



SINOTEL TECHNOLOGIES LTD.

(Incorporated in Singapore on 28 September 2006)

Company Registration No. 200614275R

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010

The Board of Directors of Sinotel Technologies Ltd. is pleased to announce the consolidated results of the Group for the 6 months period ended 30 June 2010.

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					
	2Q10	2Q09	Increase/ (Decrease)	6-mth 10	6-mth 09	Increase/ (Decrease)
	RMB '000	RMB '000	%	RMB '000	RMB '000	%
Revenue	168,477	142,106	18.6%	286,877	238,673	20.2%
Cost of sales	(104,753)	(85,505)	22.5%	(177,946)	(142,263)	25.1%
Gross profit	63,724	56,601	12.6%	108,931	96,410	13.0%
Other Income	36	52	(30.8)%	207	79	162.0%
Selling and distribution expenses	(5,808)	(4,761)	22.0%	(10,092)	(7,828)	28.9%
General and administrative expenses	(11,033)	(9,166)	20.4%	(20,320)	(16,381)	24.0%
Finance costs	(402)	(941)	(57.3)%	(967)	(1,517)	(36.3)%
Profit before income tax	46,517	41,785	11.3%	77,759	70,763	9.9%
Income tax expense	(4,049)	(222)	1,723.9%	(6,553)	(373)	1,656.8%
Net profit for the period	42,468	41,563	2.2%	71,206	70,390	1.2%
Other comprehensive income/(losses) for the period, net of tax:						
- Currency translation differences arising from consolidation	(69)	529		401	(116)	
Total comprehensive income for the period	41,769	42,092		71,607	70,274	

These figures have not been audited



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Profit before income tax

Profit before income tax is determined after charging/(crediting) the followings:

	THE GROUP			
	2Q10	2Q09	6-mth 10	6-mth 09
	RMB '000	RMB '000	RMB '000	RMB '000
Interest income	(27)	(46)	(194)	(69)
Interest expense	388	858	939	1,416
Write-back of allowance for doubtful trade receivables	(47)	-	(47)	-
Foreign exchange (gain)/loss	(340)	3	304	3
Amortisation of intangible assets	2,237	1,133	4,474	1,883
Operating lease expenses	694	475	1,192	909
Plant and equipment written off	-	12	14	12
Intangible assets written off	-	-	195	-
Depreciation of plant and equipment	4,740	3,819	7,934	7,646



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1(b)(i) STATEMENTS OF FINANCIAL POSITION

	THE GROUP		THE COMPANY	
	As at 30-Jun-10 RMB'000	As at 31-Dec-09 RMB'000	As at 30-Jun-10 RMB'000	As at 31-Dec-09 RMB'000
Non-current assets				
Plant and equipment	138,159	75,231	14	19
Intangible assets	15,804	20,473	-	-
Investment in subsidiary	-	-	96,099	96,016
Due from related parties (non-trade)	-	-	182,579	114,311
	153,963	95,704	278,692	210,346
Current assets				
Inventories	264,070	211,443	-	-
Trade receivables	422,155	385,858	-	-
Other receivables	24,550	35,615	30	33
Cash and cash equivalents	53,378	75,361	15,699	18,057
	764,153	708,277	15,729	18,090
Total assets	918,116	803,981	294,421	228,436
Non-current liabilities				
Deferred tax liabilities	10,641	9,722	-	-
Current liabilities				
Trade payables	95,041	71,747	-	-
Other payables and accruals	81,978	86,193	3,413	7,077
Bank borrowings	2,000	53,700	-	-
	179,019	211,640	3,413	7,077
Total liabilities	189,660	221,362	3,413	7,077
Net assets	728,456	582,619	291,008	221,359
Shareholders' equity				
Share capital	329,988	255,758	329,988	255,758
Translation reserve	(4,442)	(4,843)	(8,694)	(9,178)
Accumulated profits/(losses)	402,910	331,704	(30,286)	(25,221)
Total equity	728,456	582,619	291,008	221,359



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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:

	THE GROUP			
	As at 30 June 2010		As at 31 December 2009	
	Secured	Unsecured	Secured	Unsecured
	RMB '000	RMB '000	RMB'000	RMB '000
Amount repayable in one year or less, or on demand	2,000	-	53,700	-

The bank borrowings are repayable within one year. The loans have various maturity dates. Upon the expiration, the Group may refinance the loans based on its cash flow position and working capital requirements.

