selling expenses	(10,202)	(9,654)	<b>5.68</b>
Administrative expenses	(14,079)	(7,148)	<b>96.96</b>
Finance costs	(4,715)	(1,216)	<b>287.75</b>
<b>Profit before income tax</b>	<b>7,099</b>	<b>8,902</b>	<b>(20.25)</b>
Income tax expense	(1,667)	(1,993)	<b>(16.36)</b>
<b>Net profit after income tax, representing total comprehensive income for the period</b>	<b>5,432</b>	<b>6,909</b>	<b>(21.38)</b>

**1(a)(ii) Profit before income tax was arrived at after (crediting) charging the following:**

	<b>GROUP</b>		
	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>+ / (-) %</b>
Allowance for doubtful trade receivables	1,651	517	<b>219.34</b>
Depreciation and amortisation expense	2,209	1,706	<b>29.48</b>
Finance cost	4,715	629	<b>649.60</b>
Interest income	(207)	(23)	<b>800.00</b>
Government grant	(686)	-	<b>n/m</b>
Research costs	8,919	5,324	<b>67.52</b>
Discount for notes receivable *	340	587	<b>(42.08)</b>

\* : included as part of finance cost.

n/m: Denotes not meaningful.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

**STATEMENT OF FINANCIAL POSITION (RMB'000)**

As at 30 September 2014

	<u>GROUP</u>		<u>Company</u>	
	<u>As at</u> <u>30/09/2014</u>	<u>As at</u> <u>31/12/2013</u>	<u>As at</u> <u>30/09/2014</u>	<u>As at</u> <u>31/12/2013</u>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and bank balances	172,766	177,259	100	366
Other financial assets	572	466	-	-
Trade receivables	178,589	160,408	-	-
Amount due from subsidiaries	-	-	141,588	148,117
Other receivables and prepayments	38,251	58,534	75	92
Construction contracts	123,846	93,579	-	-
Inventories	45,355	32,215	-	-
Properties under development	310,710	286,013	-	-
<b>Total current assets</b>	<b>870,089</b>	<b>808,474</b>	<b>141,763</b>	<b>148,575</b>
<b>Non-current assets:</b>				
Investment in subsidiaries	-	-	60,000	60,000
Investment properties	208,410	186,260	-	-
Property, plant and equipment	81,277	89,351	-	-
Prepayments	21,552	19,428	-	-
Intangible asset	723	769	-	-
<b>Total non-current assets</b>	<b>311,962</b>	<b>295,808</b>	<b>60,000</b>	<b>60,000</b>
<b>Total assets</b>	<b>1,182,051</b>	<b>1,104,282</b>	<b>201,763</b>	<b>208,575</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Short-term bank borrowings	383,800	301,800	-	-
Trade payables	96,667	82,840	-	-
Amount due to subsidiaries	-	-	12,595	14,529
Other payables and accrued expenses	4,632	50,271	8,439	8,362
Income tax payable	5,460	1,497	-	-
Provision for land appreciation tax	34,055	34,055	-	-
<b>Total current liabilities</b>	<b>524,614</b>	<b>470,463</b>	<b>21,034</b>	<b>22,891</b>
<b>Non-current liabilities:</b>				
Deferred tax liabilities	65,353	56,052	-	-
Long term bank loans	57,000	59,000	-	-
	122,353	115,052	-	-
<b>Equity</b>				
Shareholders' equity	535,084	518,767	180,729	185,684
<b>Total equity</b>	<b>535,084</b>	<b>518,767</b>	<b>180,729</b>	<b>185,684</b>
<b>Total liabilities and equity</b>	<b>1,182,051</b>	<b>1,104,282</b>	<b>201,763</b>	<b>208,575</b>

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

**Amount repayable in one year or less, or on demand**

<u>As at 30/09/2014</u>		<u>As at 31/12/2013</u>	
<u>RMB'000</u>		<u>RMB'000</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
281,448	83,875	223,784	74,000

**Amount repayable after one year**

<u>As at 30/09/2014</u>		<u>As at 31/12/2013</u>	
<u>RMB'000</u>		<u>RMB'000</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
57,000	-	59,000	-

**Details of any collateral**

	<u>As at</u>	<u>As at</u>
	<u>30/09/2014</u>	<u>31/12/2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Secured by fixed deposits	105,557	74,306
Secured by land use right *	98,535	4,195
Secured by building	33,293	32,398
Secured by investment properties	208,410	168,500

\* : part of land use right is included in properties under development.

