SINO CONSTRUCTION LIMITED
(Incorporated in the Republic of Singapore)
(Registration No: 200613299H)

UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2013

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

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

	Unaudited			Unaudited		
	2nd Quarter Ended			1st Half Year Ended		
	30/6/2013	30/6/2012	(+/-)	30/6/2013	30/6/2012	(+/-)
	Rmb'000	Rmb'000	%	Rmb'000	Rmb'000	%
Revenue	28,993	88,624	(67.3)	71,829	124,968	(42.5)
Cost of sales	(34,315)	(79,573)	(56.9)	(70,540)	(106,873)	(34.0)
Gross profit	**(5,322)**	**9,051**	**(>100.0)**	**1,289**	**18,095**	**(92.9)**
Other items of income						
Finance income	4	17	(76.5)	14	292	(95.2)
Other income	66	32,752	(99.8)	2,926	35,558	(91.8)
Other items of expense						
Selling and distribution expenses	–	(26)	(100.0)	–	(29)	(100.0)
Administrative expenses	(4,273)	(11,331)	(62.3)	(11,809)	(24,517)	(51.8)
Finance costs	(1,245)	(1,239)	0.48	(2,323)	(2,318)	0.21
Other expenses	(20,459)	(2,296)	>100.0	(20,733)	(1,686)	>100.0
(Loss) Profit before tax	**(31,229)**	**26,928**	(>100.0)	**(30,636)**	**25,395**	(>100.0)
Income tax credit	25	624	(96.0)	49	624	(92.1)
(Loss) Profit for the period attributable to owners of the Company	**(31,204)**	**27,552**	(>100.0)	**(30,587)**	**26,019**	**(>100.0)**
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation	1,339	1,323	1.20	1,860	127	>100.0
Total comprehensive income for the period attributable to owners of the Company	**(29,865)**	**28,875**	(>100.0)	**(28,727)**	**26,146**	(>100.0)

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

(Loss) Profit before tax is arrived at after charging and (crediting) the following items：

	Unaudited 2nd Quarter Ended		Unaudited 1st Half Year Ended	
	30/6/2013 Rmb'000	**30/6/2012 Rmb'000**	**30/6/2013 Rmb'000**	**30/6/2012 Rmb'000**
Interest income	(4)	(17)	(14)	(292)
Interest on loans and borrowings	1,245	1,239	2,323	2,318
Depreciation of property, plant & equipment	3,433	9,733	6,913	18,400
Loss on disposal of property, plant & equipment	–	–	–	139
Amortisation of land use rights	352	616	704	852

1(a)(iii) Other income

	Unaudited 2nd Quarter Ended		Unaudited 1st Half Year Ended	
	30/6/2013 Rmb'000	**30/6/2012 Rmb'000**	**30/6/2013 Rmb'000**	**30/6/2012 Rmb'000**
Rebate on value-added tax	55	658	2,915	3,464
Gain from settlement of payable to ex-shareholder of Reli by issuance of new shares	–	32,089	–	32,089
Others	11	5	11	5
	66	32,752	2,926	35,558

1(a)(iv) Other expenses

	Unaudited 2nd Quarter Ended		Unaudited 1st Half Year Ended	
	30/6/2013 Rmb'000	**30/6/2012 Rmb'000**	**30/6/2013 Rmb'000**	**30/6/2012 Rmb'000**
Unrealised exchange loss, net	246	2,296	517	1,547
Loss from settlement of loan owing to controlling shareholder by issuance of new ordinary shares	20,213	–	20,213	–
Loss on disposal of property, plant & equipment	–	–	–	139
Others	–	–	3	–
	20,459	2,269	20,733	1,686