Details of any collateral

The bank borrowings were secured by cash deposits of RMB0.8 million as at 30 June 2010 (31 December 2009: RMB18.9 million), certain trade receivables and personal guarantee from one of the directors of the Company.

The bank facilities available to the Group were RMB160 million as at to date.

The Group's gearing ratio, calculated as total interest-bearing bank loans over net assets, was 0.3% as at 30 June 2010 (31 December 2009: 9.2%).



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1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	THE GROUP			
	2Q10	2Q09	6-mth 10	6-mth 09
	RMB '000	RMB '000	RMB '000	RMB '000
Cash flows from operating activities				
Profit before income tax	46,517	41,785	77,759	70,763
Adjustments for:				
Write-back of allowance for doubtful trade receivables	(47)	-	(47)	-
Depreciation expense	4,740	3,819	7,934	7,646
Amortisation of intangible assets	2,237	1,133	4,474	1,883
Plant and equipment written off	-	12	14	12
Intangible assets written off	-	-	195	-
Interest expense	388	858	939	1,416
Interest income	(27)	(46)	(194)	(69)
Currency translation differences	(815)	(434)	(219)	96
Operating profit before working capital changes	52,993	47,127	90,855	81,747
Changes in working capital:				
Inventories	(38,562)	(47,301)	(52,627)	(61,164)
Trade receivables	(23,438)	(83,085)	(36,250)	(117,913)
Other receivables	2,916	(11,039)	11,065	(17,802)
Trade payables	21,312	48,635	22,709	59,271
Other payables and accruals	14,921	28,278	(9,872)	37,712
Cash generated from/(used in) operations	30,142	(17,385)	25,880	(18,149)
Interest received	27	46	194	69
Net cash generated from/(used in) operating activities	30,169	(17,339)	26,074	(18,080)
Cash flows from investing activities				
Purchase of plant and equipment	(62,878)	(41)	(70,295)	(179)
Intangible assets acquired	-	(5,758)	-	(6,958)
Proceed from disposal of plant and equipment	4	-	4	-
Net cash used in investing activities	(62,874)	(5,799)	(70,291)	(7,137)
Cash flows from financing activities				
Interest paid	(388)	(858)	(939)	(1,416)
Net repayment of bank loans	(30,000)	30,000	(51,700)	30,000
Uplift of pledged deposit	18,234	(12,000)	24,744	(12,000)
Proceeds from issuance of shares	-	-	78,195	-
Share issue expense	-	-	(3,965)	-
Net cash (used in)/generated from financing activities	(12,154)	17,142	46,335	16,584
Net (decrease)/increase in cash and cash equivalents	(44,859)	(5,996)	2,118	(8,633)
Cash and cash equivalents at beginning of the period	97,315	18,601	49,817	22,142
Effect of currency translation on cash and cash equivalents	122	741	643	(163)
Cash and cash equivalents at end of the period	52,578	13,346	52,578	13,346
Cash and cash equivalents represented by:				
Cash and cash equivalents on statement of financial position	53,378	40,034	53,378	40,034
Less: Deposits pledged	(800)	(26,688)	(800)	(26,688)
	52,578	13,346	52,578	13,346



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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

	The Group			
	Share capital RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2009	190,852	(6,977)	192,741	376,616
Total comprehensive (loss)/income for the period	-	(116)	70,390	70,274
Balance at 30 June 2009	190,852	(7,093)	263,131	446,890
Balance at 1 January 2010	255,758	(4,843)	331,704	582,619
Issue of shares	78,195	-	-	78,195
Share issue expense	(3,965)	-	-	(3,965)
Total comprehensive income for the period	-	401	71,206	71,607
Balance at 30 June 2010	329,988	(4,442)	402,910	728,456