In addition, secured borrowings of RMB107 million (2013: RMB127million) was guaranteed by a related party (Zhejiang Andison Information and Technology Co., Ltd ).

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED STATEMENT OF CASH FLOWS (RMB'000)**  
**For the third quarter ended 30 September 2014**

	<b>GROUP</b>	
	<b>Q3 2014</b>	<b>Q3 2013</b>
<b>Cash flows generated from (used in) operating activities:</b>		
Profit before income tax	7,099	8,902
Adjustments for:		
Depreciation and amortisation expense	2,209	1,706
Allowance for doubtful trade receivables	1,651	517
Changes in fair value of other financial assets	(156)	-
Interest expense	4,715	629
Interest income	(207)	(23)
Operating profit before working capital changes	15,311	11,731
Trade receivables	32,141	(3,297)
Amount due from related parties	1,365	(934)
Other receivables and prepayments	(2,965)	(1,806)
Construction contracts	8,683	3,217
Inventories	2,321	1,881
Properties under development	(12,509)	(9,267)
Trade payables	(16,309)	(11,782)
Other payables and accrued expenses	(10,904)	1,748
Cash generated from (used in) operations	17,134	(8,509)
Interest received	207	23
Interest paid	(7,042)	(4,478)
Income tax paid	(799)	(2,102)
Net cash generated from (used in) operating activities	9,500	(15,066)
<b>Cash flows from (used in) investing activities:</b>		
Proceed on disposal of land use rights	5,958	-
Purchase of property, plant and equipment	(3,445)	(6,455)
Net cash from (used in) investing activities	2,513	(6,455)
<b>Cash flows from financing activities:</b>		
Repayments of short-term bank loans	(151,500)	(29,500)
Increase in short-term bank borrowings	214,500	2,500
(Decrease) Increase in long-term bank borrowings	(2,000)	59,000
Pledged fixed deposits	(37,900)	4,650
Net cash from financing activities	23,100	36,650
Net increase in cash and cash equivalents	35,113	15,129
Cash and cash equivalents at beginning of period	32,096	49,697
<b>Cash and cash equivalents at end of period (Note 1)</b>	<b>67,209</b>	<b>64,826</b>

Note 1:

	<b>GROUP</b>	
	<b>Q3 2014</b>	<b>Q3 2013</b>
Cash and bank balances	172,766	99,643
Less: Fixed deposits pledged	(105,557)	(34,817)
Cash and cash equivalents at end of period	67,209	64,826

**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.**

**Attributable to equity holders of the Company**

	Share Capital	Treasury Shares	Share Premium	Other Reserve	Capital Reserve	Share Based Payment Reserve	Asset Revaluation Reserve	Accumulated Profits	Total Equity
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Balance as at 1 July 2014	79,369	(12,883)	118,574	63,766	(10,925)	1,527	20,278	269,946	529,652
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	-	-	5,432	5,432
Balance as at 30 September 2014	79,369	(12,883)	118,574	63,766	(10,925)	1,527	20,278	275,378	535,084
Balance as at 1 July 2013	79,369	(12,883)	118,574	62,434	(10,925)	1,527	13,966	258,620	510,682
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	-	-	6,909	6,909
Balance as at 30 September 2013	79,369	(12,883)	118,574	62,434	(10,925)	1,527	13,966	265,529	517,591