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

	Group		Company	
	Unaudited	**Audited**	**Unaudited**	**Audited**
	30/6/2013	**31/12/2012**	**30/6/2013**	**31/12/2012**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**
Current assets				
Property, plant and equipment	139,254	146,135	–	–
Land use rights	46,155	46,859	–	–
Investment in subsidiaries	–	–	–	–
Inventories	5,848	3,703	–	–
Trade and other receivables	150,597	128,360	2	2
Prepaid operating expenses	600	37,028	11	97
Cash and bank balances	14,372	13,513	4,429	66
	356,826	**375,598**	**4,442**	**165**
Total assets	**356,826**	**375,598**	**4,442**	**165**
Current liabilities				
Trade and other payables	157,921	134,423	14,463	24,980
Other liabilities	10,058	8,184	3,785	2,592
Loans and borrowings	740	50,740	–	–
Provision for maintenance warranties	317	317	–	–
Income tax payable	26,866	26,866	–	–
Deferred tax liabilities	5,087	5,136	–	–
	200,989	**225,666**	**18,248**	**27,572**
Net current assets (liabilities)	**155,837**	**149,932**	**(13,806)**	**(27,407)**
Total liabilities	**200,989**	**225,666**	**18,248**	**27,572**
Net assets	**155,837**	**149,932**	**(13,806)**	**(27,407)**
Equity attributable to owners of the Company				
Share capital	480,540	445,908	480,540	445,908
Reserve funds	64,814	64,814	–	–
Merger reserve	(92,568)	(92,568)	–	–
Translation reserve	(3,962)	(5,822)	2,039	179
Accumulated losses	(292,987)	(262,400)	(496,385)	(473,494)
	155,837	**149,932**	**(13,806)**	**(27,407)**

1(b)(ii) In relation to the aggregate amount of 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:-

Amount repayable in one year or less, or on demand

	As at 30/6/2013		As at 31/12/2012	
	Secured Rmb'000	Unsecured Rmb'000	Secured Rmb'000	Unsecured Rmb'000
Obligation under finance lease	740	–	740	–
Borrowings	–	–	50,000	–

Amount repayable after one year

Not applicable.

Details of any collateral

The above finance lease is secured by the underlying assets under the finance lease with a net carrying value of Rmb1.1 million (FY2012: Rmb1.4 million) and guaranteed by a major shareholder and his spouse.

In FY2012, the short-term bank loan was secured by our subsidiary's, Daqing Sunshine Reli Thermal Co., Ltd ("**Reli**"), trade receivables. The loan has been fully repaid on 24 May 2013.

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

	Unaudited 1st Half Year Ended	
	30/6/2013	**30/6/2012**
	Rmb'000	**Rmb'000**
Operating activities		
(Loss) Profit before tax	(30,636)	25,395
Adjustments for:-		
Depreciation of property, plant and equipment	6,913	18,400
Amortisation of land use rights	704	852
Loss on disposal of property, plant and equipment	–	139
Finance costs	2,323	2,318
Interest income	(14)	(292)
Loss on settlement of loan owing to controlling shareholder by issuance of new ordinary shares	20,213	–
Translation difference	1,861	128
Operating profit before working capital changes	**1,364**	**46,940**
Changes in working capital:		
(Increase) Decrease in inventories	(2,145)	2,156
(Increase) Decrease in trade and other receivables	(22,237)	108,151
Decrease in prepaid operating expenses	36,428	19,795
Increase (Decrease) in trade and other payables	33,813	(27,148)
Increase in other liabilities	1,874	335
Cash flows from operations	**49,097**	**150,229**
Interest received	14	292
Interest paid	(2,323)	(2,318)
Net cash flows from operating activities	**46,788**	**148,203**
Investing activities		
Purchase of property, plant and equipment	(32)	(1,190)
Proceeds from disposal of property, plant and equipment	–	100
Net cash flows used in investing activities	(32)	(1,090)
Financing activities		
Repayment of loans and borrowings	(50,000)	–
Proceeds from issuance of new ordinary shares	4,347	–
Share issuance expenses	(244)	–
Net cash flows used in financing activities	(45,897)	–
Net increase in cash and bank balances	859	147,113
Cash and bank balances at beginning of period	13,513	66,516
Cash and bank balances at end of period	**14,372**	**213,629**

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.