	The Company			
	Share capital RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2009	190,852	(13,532)	(11,421)	165,899
Total comprehensive loss for the period	-	(1,587)	(3,857)	(5,444)
Balance at 30 June 2009	190,852	(15,119)	(15,278)	160,455
Balance at 1 January 2010	255,758	(9,178)	(25,221)	221,359
Issue of shares	78,195	-	-	78,195
Share issue expense	(3,965)	-	-	(3,965)
Total comprehensive income/(loss) for the period	-	484	(5,065)	(4,581)
Balance at 30 June 2010	329,988	(8,694)	(30,286)	291,008



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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.

No changes in the Company's share capital during the period.

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 2010 is 336,000,000 shares (31 December 2009: 308,000,000 shares).

On 12 July 2010, the Company granted 1,400,000 shares as share awards to eligible Participants pursuant to its Performance Share Scheme by issuing 1,400,000 new ordinary shares in the share capital of the Company. The new shares were quoted on the Singapore Stock Exchange on 15 July 2010. Following the issue of the new shares, the total number of issued shares excluding treasury shares of the Company is 337,400,000 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 2010.

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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and method of computation in the financial statements for the current financial period as those of the audited financial statements for the financial year ended 31 December 2009.



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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.

For this financial year, the Group adopted the new/revised Financial Reporting Standards (“FRS”) and Interpretations of FRS (“INT FRS”) that are effective for annual periods beginning on or after 1 January 2010. The Group’s accounting policies have been changed in accordance with the respective FRS and INT FRS. The following are the new or amended FRS that is relevant to the Group:

Revised FRS 103	Business Combinations
Amendments to FRS 27	Consolidated and Separate Financial Statement

The adoption of above FRS did not result in any substantial change to the Group’s accounting policies nor any significant impact on the financial statements.



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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			
	2Q10 RMB '000	2Q09 RMB '000	6-mth 10 RMB '000	6-mth 09 RMB '000
Profit after income tax	42,468	41,563	71,206	70,390
Earnings per share (in RMB cents):				
Basic and diluted	12.6	14.8	21.5	25.1

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital 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 30-Jun-10	As at 31-Dec-09	As at 30-Jun-10	As at 31-Dec-09
Net assets (RMB'000):	728,456	582,619	291,008	221,359
Net asset value per share (in RMB cents)	216.8	189.2	86.6	71.9



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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 (2Q10 vs 2Q09 and 6-mth 10 vs 6-mth 09)

(i) Revenue

	THE GROUP				THE GROUP			
	2Q10	2Q09		Increase/ (Decrease)	6-mth 10	6-mth 09		Increase/ (Decrease)
	RMB '000	RMB '000	Variance	%	RMB '000	RMB '000	Variance	%
Indoor & outdoor	86,804	121,814	(35,010)	(28.7)%	136,941	187,375	(50,434)	(26.9)%
Sales of equipment	33,864	13,049	20,815	159.5 %	52,693	13,049	39,644	303.8 %
Installation service	20,980	-	20,980	N.M.	32,761	-	32,761	N.M.
Maintenance service	751	-	751	N.M.	751	-	751	N.M.
System integration	6,656	7,243	(587)	(8.1)%	13,107	7,243	5,864	81.0 %
EMCS	19,422	-	19,422	N.M.	50,624	24,030	26,594	110.7 %
Sales of 3G cards	-	-	-	-	-	6,976	(6,976)	(100.0)%
	<u>168,477</u>	<u>142,106</u>	<u>26,371</u>	<u>18.6 %</u>	<u>286,877</u>	<u>238,673</u>	<u>48,205</u>	<u>20.2 %</u>

Note (1): Indoor & outdoor - Indoor and outdoor wireless coverage solutions

Note (2): EMCS - Emergency mobile communication station

Note (3): N.M. - Not meaningful

Our revenue for 2Q10 and 6-mth 10 increased by RMB26.4 million (18.6%) and RMB48.2 million (20.2%), respectively, compared to the corresponding periods in 2009.