<u>Company</u>	<u>Share Capital</u> <u>RMB'000</u>	<u>Treasury Shares</u> <u>RMB'000</u>	<u>Share Premium</u> <u>RMB'000</u>	<u>Share-Based Payment Reserve</u> <u>RMB'000</u>	<u>Accumulated Losses</u> <u>RMB'000</u>	<u>Total Equity</u> <u>RMB'000</u>
Balance as at 1 July 2014	79,369	(12,883)	118,574	1,527	(5,788)	180,799
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	(70)	(70)
Balance as at 30 September 2014	79,369	(12,883)	118,574	1,527	(5,858)	180,729
Balance as at 1 July 2013	79,369	(12,883)	118,574	1,527	(3,372)	183,215
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	(991)	(991)
Balance as at 30 September 2013	79,369	(12,883)	118,574	1,527	(4,363)	182,224

**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 of the issuer, 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.**

There were no changes in the company's share capital during the third quarter ended 30 September 2014.

The number of ordinary shares held as treasury shares as at 30 September 2014 was 15,750,000 shares (30 September 2013: 15,750,000 shares).

As at 30 September 2014, there were no shares that may be issued on conversion of any outstanding convertibles or share option (2013: Nil).

**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 September 2014 is 463,154,250 shares (31 December 2013: 463,154,250 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 were no sales, transfers, disposal, cancellation and/or use of treasury shares during 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 or reviewed.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 methods of computation in the second quarter announcement for the current financial period as those of the audited financial statements for the year ended 31 December 2013, as well as all the applicable International Financial Reporting Standards ("IFRS") which became effective for the financial year beginning on or after 1 January 2014. The adoption of these new and revised IFRSs has no material effect on the second quarter announcement for the current period.

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.**

There have been no changes in accounting policies and methods of computation.

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.**

	<u>GROUP</u>	
	<u>2014Q3</u>	<u>2013Q3</u>
Basic EPS (RMB cents)	1.17	1.49
Diluted EPS (RMB cents)	1.17	1.49

\* based on weighted average numbers of ordinary shares in issue of 463,154,250 ordinary shares

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.**

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30/09/2014</u>	<u>31/12/2013</u>	<u>30/09/2014</u>	<u>31/12/2013</u>
Net asset value per ordinary share (RMB cents)	115.53	112.01	39.02	40.09

\* based on existing number of shares (excluding treasury shares) of 463,154,250 shares

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.**

#### **Consolidated Statement of Profit or Loss and other Comprehensive Income**

	3Q2014 RMB'MIL	3Q2013 RMB'MIL	Chg %
<b>Revenue by business segments:</b>			
Telecommunication pipes	19.10	17.11	11.63
Telecommunication & other towers	107.16	65.46	63.70
Telecommunication engineering services	35.17	36.22	(2.90)
Property	1.64	1.93	(15.03)
<b>Total revenue</b>	<b>163.07</b>	<b>120.72</b>	<b>35.08</b>

The Group announced revenue of RMB163.07 million for 3Q2014, an increase of 35.08% from RMB120.72 million for the corresponding period ended last year.

Revenue from telecommunication & other towers segment for 3Q2014 amounted to RMB107.16 million, an increase of 63.7% over the same period ended last year. Revenue from telecommunication pipes segment for 3Q2014 amounted to RMB19.10 million, an increase of 11.63% over the same period ended last year. On the other hand, the property business is down 15.03% year-on-year ("y-o-y") to revenue of RMB1.64 million in 3Q2014.

In line with higher sales for 3Q2014, the gross profit increased by 31.77% to RMB35.35 million as compared to RMB26.83 million for 3Q2013, which is mainly for the growth in telecommunication & tower income.

Net other operating income for 3Q2014 increased to RMB0.58 million, mainly due to the receipt of government grants of RMB0.69 million, offset by the higher other operating expenses.

The Group's operating expenses for 3Q2013 totalled RMB29.00 million as compared to RMB18.02 million for the same period ended last year.



Administrative expenses increased by RMB6.93 million due to higher provision for bad debts of RMB1.13 million and research costs of RMB3.60 million incurred in 3Q2014. Finance costs rose to RMB4.72 million in 3Q2014 from RMB1.22 million, mainly due to higher interest expenses not being capitalised as part of properties under development in 3Q2014. Higher selling expenses incurred for 3Q2014 as compare to 3Q2013 is in line with for revenue growth in current period.

