



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

UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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		
	3rd Quarter Ended		(+/-) %	9 Months Ended		(+/-) %
	30/9/2013 Rmb'000	30/9/2012 Rmb'000		30/9/2013 Rmb'000	30/9/2012 Rmb'000	
Revenue	14,420	119,341	(87.9)	86,249	244,309	(64.7)
Cost of sales	(6,413)	(104,989)	(93.9)	(76,953)	(211,862)	(63.7)
Gross profit	8,007	14,352	(44.2)	9,296	32,447	(71.4)
Other items of income						
Finance income	3	66	(95.5)	17	358	(95.3)
Other income	713	1,053	(32.3)	3,639	36,611	(90.1)
Other items of expense						
Selling and distribution expenses	–	(31)	(100.0)	–	(60)	(100.0)
Administrative expenses	(118,255)	(91,726)	28.9	(130,064)	(116,243)	11.9
Finance costs	(1,210)	(1,113)	8.7	(3,533)	(3,431)	3.0
Other expenses	(993)	(1,229)	(19.2)	(21,726)	(2,915)	>100.0
Loss before tax	(111,735)	(78,628)	42.1	(142,371)	(53,233)	>100.0
Income tax income	46	449	(89.8)	95	1,073	(91.1)
Loss for the period attributable to owners of the Company	(111,689)	(78,179)	42.9	(142,276)	(52,160)	>100.0
Other comprehensive income:						
Foreign currency translation	1,245	792	57.2	3,105	919	>100.0
Total comprehensive income for the period attributable to owners of the Company	(110,444)	(77,387)	42.7	(139,171)	(51,241)	>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 before tax is arrived at after charging and (crediting) the following items:

	Unaudited		Unaudited	
	3 rd Quarter Ended		9 Months Ended	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Interest income	(3)	(66)	(17)	(358)
Interest expense on:				
- Loans and borrowings	95	1,105	1,968	3,419
- Amount due to a related company	1,090	–	1,540	–
Depreciation of property, plant & equipment	4,809	9,213	11,722	27,613
Loss on disposal of property, plant & equipment	–	–	–	139
Amortisation of land use rights	353	427	1,057	1,279
Allowance for doubtful debts	75,291	78,272	75,291	78,272

1(a)(iii) Other income

	Unaudited		Unaudited	
	3 rd Quarter Ended		9 Months Ended	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Rebate on value-added tax	175	856	3,090	4,320
Gain from settlement of payable to ex-shareholder of Reli by issuance of new shares	–	195*	–	32,284
Others	538	2	549	7
	713	1,053	3,639	36,611

*Amount arises due to translation difference

1(a)(iv) Other expenses

	Unaudited		Unaudited	
	3 rd Quarter Ended		9 Months Ended	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Unrealised exchange loss, net	993	1,221	1,510	2,768
Loss from settlement of loan owing to controlling shareholder by issuance of new ordinary shares	–	–	20,213	–
Loss on disposal of property, plant & equipment	–	–	–	139
Others	–	8	3	8
	993	1,229	21,726	2,915

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 30/9/2013 Rmb'000	Audited 31/12/2012 Rmb'000	Unaudited 30/9/2013 Rmb'000	Audited 31/12/2012 Rmb'000
Current assets				
Property, plant and equipment	134,624	146,135	–	–
Land use rights	45,802	46,859	–	–
Investment in subsidiaries	–	–	–	–
Inventories	3,928	3,703	–	–
Trade and other receivables	82,410	128,360	–	2
Prepaid operating expenses	20,736	37,028	43	97
Cash and bank balances	46,044	13,513	1,759	66
	333,544	375,598	1,802	165
Total assets	333,544	375,598	1,802	165
Current liabilities				
Trade and other payables	171,724	134,423	–	24,980
Other liabilities	8,463	8,184	1,634	2,592
Loans and borrowings	75,740	50,740	–	–
Provision for maintenance warranties	317	317	–	–
Income tax payable	26,866	26,866	–	–
Deferred tax liabilities	5,041	5,136	–	–
	288,151	225,666	1,634	27,572
Total liabilities	288,151	225,666	1,634	27,572
Net assets/(liabilities)	45,393	149,932	168	(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	(2,717)	(5,822)	2,728	179
Accumulated losses	(404,676)	(262,400)	(483,100)	(473,494)
	45,393	149,932	168	(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 30/9/2013		As at 31/12/2012	
	Secured	Unsecured	Secured	Unsecured
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Obligation under finance lease	740	–	740	–
Borrowings	75,000	–	50,000	–

Details of any collateral

The above finance lease is secured by the underlying assets under the finance lease with a net carrying value of Rmb0.7 million (FY2012: Rmb1.4 million) and guaranteed by a major shareholder and his spouse.