The increase in 2Q10 was due mainly to increase in revenue from sales of equipment of RMB20.8 million, installation service of RMB21.0 million and EMCS of RMB19.4 million. The increase was offset by decrease in revenue from indoor & outdoor wireless coverage solutions of RMB35.0 million.

The increase in 6-mth 10 was due mainly to increase in revenue from sales of equipment of RMB39.6 million, installation service of RMB32.8 million, EMCS of RMB26.6 million and system integration of RMB5.9 million. The increase was offset by decrease in revenue from indoor & outdoor wireless coverage solutions of RMB50.4 million and sales of 3G cards of RMB7.0 million.



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In a bid to streamline its wireless infrastructure development, China's mobile carriers ("Telcos") are moving towards segregating the process of building its network coverage into three segments; Procurement of equipment, Design and Installation services. The Telcos adopted the centralised procurement policy in late 2008 by purchasing equipment in bulk. As such, there was significant increase in the revenue from sales of equipment in 2Q10 as we completed the delivery of our goods and services.

(ii) Cost of Sales and Gross Profit

Gross profit for 2Q10 and 6-mth 10 increased by RMB7.1 million (12.6%) and RMB12.5 million (13.0%), respectively, compared to the corresponding periods in 2009. The increase was mainly due to increase in revenue.

Our overall gross profit margin for 2Q10 and 6-mth 10 were 37.8% (2Q09: 39.8%) and 38.0% (6-mth 09: 40.4%) which were lower compared to the gross profit margin of the corresponding periods in 2009. The decrease was mainly due to the Group ventured into the business of sales of equipment in late 2008. The sales of equipment business was expected to have a lower margin compared to indoor and outdoor wireless coverage solutions which command higher margin because of its broader scope of work which includes the design of wireless coverage system, supply of equipment and installation services. The purpose of venturing into this business is to provide comprehensive services to our customers as well as continue to support our customers' needs. The lower gross profit margin was due to increase in contribution from sales of equipment in 2Q10 and 6-mth 10, which were 20.1% (2Q09: 9.2%) and 18.4% (6-mth 09: 5.5%), respectively, compared to the corresponding periods in 2009.

(iii) Other Income

Other income for 2Q10 was approximate to that of 2Q09.

Other income for 6-mth 10 increased by RMB0.1 million (162.0%) compared to 6-mth 09. The increase was due to increase in interest income.

(iv) Operating Expenses

Selling and distribution expenses

Selling and distribution expenses for 2Q10 increased by RMB1.0 million (22.0%) compared to 2Q09. This was mainly due to increase in marketing and travelling expenses of RMB0.8 million and RMB0.1 million, respectively, arising from increase in business activities.

Selling and distribution expenses for 6-mth 10 increased by RMB2.3 million (28.9%) compared to 6-mth 09. This was mainly due to:

- (a) Increase in marketing expenses of RMB0.8 million, entertainment expenses of RMB0.8 million and travelling expenses of RMB0.4 million, respectively, arising from increase in business activities; and
- (b) Increase in staff costs of RMB0.2 million due to increase in number of staff.



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General and administrative expenses

General and administrative expenses for 2Q10 increased by RMB1.9 million (20.4%) compared to 2Q09. This was mainly due to:

- (a) Increase in staff costs of RMB2.0 million due to increase in number of staff and provision for bonus;
- (b) Increase in depreciation of RMB0.6 million; and
- (c) Increase in travelling expenses of RMB0.2 million due to increase in business activities.

The increase was offset by:

- (a) Decrease in entertainment expenses of RMB0.5 million; and
- (b) Decrease in foreign exchange loss of RMB0.3 million.