The Group incurred lower income tax expense of RMB1.67 million in 3Q2014 as compared to RMB1.99 million for the same period ended last year which is in line with lower profit generated in current period.

Factoring the above results, the Group's net profit for 3Q2014 stood at RMB5.43 million as compared to RMB6.91 million in 3Q2013.

## **Statement of Financial Position**

Trade receivables as at 30 September 2014 increased by RMB18.18 million from RMB160.41 million to RMB178.59 million, mainly due to increase in revenue for the current period.

The Group's other receivables and prepayments decreased by RMB20.28 million from RMB58.53 million to RMB38.25 million mainly due to decrease in tender deposits and prepayment as at 30 September 2014.

Construction contracts as 30 September 2014 increased by RMB30.27 million from RMB93.58 million to RMB123.85 million. The main reason is due to more telecommunication and towers projects are completed but unbilled to trade receivables as at September 2014.

The Group's inventory stood at RMB45.36 million as at 30 September 2014, as compared to RMB32.22 million at the end of 2013 due to the increase of raw materials to support the increase in sales activities.

Properties under development as at 30 September 2014 increased by RMB24.70 million from RMB286.01 million to RMB310.71 million. This is mainly due to the capitalisation of design fees, staff costs, interest and construction costs during the period.

Short-term bank borrowings increased to RMB383.80 million as at 30 September 2014 as compared with RMB301.80 million as at the end of 2013, an increase of RMB82 million due to more short term loans obtained from banks over the loans repayments made during the period.

Trade payables amounted to RMB96.67 million as at 30 September 2014, an increase of RMB13.83 million as compared to the end of 2013 due to higher purchases during the period.

Other payables and accruals expenses at 30 September 2014 decreased by RMB45.64 million from RMB50.27 million to RMB4.63 million due to repayments made to sub-contractors and accrued expenses during the period.

## **Consolidated statement of Cash Flows**

Cash inflow amounted to RMB9.50 million generated from operating activities for 3Q2014 which has improved as compared to cash outflow of RMB15.01 million for 3Q2013.

Cash inflow used in investing activities amounted to RMB2.51 million, compared to an outflow of RMB6.46 million for 3Q2013 due to proceed on disposal of land use right of RMB5.96 million during 3Q2014.

Cash inflow from financing activities amounted to RMB23.10 million, compared to RMB36.7 million for 3Q2013.

With the combined effect from the above three factors, the Group's net cash inflow stood at RMB35.1 million for 3Q2013, compared with a net cash inflow of RMB15.1 million for 3Q2013.

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

Not applicable

**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.**

Telecommunication

The outlooks for all subsectors within the telecommunication sector is expected to remain stable, while the industry faces challenges of increased competition and rising labour cost, lower costs of materials as well as improved cost management will help to keep margin at the correct level. Telecommunication sector is expected to remain profitable in the Q4.

Property

Rental income for the Lin Ping commercial building and Tian Yuan building is expected to remain stable with no major lease renewal in the Q4.

Progress for the Wu Chang project construction is as scheduled. The construction of its superstructure has completed and main structure targeted to complete by 1Q2015. The Group remains confident that this project will contribute positively to its performance.

**11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

None

***(b) Corresponding Period of the Immediately Preceding Financial Year***

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

None

***(c) Date payable***

Not applicable

***(d) Books closure date***

Not applicable

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

No dividend has been declared or recommended on the third quarter ended 30 September 2014.

**13. Confirmation pursuant to Rule 705(5) of the SGX Listing Manual**

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements of the Company or the unaudited consolidated financial statements of the Group for the third quarter ended 30 September 2014 to be false or misleading in any material respect.

**14. 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 Group has not obtained a general mandate from shareholders for IPTs.

**FOR AND ON BEHALF OF THE BOARD**

**Ye Tianyun  
Executive Chairman  
11 November 2014**