Unaudited 2013 – Group	**Share Capital Rmb'000**	**Reserve Funds Rmb'000**	**Merger Reserve Rmb'000**	**Translation Reserve Rmb'000**	**Accumulated Losses Rmb'000**	**Total Equity Rmb'000**
At 1 January 2013	445,908	64,814	(92,568)	(5,822)	(262,400)	149,932
Loss for the period	–	–	–	–	(30,587)	(30,587)
Other comprehensive income						
Foreign currency translation	–	–	–	1,860	–	1,860
Other comprehensive income for the period, net of tax	–	–	–	1,860	–	1,860
Total comprehensive income for the period	–	–	–	1,860	(30,587)	(28,727)
Contribution by and distributions to owners						
Issuance of ordinary shares	34,632	–	–	–	–	34,632
At 30 June 2013	480,540	64,814	(92,568)	(3,962)	(292,987)	155,837

Unaudited 2012 – Group	**Share Capital Rmb'000**	**Reserve Funds Rmb'000**	**Merger Reserve Rmb'000**	**Translation Reserve Rmb'000**	**Accumulated Profits Rmb'000**	**Total Equity Rmb'000**
At 1 January 2012	426,832	64,814	(92,568)	(2,397)	230,674	627,355
Profit for the period	–	–	–	–	26,019	26,019
Other comprehensive income						
Foreign currency translation	–	–	–	127	–	127
Other comprehensive income for the period, net of tax	–	–	–	127	–	127
Total comprehensive income for the period	–	–	–	127	26,019	26,146
Contribution by and distributions to owners						
Issuance of ordinary shares	19,076	–	–	–	–	19,076
At 30 June 2012	445,908	64,814	(92,568)	(2,270)	256,693	672,577

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 (cont'd).**

Unaudited 2012 – Company	**Share Capital Rmb'000**	**Translation Reserve Rmb'000**	**Accumulated Losses Rmb'000**	**Total Equity Rmb'000**
At 1 January 2013	445,908	179	(473,494)	(27,407)
Loss for the period, representing total comprehensive income for the period	–	1,860	(22,891)	(21,031)
Issuance of ordinary shares	34,632	–	–	34,632
At 30 June 2013	480,540	2,039	(496,385)	(13,806)

Unaudited 2012 – Company	**Share Capital Rmb'000**	**Translation Reserve Rmb'000**	**Accumulated (Losses)/Profits Rmb'000**	**Total Equity Rmb'000**
At 1 January 2012	426,832	(8,752)	(16,954)	401,126
Profit for the period, representing total comprehensive income for the period	–	7,714	27,798	35,512
Issuance of ordinary shares	19,076	–	–	19,076
At 30 June 2012	445,908	(1,038)	10,844	455,714

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.

Details of ordinary share capital movements are as shown below:

As at 30/6/2013		As at 31/12/2012	
No of shares	**Rmb**	**No of shares**	**Rmb**
1,316,763,799	480,540,052	685,305,599	445,908,319

The increase in share capital is due to:

(i) issuance of 451,458,200 new ordinary shares to settle outstanding loan of Rmb11.4 million owing to the controlling shareholder for advances made to the Company for the period from 1 January 2010 to 17 January 2013 to fund and pay its operating expenses and professional fees; and

(ii) issuance of 180,000,000 new ordinary shares to the controlling shareholder for a cash consideration of Rmb4.3 million.

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.

Company	**30/6/2013**	**31/12/2012**
Total number of issued shares	1,316,763,799	685,305,599

There are no treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

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.

Not applicable.

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 same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December 2012 have been applied in the preparation for the financial statements for six months ended 30 June 2013 except that the Group has adopted the revised/amended Financial Reporting Standards (FRS) which became effective on 1 January 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 adoption of the new and revised FRS and INT FRS does not have any material financial impact on the Group's and Company's financial statements for the current period.

6 **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends. (a) Based on the weighted average number of ordinary shares on issue; and (b) On a fully diluted basis (detailing any adjustments made to the earnings).**

	1st Half Year Ended	
	30/6/2013	**30/6/2012**
	Rmb (cents)	**Rmb (cents)**
(Loss) Profit per share		
- Basic	(4.35)	4.21
- Diluted	(4.35)	4.21

The basic and diluted EPS is computed using profit attributable to shareholders in the relevant periods over the weighted average number of shares as shown below:

	No. of shares	**No. of shares**
Basic	702,846,105	617,061,120
Diluted	702,846,105	617,061,120

7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued 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**	
	30/6/2013	**31/12/2012**	**30/6/2013**	**31/12/2011**
	Rmb	**Rmb**	**Rmb**	**Rmb**
Net asset value per ordinary share	0.12	0.22	(0.01)	(0.04)