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

The Group has secured a bank loan of Rmb75.0 million during the period. Bank loan is secured by Reli's trade receivables. Rmb15.0 million of the bank loan is repayable in one year and the remaining Rmb60.0 million is repayable by June 2015, as the financial statements are prepared on a realisation basis where assets are measured at the lower carrying amounts and estimated realisable values, and liabilities are measured at estimated settlements amounts, all assets and liabilities are classified as current assets and liabilities respectively.

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	
	9 Months Ended	
	30/9/2013	30/9/2012
	Rmb'000	Rmb'000
Operating activities		
Loss before tax	(142,371)	(53,233)
Adjustments for:-		
Depreciation of property, plant and equipment	11,722	27,613
Amortisation of land use rights	1,057	1,279
Loss on disposal of property, plant & equipment	–	139
Allowance for impairment of doubtful debts	75,291	78,272
Finance costs	3,533	3,431
Interest income	(17)	(358)
Gain from settlement of payable to ex-shareholder of Reli by issuance of new shares	–	(32,284)
Loss on settlement of loan owing to controlling shareholder by issuance of new ordinary shares	20,213	–
Translation difference	3,105	2,279
Operating profit before working capital changes	(27,467)	27,138
Changes in working capital:		
Increase in gross amount due from customers for contract work-in-progress	–	(3,321)
(Increase) decrease in inventories	(225)	5,716
Increase in trade and other receivables	(29,341)	(14,639)
Decrease (increase) in prepaid operating expenses	16,292	(8,745)
Increase in trade and other payables	47,617	15,614
Increase in other liabilities	279	266
Cash flows from operations	7,155	22,029
Interest received	17	358
Interest paid	(3,533)	(3,431)
Net cash flows from operating activities	3,639	18,956
Investing activities		
Repayment of outstanding payable to ex-shareholder of a subsidiary	–	(77,817)
Purchase of property, plant and equipment	(211)	(1,181)
Proceeds from disposal of property, plant and equipment	–	100
Net cash flows used in investing activities	(211)	(78,898)

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 (cont'd).

	Unaudited	
	9 Months Ended	
	30/9/2013	30/9/2012
	Rmb'000	Rmb'000
Financing activities		
Proceeds from loans and borrowings	75,000	–
Repayment of loans and borrowings	(50,000)	–
Proceeds from issuance of new ordinary shares	4,347	–
Share issuance expenses	(244)	–
Net cash flows from financing activities	29,103	–
Net increase (decrease) in cash and bank balances	32,531	(59,942)
Cash and bank balances at beginning of period	13,513	66,516
Cash and bank balances at end of period	46,044	6,574

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	–	–	–	–	(142,276)	(142,276)
<u>Other comprehensive income</u>						
Foreign currency translation	–	–	–	3,105	–	3,105
Other comprehensive income for the period, net of tax	–	–	–	3,105	–	3,105
Total comprehensive income for the period	–	–	–	3,105	(142,276)	(139,171)
<u>Contribution by and distributions to owners</u>						
Issuance of ordinary shares	34,632	–	–	–	–	34,632
At 30 September 2013	480,540	64,814	(92,568)	(2,717)	(404,676)	45,393

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
Loss for the period	–	–	–	–	(52,160)	(52,160)
<u>Other comprehensive income</u>						
Foreign currency translation	–	–	–	919	–	919
Other comprehensive income for the period, net of tax	–	–	–	919	–	919
Total comprehensive income for the period	–	–	–	919	(52,160)	(51,241)
<u>Contribution by and distributions to owners</u>						
Issuance of ordinary shares	19,076	–	–	–	–	19,076
At 30 September 2012	445,908	64,814	(92,568)	(1,478)	178,514	595,190

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 2013 – 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	–	2,549	(9,606)	(7,057)
Issuance of ordinary shares	34,632	–	–	34,632
At 30 September 2013	480,540	2,728	(483,100)	168

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	–	13,818	25,555	39,373
Issuance of ordinary shares	19,076	–	–	19,076
At 30 September 2012	445,908	5,066	8,601	459,575

- 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 30/9/2013		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	30/9/2013	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 nine months ended 30 September 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).