General and administrative expenses for 6-month 10 increased by RMB3.9 million (24.0%) compared to 6-mth 09. This was mainly due to:

- (a) Increase in staff costs of RMB2.7 million due to increase in number of staff and provision for bonus;
- (b) Increase in travelling expenses of RMB0.8 million due to increase in business activities;
- (c) Increase in foreign exchange loss of RMB0.3 million arising from the translation of inter-companies balances; and
- (d) Intangible expenses written off of RMB0.2 million. However, there was no such expense in 6-mth 09.

(v) Finance Costs

The finance costs for 2Q10 and 6-mth 2010 decreased by RMB0.5 million (57.3%) and RMB0.6 million (36.3%) compared to the corresponding periods in 2009. The decrease was mainly due to the decrease in borrowings.

(vi) Income Tax

Income tax for 2Q10 and 6-mth 2010 increased by RMB3.8 million (>100.0%) and RMB6.2 million (>100.0%) compared to the corresponding periods in 2009. The increase was because the Group's subsidiary, XBell Union Communication (Beijing) Co., Ltd, is subject to 7.5% enterprise income tax rate in year 2010, however, it was exempted from enterprise income tax in the year of 2009.

In accordance with the provisions of the relevant PRC laws and regulations, being a recognised new and high-tech enterprise, XBell Union Communication (Beijing) Co., Ltd (the Group's subsidiary) is entitled to exemption from enterprise income tax for the first 3 years following its inauguration (i.e. FY2007, FY2008 and FY2009) and a 50% reduction in enterprise income tax at 7.5% for the next 3 years (i.e. FY2010, FY2011 and FY2012).

Income tax of RMB6.6 million was provided for in 6-mth 10. RMB0.9 million of which was relating to deferred tax. RMB0.5 million of the deferred tax liability arose from the timing differences of the income recognition for income tax purpose. RMB0.4 million of the deferred tax liability arose from the PRC subsidiaries' distributable earnings generated for the period which was reserved for declaration of dividends in the foreseeable future as withholding tax will be applied to dividends paid by foreign-invested enterprise to its foreign investor.

(vii) Net Profit

As a result of the above, our net profits for 2Q10 and 6-mth 2010 increased by RMB0.9 million (2.2%) and RMB0.8 million (1.2%), respectively, as compared to the corresponding periods in 2009.



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B Statements of Financial Position (30 June 2010 vs 31 December 2009)

Non-Current Assets

The non-current assets as at 30 June 2010 were RMB154.0 million (31 December 2009: RMB95.7 million). The increase was mainly due to fixed assets additions of RMB70.9 million. The assets acquired are used for the expansion of services provided to customers which include design, monitoring and maintenance services.

The increase was offset by depreciation charge of RMB7.9 million, amortisation of intangible assets of RMB4.5 million and intangible assets written off of RMB0.2 million.

Current Assets

Current assets as at 30 June 2010 were RMB764.2 million (31 December 2009: RMB708.3 million). The increase was mainly due to:

- (a) Increase in inventories of RMB52.6 million mainly due to increase in work in progress; and
- (b) Increase in trade receivables of RMB36.3 million which is consistent with increase in revenue.

The increase was offset by:

- (a) Decrease in other receivables of RMB11.1 million mainly due to the decrease in advance payment to suppliers and collection from other receivables; and
- (b) Decrease in cash and cash equivalents of RMB22.0 million.

Non-current Liabilities

Non-current liabilities consist of deferred tax liabilities of RMB10.6 million (31 December 2009: RMB9.7 million). Refer to Income Tax of Part A for explanation.

Current Liabilities

Current liabilities as at 30 June 2010 amounted to RMB179.0 million (31 December 2009: RMB211.6 million). The reason for the decrease was due mainly to:

- (a) Decrease in bank borrowings of RMB51.7 million; and
- (b) Decrease in other payables of RMB4.2 million due to payment of tax and expenses.

The decrease was offset by the increase in trade and bill payables of RMB23.3 million which was in line with the increase in our business activities.