Net assets value per ordinary share of the Group was calculated based on the share capital of 1,316,763,799 (FY2012：685,305,599) 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.**

Statement of comprehensive income review

Revenue

A breakdown of the Group revenue by business segments is as follows:

	2Q2013	**2Q2012**	**(+/-) %**	**1H2013**	**1H2012**	**(+/-) %**
	Rmb'000	Rmb'000		Rmb'000	Rmb'000	
Construction	–	77,618	(>100.0)	–	77,618	(>100.0)
Concrete products	27,358	534	>100.0	27,358	592	>100.0
Heating services	1,635	10,472	(84.4)	44,471	46,758	(4.89)
Total	28,993	88,624	(67.3)	71,829	124,968	(42.5)

The Group's principal operating subsidiaries operate in the Heilongjiang Province in the North-Eastern PRC and after a recess brought about by the harsh winter conditions in that area between mid November to mid April of any 2 consecutive calendar years, construction and concrete products segments resumed operations in 2Q. As there are no construction and concrete products revenues recorded for 1Q2013 and 1Q2012, the construction and concrete products revenue recorded for 2Q2013 and 2Q2012 are the same as that for 1H2013 and 1H2012 respectively.

Revenue decreased by Rmb53.2 million or 42.5% from Rmb125.0 million for 1H2012 to Rmb71.8 million for 1H2013. The decrease was attributable to a decrease in revenue derived from construction works by Rmb77.6 million or -100% from Rmb77.6 million for 1H2012 to no revenue for 1H2013 and decrease in revenue derived from heating services by Rmb2.3 million or 4.89% from Rmb46.8 million for 1H2012 to Rmb44.5 million for 1H2013 respectively. The decrease is offset by the increase in revenue derived from concrete products by Rmb26.8 million or 4,467% from Rmb0.6 million for 1H2012 to Rmb27.4 million for 1H2013.

Due to the government's directives to cool the property market, coupled with the entry of larger industry players from outside Daqing City to compete with the local construction companies, the Group has faced tremendous pressure to secure new construction contracts. The Group did not manage to secure any new projects for its construction business during the period from 1 January 2013 to 30 June 2013. The Group has uncompleted order book of Rmb3.4 million from FY2012 which relates to the construction of a building for the government statutory board. In view of tight cashflows faced by the customer, this customer has requested to commence construction works to 3Q2013. Hence, there is no revenue recognised for 1H2013, as well as 2Q2013.

Revenue from heating services has decreased by Rmb2.3 million from Rmb46.8 million in 1H2012 to Rmb44.5 million in 1H2013 and by Rmb8.9 million from Rmb10.5 million for 2Q2012 to Rmb1.6 million for 2Q2013 respectively. The decrease is mainly due to recognition of revenue in respect of provision of heating services from 1 Jan 2013 to 15 April 2013 in 1Q2013 as services have been mainly provided in 1Q2013.

Concrete products' revenues have increased by Rmb26.8 million from Rmb0.6 million in 1H2012 to Rmb27.4 million in 1H2013. This is mainly due to the resumption of production of the Group's concrete production facility during the period, as the technical breakdown encountered after reinstallation in the new premise during FY2012 had been fixed. In addition, the Group managed to receive some orders for concrete products towards the end of May. These orders have been delivered and recognised as revenue for 2Q2013.

Costs of sales and gross margins

Cost of sales decreased by Rmb36.4 million or 34.0% from Rmb106.9 million in 1H2012 to Rmb70.5 million in 1H2013 and by Rmb45.3 million or 56.9% from Rmb79.6 million in 2Q2012 to Rmb34.3 million in 2Q2013 respectively. The decrease in cost of sales is in line with the decrease in revenues as discussed in the previous paragraphs.