	3 rd Quarter Ended		9 Months Ended	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	Rmb (cents)	Rmb (cents)	Rmb (cents)	Rmb (cents)
Loss per share				
- Basic	(12.27)	(12.21)	(15.62)	(8.15)
- Diluted	(12.27)	(12.21)	(15.62)	(8.15)

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

	No. of shares	No. of shares	No. of shares	No. of shares
Basic	910,494,737	640,162,125	910,494,737	640,162,125
Diluted	910,494,737	640,162,125	910,494,737	640,162,125

- 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.**

	Group		Company	
	30/9/2013	31/12/2012	30/9/2013	31/12/2012
	Rmb	Rmb	Rmb	Rmb
Net asset value per ordinary share	0.03	0.22	0.00 ⁽¹⁾	(0.04)

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

Note:

(1) Less than Rmb 0.01.

- 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:

	3Q2013	3Q2012	(+/-) %	9M2013	9M2012	(+/-) %
	Rmb'000	Rmb'000		Rmb'000	Rmb'000	
Construction	–	116,800	(>100.0)	–	194,418	(>100.0)
Concrete products	9,161	1,041	>100.0	36,519	1,633	>100.0
Heating services	5,259	1,500	>100.0	49,730	48,258	3.1
	<u>14,420</u>	<u>119,341</u>	(87.9)	<u>86,249</u>	<u>244,309</u>	(64.7)

The 3rd quarter of each financial year is usually the busiest period as construction activities enters into peak season for the operating entities of the Group in Daqing City, Heilongjiang Province, the PRC. On the contrary, the heating services are into non-operation period where annual repairs and maintenance of the thermal facilities are carried out. Heating services will resume during the winter period from 15 October 2013 to 15 April 2014.

Revenue decreased by Rmb158.1 million or 64.7% from Rmb244.3 million for 9M2012 to Rmb86.2 million for 9M2013 and by Rmb104.9 million or 87.9% from Rmb119.3 million for 3Q2012 to Rmb14.4 million for 3Q2013 respectively. The decrease was attributable to a decrease in revenue derived from construction works by Rmb194.4 million or 100.0% from Rmb194.4 million for 9M2012 to no revenue for 9M2013 and by Rmb116.8 million or 100.0% from Rmb116.8 million for 3Q2012 to no revenue for 3Q2013 respectively. The

decrease is offset by the increase in revenue derived from concrete products by Rmb34.9 million or 2,136.3% from Rmb1.6 million for 9M2012 to Rmb36.5 million for 9M2013 and by Rmb8.2 million or 780.0% from Rmb1.0 million for 3Q2012 to Rmb9.2 million for 3Q2013 and increase in revenue derived from heating services by Rmb1.4 million or 3.1% from Rmb48.3 million for 9M2012 to Rmb49.7 million for 9M2013 and by Rmb3.8 million or 250.6% from Rmb1.5 million for 3Q2012 to Rmb5.3 million for 3Q2013 respectively.

The Chinese government had directives to cool the property market last year and it had introduced more cooling measures and restrictions to further curb property speculation in May 2013. It has also imposed a ban on construction of government buildings for the next five years which came into effect in late July 2013. These factors, 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 September 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 a later date. Hence, there is no revenue recognised for 9M2013, as well as 3Q2013 for the construction segment.

Concrete products' revenues have increased by Rmb34.9 million from Rmb1.6 million for 9M2012 to Rmb36.5 million for 9M2013 and by Rmb8.2 million from Rmb1.0 million for 3Q2012 to Rmb9.2 million for 3Q2013. 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. Despite the deteriorating business environment as compared to the previous years, the Group managed to receive some orders for concrete products during this period. These orders have been delivered and recognised as revenue for 9M2013, as well as 3Q2013.

Revenue from heating services has increased by Rmb1.4 million from Rmb48.3 million for 9M2012 to Rmb49.7 million for 9M2013 and by Rmb3.8 million from Rmb1.5 million for 3Q2012 to Rmb5.3 million for 3Q2013. The increase is mainly due to recognition of advances collected previously for previous winter periods as revenue.