Shareholders' equity

Shareholders' equity of the Group increased by approximately RMB145.8 million was mainly due to the net profits from operations of RMB71.2 million and net proceeds from the issuance of ordinary shares of RMB74.2 million.



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C. Consolidated Statement of Cash Flows (2Q10 vs 2Q09 and 6-mth 10 vs 6-mth 09)

In 2Q10, net cash of RMB30.2 million was generated from operating activities. This was mainly due to:

- (a) Profit before income tax (after adjusting for non-cash items) of RMB53.0 million;
- (b) Increase in trade payables of RMB21.3 million;
- (c) Increase in other payables of RMB14.9 million; and
- (d) Decrease in other receivables of RMB2.9 million.

However, the cash inflow above was offset by the following cash outflow:

- (a) Increase in inventories of RM38.6 million; and
- (b) Increase in trade receivables of RMB23.4 million.

Net cash outflow used in investing activities in 2Q10 amounting to RMB62.9 million mainly due to partial payment for additions of plant and equipment.

Net cash flow of RMB12.2 million was used in financing activities in 2Q10, which was mainly due to:

- (a) Loan repayment of RMB30.0 million; and
- (b) Interest paid of RMB0.4 million.

The cash outflow above was offset by the uplift of pledged deposits of RMB18.2 million.

In 6-mth 10, net cash of RM26.1 million was generated from operating activities. This was mainly due to:

- (a) Profit before income tax (after adjusting for non-cash items) of RMB90.9 million;
- (b) Increase in trade payables of RMB22.7 million;
- (c) Decrease in other receivables of RMB11.1 million; and
- (d) Interest received of RMB0.2 million.

However, the cash inflow above was offset by the following cash outflow:

- (a) Increase in inventories of RMB52.6 million;
- (b) Increase in trade receivables of RMB36.3 million; and
- (c) Decrease in other payables of RMB9.9 million.

Net cash outflow used in investing activities in 6-mth 10 amounting to RMB70.3 million mainly due to partial payment for additions of plant and equipment.

Net cash flow of RMB46.3 million was generated from financing activities in 6-mth 10, which was mainly due to proceeds from the issuance of new shares of RMB78.2 million and uplift of pledged deposits of RMB24.7 million. The cash inflow was offset by:

- (a) Loan repayment of RMB51.7 million;
- (b) Interest paid of RMB0.9 million; and
- (c) Share issue expense of RMB4.0 million.

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

Not applicable.



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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.

Since late 2008, China's telecommunication operators ("Telcos") have begun to introduce its new tendering system across the wireless network industry. In light of the changes, the Group has repositioned itself to better take advantage of the new bidding process and has successfully won projects from the different business segments.

According to the report issued by the China Ministry of Industry and Information Technology (MIIT) on 17 March 2010, the Telcos have invested approximately RMB160 billion as at March 2010 to expand China's coverage of the 3G network. The MIIT said that such investment will increase to RMB400 billion next year in hopes to have most of the country 3G capable so as to satisfy the fast growing needs of 3G subscribers. As at end of June 2010, the 3G subscriber base has increased to 25.2 million which was approximately 40% higher compared to similar period a year ago. The Group has been well positioned to reap the benefits of this growth and foresees that the landscape will remain unchanged for the rest of the year.

On 30 June 2010, the China State Council announced the pilot scheme for the integration of three telecommunication networks which will allow the users to access TV, Internet and Mobile Phone services in one cable. Several key cities in which Sinotel has a presence have been hand-picked to pilot the program.

In light of these developments, wireless network builders like Sinotel will continue to benefit from the Telco's investment into network infrastructure and pilot programs. The Group anticipates that barring unforeseen circumstances, the Group's financial outlook will remain profitable for the rest of the financial year 2010.

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 is recommended for the financial period reported on.



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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
5 August 2010**



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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 confirm 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 6 months period ended 30 June 2010 of the Company and of the Group to be false or misleading in any material respect.

Jia Yue Ting

Li Zhen Yu