Overall gross margin has decreased to 1.79% in 1H2013 as compared to 14.5% in 1H2012 and decreased from 10.2% in 2Q2012 to -18.4% in 2Q2013. The decrease is mainly due to decrease in gross margin derived from the heating services. Due to the rising cost of heating as a result of the increase in coal cost during the 2012/2013 winter period, heating services segment recorded gross margin loss of -7.7%. Cost of coal, which accounts for about 70% of cost of heating, has increased by Rmb11.7 million from 1H2012 to 1H2013 as a result of increase in heating grid area and usage of coal caused by the unusually cold winter this season. As the increase in cost of heating is more than heating services revenue, which have been realised, gross margin has decreased accordingly. The decrease is offset by the gross margin derived from concrete products segment of 17.2%. Gross margin derived from concrete products segment has increased from 11.0% in 1H2012 to 17.2% in 1H2013 mainly due to better pricing charged to external customers i.e. average selling price increased from Rmb436 per unit in 1H2012 to Rmb442 per unit in 1H2013, lower raw materials costs and overheads cost i.e. depreciation as a result of the disposal of concrete vehicles in FY2012 for certain types of concrete products i.e. average cost of sales of these concrete products decrease from Rmb345 per unit in 1H2012 to Rmb334 per unit.

Selling and distribution expenses

Selling and distribution expenses relate to selling and distribution expenses arising from the sale of bricks of the concrete products segment. The decrease in selling and distribution expenses in 1H2013 and 2Q2013 is due to sale of concrete instead of sale of bricks during the period.

Administrative expenses

Administrative expenses mainly consist of administrative salary and staff benefits, travelling expenses, entertainment expenses and other office expenses. The decrease in administrative expenses from Rmb24.5 million in 1H2012 to Rmb11.8 million in 1H2013 and from Rmb11.3 million in 2Q2012 to Rmb4.2 million in 2Q2013 respectively, which is mainly due to decrease in depreciation of approximately Rmb10.6 million as a result of some of the Group's assets being impaired, written off and disposed in FY2012, as well as decrease in salary and staff expenses due to the cut in the number of headcounts arising from the declining Group's businesses.

Finance income

Finance income comprises mainly interest income on bank deposits. Financial income decreases from Rmb0.3 million in 1H2012 to Rmb0.01 million in 1H2013 mainly due to lower average bank balances during 1H2013 as compared to 1H2012.

Finance costs

The finance costs mainly consist of interest expense arising from a short-term loan of Rmb50.0 million relating to our subsidiary, Reli, amounting to Rmb2.1 million.

Other income and expenses

Other income comprises mainly rebate on value-added tax amounting to Rmb2.9 million from Reli for supplying heat to residential units. In 1H2012, the Group recorded a gain of Rmb32.1 million from settlement of partial outstanding purchase consideration of Rmb50.0 million arising from the acquisition of Reli to its ex-shareholder via issuance of 85,305,599 new shares. The gain arose from the difference between the agreed price of S$0.12 per share and the market price of S$0.045 per share at date of issuance. There is no such transaction in 1H2013, which resulted in the decrease in other income of Rmb32.7 million in 1H2013.

Other expenses mainly consist of unrealised exchange loss of Rmb0.5 million and loss of Rmb20.2 million for issuance of 451,458,200 new ordinary shares at S$0.005 from settlement of loan of Rmb11.4 million owing to the controlling shareholder for advances made to the Company for the period from 1 January 2010 to 17 January 2013 to fund and pay its operating expenses and professional fees. The loss arises from the difference between the issued price of S$0.005 per share and the market price of S$0.014 per share at date of issuance i.e. 26 June 2013, which resulted in the increase in other expenses in 1H2013.

Income tax

No income tax provision has been made in respect of profit earned by individual profitable operating subsidiaries and also no deferred tax assets have been recognised in respect of the losses incurred by other operating subsidiaries in this quarter on ground of prudence in view of the expected challenging business conditions faced by the Group for the subsequent two quarters of this year. Income tax assessment for each individual subsidiary will be performed at year end.

The decrease in income tax credit from Rmb0.6 million in 1H2012 to Rmb0.04 million in 1H2013 which is mainly due to the decrease in the reversal of deferred tax provision relating to fair value adjustments of subsidiary, Reli as a result of the assets being impaired in FY2012.

Consolidated balance sheet review

Current assets

The current assets as at 30 June 2013 amounted to Rmb356.8 million (FY2012: Rmb375.6 million).

The decrease of Rmb18.8 million was due mainly to:
(i) depreciation of property, plant and equipment of Rmb6.9 million;
(ii) amortisation of land use rights of the Group's Heating Plant of Rmb0.7 million; and
(iii) decrease in trade and other receivables and prepaid operating expenses amounting in aggregate to Rmb14.2 million.