Costs of sales and gross margins

Cost of sales decreased by Rmb134.9 million or 63.7% from Rmb211.9 million in 9M2012 to Rmb77.0 million in 9M2013 and by Rmb98.6 million or 93.9% from Rmb105.0 million in 3Q2012 to Rmb6.4 million in 3Q2013 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 10.8% in 9M2013 as compared to 13.3% in 9M2012 and increased from 12.0% in 3Q2012 to 55.5% in 3Q2013 respectively. The decrease from 9M2012 to 9M2013 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 of 2.1%. Cost of coal, which accounts for about 70% of cost of heating, has increased by Rmb11.7 million from 9M2012 to 9M2013 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 14.7%. Gross margin derived from concrete products segment has increased from 11.4% in 9M2012 to 14.7% in 9M2013 mainly due to better pricing charged to external customers i.e. average selling price increased from Rmb436 per unit in 9M2012 to Rmb442 per unit in 9M2013, 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 9M2012 to Rmb334 per unit in 9M2013.

The increase in the overall gross margin from 12.0% in 3Q2012 to 55.5% in 3Q2013 is mainly due to the reclassification of depreciation expense of Rmb2.3 million in relation to non-operation period of heating services to administrative expenses in 3Q2013, which resulted in a credit amount in cost of heating. With the increase in revenue as a result of recognition of advances collected previously for previous winter periods as revenue and a credit amount in cost of heating, the overall gross margin analysis for 3Q2013 is not meaningful.

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 9M2013 and 3Q2013 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 increase in administrative expenses from Rmb116.2 million in 9M2012 to Rmb130.1 million in 9M2013 and from Rmb91.7 million in 3Q2012 to Rmb118.3 million in 3Q2013 respectively. The increase is mainly due to repair and maintenance of the network pipelines which are linked to the respective households units, retail outlets, schools and other public buildings for the provision of heating services amounting to Rmb30.0 million, which is offset by the decrease in depreciation of approximately Rmb12.6 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 business.

Finance income

Finance income comprises mainly interest income on bank deposits. Financial income decreases from Rmb0.4 million in 9M2012 to Rmb0.01 million in 9M2013 mainly due to lower average bank balances during 9M2013 as compared to 9M2012.

Finance costs

The finance costs mainly consist of interest expense arising from a short-term bank loan of Rmb50.0 million, new bank loan of Rmb75.0 million as well as amount due to a related company, Daqing Dazheng Property Development Co., Ltd. of Rmb50.0 million relating to our subsidiary, Reli, amounting to an aggregate of Rmb3.2 million.

Other income and expenses

Other income comprises mainly rebate on value-added tax amounting to Rmb3.1 million from Reli for supplying heat to residential units. In 9M2012, 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 9M2013, which mainly resulted in the decrease in other income of Rmb33.0 million in 9M2013.

Other expenses mainly consist of unrealised exchange loss of Rmb1.5 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 mainly resulted in the increase in other expenses in 9M2013.

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 last quarter of this year. Income tax assessment for each individual subsidiary will be performed at year end.

The decrease in income tax credit from Rmb1.1 million in 9M2012 to Rmb0.09 million in 9M2013 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.

Statement of financial position review

Current assets

The current assets as at 30 September 2013 amounted to Rmb333.5 million (FY2012: Rmb375.6 million).

The decrease of Rmb42.1 million was due mainly to:

- (i) depreciation of property, plant and equipment of Rmb11.7 million;
- (ii) amortisation of land use rights of the Group's Heating Plant of Rmb1.1 million; and
- (iii) decrease in trade and other receivables and prepaid operating expenses amounting in aggregate to Rmb62.2 million.

The increase in current assets is partially offset by:

- (i) purchase of auxiliary equipment for the heating plant of Rmb0.2 million;
- (ii) increase in inventories of Rmb0.2 million; and
- (iii) increase in cash and bank balances of Rmb32.5 million.

The decrease in prepaid operating expenses of Rmb16.3 million as at 9M2013 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 9M2013, which is offset by advances of Rmb20.0 million made to the coal supplier for the upcoming winter period.