The decrease in current assets is partially offset by:
(i) increase in inventories of Rmb2.1 million; and
(ii) increase in cash and bank balances of Rmb0.9 million.

The increase in inventories of Rmb2.1 million is mainly due to purchase of raw materials to cater for potential orders for the Group's concrete products segment's production in the next quarter.

The increase in cash and bank balances of Rmb0.9 million is mainly due to net cash flows generated from operating activities amounting to Rmb46.8 million, offset by cash flows used in purchasing of auxillary equipment for Reli amounting to Rmb0.03 million and net cashflows used in financing activities amounting to Rmb45.9 million.

The decrease in prepaid operating expenses of Rmb36.4 million as at 1H2013 is mainly due to advances paid to supplier of coal as at FY2012 in relation to supply of coal for winter period 2012/2013 has been amortised to costs of sales for 1H2013.

A breakdown of trade and other receivables is as follows:

Rmb'000	**As at 30 June**	**As at 31 December**	**Variance**	
	2013	**2012**	**Rmb'000**	**%**
Trade receivables	120,513	86,205	34,308	39.8
Retention monies	7,932	7,932	–	–
Performance deposits	10,669	10,669	–	–
VAT receivable	10,919	11,743	(824)	(7.0)
Other receivables	564	11,811	(11,247)	(95.2)
Total	150,597	128,360	22,237	17.3

A breakdown of retention monies and trade receivables by segments is as follows:

Rmb'000	As at 30 June 2013	As at 31 December 2012	Variance Rmb'000	%
Retention monies:				
Retention sum receivable	42,842	42,842	–	–
Less: Allowance for impairment	(34,910)	(34,910)	–	–
	7,932	7,932	–	–
Trade receivables:				
Construction	336,036	344,036	(8,000)	(2.3)
Concrete products	45,039	17,004	28,035	>100.0
Heating services	25,206	10,933	14,273	>100.0
Total trade receivables	406,281	371,973	34,308	9.22
Less: Allowance for impairment	(285,768)	(285,768)	–	–
Net trade receivables	120,513	86,205	34,308	39.8

Retention sum receivable of Rmb7.9 million as of 30 June 2013 remained unchanged as compared to FY2012 as there is no completion of project during 1st half of the year and these amounts are not due for collection. Retention sum receivable will be retained based on contract sum upon completion of projects according to agreed term specified in the contract.

Net trade receivables represent account receivables from the sale of concrete products, amount owing for contract works performed and provision of heating services amounting to Rmb29.7 million, Rmb67.4 million and Rmb23.4 million respectively (FY2012: Concrete products – Rmb1.7 million, Construction – Rmb75.3 million and Heating services: Rmb9.1 million).

Trade receivables have increased by aggregate of Rmb34.3 million as at 30 June 2013 as compared to FY2012. The increase in trade receivable as at 30 June 2013 is mainly due to the receivables arising from heat services provided for the period from 1 January 2012 to 15 April 2012 as well as sale of concrete products respectively.

Performance deposits relate to deposits placed with property and infrastructure developers for ongoing projects. These will be refunded when the projects are completed. The performance deposits remained unchanged as at 30 June 2013 as the customers for these completed projects are unable to refund these deposits due to tight cashflows as mentioned in the earlier paragraphs. The Group is currently in negotiation with the customers to seek refund of these deposits.

VAT receivable arose from the purchase of coal and other material of Reli. The net receivable balance is to be offset against VAT payable from heating revenue of the next winter period.

Other receivables consist of advance to suppliers, rental receivable for rental of machinery, insurance deposits as well as receivable from the sale of concrete vehicles in the last quarter of FY2012. The decrease of Rmb11.2 million is mainly due to the receipt of proceeds arising from the sale of concrete vehicles.

The ageing analysis of the trade receivables net of allowance for impairment of doubtful debts of our construction and concrete segments is as follows:

Rmb'000	**As at 30 June 2013**	**As at 31 December 2012**
Ageing brackets		
Current	11,829	–
1 to 3 months	16,805	19,277
4 to 6 months	–	57,700
7 to 9 months	18,744	66
10 to 12 months	49,700	–
Total	97,078	77,043

Receivables of Rmb23.4 million arising from heating services segment comprise receivables from heat services for the period from15 October 2011 to 15 April 2012 and the period from 15 October 2012 to 15 April 2013.

Note: Credit policy in respect of construction and concrete products segments is on 30 to 90 days' term. The credit policy given to customers in respect of heating services segment is from previous winter period (15 October 2011 to 15 April 2012) to the current winter period (15 October 2012 to 15 April 2013). Arising from the difference in credit policy granted to customers of the construction, concrete products and heating services segments, the ageing analysis has been segregated into construction and concrete products segments and heating services segment respectively.

The increase in trade receivables, which aged more than 7 months by Rmb68.4 million, is mainly due to amounts owing for contract works for four completed roadworks projects in FY2012. Due to the competitive market conditions, the customer of these projects has requested for longer credit period, and in view of the slow repayment of debts, the Group has made an allowance for impairment of Rmb83.3 million for these debts in FY2012, representing approximately 55% of the outstanding debts. The Group is continuing its efforts to chase for these debts and negotiating with the customer to work out on the repayment. Arising thereon, no further allowance will be made in this quarter which clarifies the announcement made in relation to profit guidance dated 5 August 2013. The Group will continue to monitor the collectability of these receivables balances.

Current liabilities

Current liabilities as at 30 June 2013 amounted to Rmb201.0 million (FY2012: Rmb225.7 million). The increase in current liabilities is mainly due to the increase in trade and other payables and other liabilities by aggregate of Rmb25.3 million, which is offset by the decrease in loans and borrowings amounting to Rmb50.0 million.

A breakdown of trade and other payables is as follows:

Rmb'000	As at 30 June 2013	As at 31 December 2012	Variance Rmb'000	Variance %
Trade payables	71,027	67,796	3,231	4.8
Other payables	82,114	41,070	41,044	99.9
Advances from customers	4,780	25,557	(20,777)	(81.3)
Total	157,921	134,423	23,048	17.1

The increase in trade payables is mainly due to the purchase of raw materials during the period for the production of concrete products, which is offset by repayment made during the same period.

The increase in other payables is mainly due to loan of Rmb50.0 from a company related to the controlling shareholder, Daqing City Dazheng Property Development Co., Ltd to repay Reli's short-term bank loan, which was announced on 30 May 2013. The increase is mainly offset by repayment of outstanding loan of Rmb11.4 million owing to the controlling shareholder for advances made to the Company for the period from 1 January 2010 to 17 January 2013 to fund and pay its operating expenses and professional fees by issuance of 451,458,200 new ordinary shares at $0.005 per share.

The decrease in advances from customers of Rmb20.8 million as at 30 June 2013 is mainly due to the recognition of advance payment for heating services in relation to winter period from 1 January 2013 to 15 April 2013 collected in FY2012 as revenue in 1H2013.

The increase in other liabilities of Rmb1.9 million is mainly due to increase in accrued operating expenses such as salaries, professional fees by the Group during 1H2013.

Equity attributable to owners of the Company

Equity attributable to owners of the Company decreased by Rmb5.9 million or 3.9% from Rmb149.9 million as at 31 December 2012 to Rmb155.8 million as at 30 June 2013 due to loss amounting to Rmb30.6 million incurred during 1H2013, which is offset by the increase in share capital amounting to Rmb34.6 million arising from the issuance of 631,458,200 new shares to settle outstanding loan of Rmb11.4 million owing to the controlling shareholder for advances made to the Company for the period from 1 January 2010 to 17 January 2013 to fund and pay its operating expenses and professional fees and for a cash consideration of Rmb4.3 million from the controlling shareholder.

Consolidated statement of cash flows review

The increase in net cash and bank balances of Rmb0.9 million from Rmb13.5 million as at 31 December 2012 to Rmb14.4 million as at 30 June 2013. This is mainly due to net cash flows from operating activities amounting to Rmb46.8 million and proceeds from issuance of new ordinary shares of Rmb4.3 million, which is mainly offset by the purchase of auxiliary equipment for Reli amounting to Rmb0.03 million and repayment of short-term bank loan of Rmb50.0 million.

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

Reference is made to paragraph 10 of the results for the 3 months ended 31 March 2013 announcement dated 10 May 2013. An extract of paragraph 10 is as follows:

"With the government's directives to cool the property market, coupled with the entry of larger industry players from outside Daqing City to compete with the local construction companies, the Group has faced tremendous pressure to secure new construction contracts. The recent launch of more cooling measures and impose restrictions to further curb property speculation by the Chinese government will impact the construction business of the Group.

As at 31 December 2012, the Group has uncompleted order book of Rmb3.4 million which relates to the construction of a building for the government statutory board. This project is scheduled for completion by second half of 2013. To-date, there are no new projects for the construction business upon completion of the remaining order book. Given the negative outlook of the construction sector, the concrete business has effectively stopped production.

The Group has in the past relied heavily on Mr Zhao Chuan Wen and Mr Zou Cun Yu for securing deals with our customers. The departure of Mr Zhao, our ex-non-executive chairman and Mr Zou, our ex-CEO has affected the ability to secure future contracts."

The results for the current quarter are in line with the Company's commentary, as the revenue from the Group's construction segment has decreased significantly as mentioned in page 10 and 11 of the announcement.

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 Chinese government has in May 2013 launched more cooling measures and imposed restrictions to further curb property speculation. It has also imposed a ban on construction of government buildings for the next five years which came into effect in late July 2013. To date, the Group has not secured any new projects for the construction business since January 2013.

With the assistance from the local government in the negotiation as Reli is in the business of providing centralized heat to pre-assigned area by the PRC government, the Group has managed to secure a credit line of Rmb75.0 million from Longjiang bank to finance its heating operations specifically to purchase coal for the coming winter season as well as its working capital. The loan bears interest of 8.11% per annum and is secured by Reli's trade receivables.

The Daqing Tax Bureau's investigation into the affairs of the Group has yet to be completed. As of to-date, we have not received indications from the Tax authority as to the date in which the records could be returned to the Company for audit purposes as well as the charges to be made against the Group.

The Company will continue to make further announcements promptly as and when there are further developments.

11 If a decision regarding dividend has been made:-

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

None.

(b) (i) Amount per share
(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 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

No dividend has been declared or recommended for the second quarter ended 30 June 2013.

13 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.

Name of interested person	Aggregate value of all interested person transactions during the financial period ended 30 June 2013 under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Daqing Dazheng Property Development Co., Ltd.	1) Use of the services and facilities at Lido Spa – Rmb 1,000,892 2) Interest expense arising from Rmb50.0 million loan as announced on 30 May 2013 – Rmb450,089	Nil

The Group has not obtained a general mandate from its shareholders for IPTs.

14 Use of proceeds from placement

The Company refers to the proceeds raised from placement to the controlling shareholder amounting to Rmb4.3 million or S$900,000, which was completed on 26 June 2013.

As at 14 August 2013, the status on the use of proceeds from placement is as follows:

Use of proceeds	Allocation	Utilisation	Amount yet to be utilised
	S$'000	S$'000	S$'000
Operating expenses	840	406[1]	434
Placement expenses	60	40	20
Total	900	446	454

[1] Comprises compliance and listing expenses, directors' fees for fourth quarter of FY2011, FY2012 and first half of FY2013, payroll expenses of Financial Controller, expenses in connection with the unsuccessful conditional cash offer by Allegro Sky Global Pte Ltd, external auditors' fee for FY2012, legal fees in respect of the acquisition of Reli and office expenses amounting to S$36,000, S$195,000, $19,000, S$92,000, $13,000, $26,000 and $25,000 respectively.

The utilisation is in accordance with the intended use of the placement proceeds as disclosed in the circular dated 11 June 2013.

15 Negative confirmation pursuant to Rule 705(5).

We, Zhou Xing Zhong and Yap Wai Ming, being Directors of the Company, do hereby confirm for and 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 unaudited financial results for the 6 months ended 30 June 2013 to be false or misleading in any material respect.

On behalf of the Board of Directors
Sino Construction Limited

Zhou Xing Zhong	Yap Wai Ming
Executive Director	Lead Independent Director

BY ORDER OF THE BOARD

Zhou Xing Zhong
Executive Director
14 August 2013