A breakdown of trade and other receivables is as follows:

Rmb'000	As at 30	As at 31	Variance	
	September 2013	December 2012	Rmb'000	%
Trade receivables	61,874	86,205	(24,331)	(28.2)
Retention monies	–	7,932	(7,932)	(100.0)
Performance deposits	10,669	10,669	–	–
VAT receivable	9,818	11,743	(1,925)	(16.4)
Other receivables	49	11,811	(11,762)	(99.6)
Total	<u>82,410</u>	<u>128,360</u>	(45,950)	(35.8)

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

Rmb'000	As at 30	As at 31	Variance	
	September 2013	December 2012	Rmb'000	%
Retention monies:				
Retention sum receivable	42,842	42,842	–	–
Less: Allowance for impairment	(42,842)	(34,910)	7,932	22.7
	<u>–</u>	<u>7,932</u>	(7,932)	(100.0)
Trade receivables:				
Construction	336,036	344,036	(8,000)	(2.3)
Concrete products	51,713	17,004	34,709	>100.0
Heating services	25,482	10,933	14,549	>100.0
Total trade receivables	<u>413,231</u>	<u>371,973</u>	41,258	11.1
Less: Allowance for impairment	(351,357)	(285,768)	65,589	23.0
Net trade receivables	<u>61,874</u>	<u>86,205</u>	(24,331)	(28.2)

Retention sum receivable decreased by Rmb7.9 million as at 30 September 2013 as compared to FY2012 mainly due to impairment of retention sum receivable of a customer.

As announced on 9 October 2012, the Group has made impairment for long outstanding debts arising from four roadworks projects which were constructed in relation to the Northland Dream City (“**Dream City**”) project, which is Daqing’s largest construction project to-date. These projects were completed in FY2012 for its customer, Sheng Di Properties Limited (“**Sheng Di**”). Sheng Di’s legal representative was reported to have been charged in court in May 2013 for creating a scam in relation to the Dream City development, as well as siphoning off large sums of monies collected from the development. Despite the Group’s efforts in chasing the outstanding debts by sending out chasers and demand letter, as well as frequent visits to the finance department of Sheng Di, the Group has not received any payment from Sheng Di to-date as the latter company advised that it has no fund to pay the Group. There is no indication as to when Sheng Di is able to repay the Group. Its ability to repay the Group is uncertain given the scandal its involved. As the likelihood of recovering these debts owing by this customer is uncertain, both in terms of the timing and the level of repayment, the Group has made allowance for impairment of the remaining outstanding debts of Rmb75.3 million, which consists of retention sum receivable of Rmb7.9 million and trade receivables from

the construction segment of Rmb67.4 million for the 9M2013. The Group will continue to monitor the development relating to Sheng Di.

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 Rmb36.4 million, Rmb nil million and Rmb25.5 million respectively (FY2012: Concrete products – Rmb1.7 million, Construction – Rmb75.3 million and Heating services: Rmb9.2 million).

Trade receivables have decreased by aggregate of Rmb24.3 million as at 30 September 2013 as compared to FY2012. The decrease in trade receivable as at 30 September 2013 is mainly due to allowance for impairment of trade receivables of Rmb67.4 million as described in the earlier paragraph, which is offset by the increase in 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 September 2013 as the customers for these completed projects are unable to refund these deposits due to tight cashflows. 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 Rmb11.8 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 of doubtful debts of our construction and concrete segments is as follows:

Rmb'000	As at 30 September 2013	As at 31 December 2012
Ageing brackets		
1 to 3 months	21,303	19,277
4 to 6 months	14,003	57,700
7 to 9 months	–	66
10 to 12 months	1,085	–
Total	36,391	77,043

Receivables of Rmb25.5 million arising from heating services segment comprise receivables from heat services for the period from 15 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 current winter period (15 October 2012 to 15 April 2013) to the next winter period (15 October 2013 to 15 April 2014). 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 cash and bank balances of Rmb32.5 million is mainly due to net cash flows generated from operating activities amounting to Rmb3.6 million and net cashflows from financing activities amounting to Rmb29.1 million which is offset by cash flows used in purchasing of auxiliary equipment for Reli amounting to Rmb0.2 million.

Current liabilities

Current liabilities as at 30 September 2013 amounted to Rmb288.2 million (FY2012: Rmb225.7 million). The increase in current liabilities is mainly due to the increase in trade and other payables, other liabilities and loans and borrowings by aggregate of Rmb62.5 million.

A breakdown of trade and other payables is as follows:

Rmb'000	As at 30		As at 31		Variance	
	September 2013	December 2012	Rmb'000	%		
Trade payables	76,376	67,796	8,580	12.7		
Other payables	84,340	41,070	43,270	>100.0		
Advances from customers	11,008	25,557	(14,549)	(56.9)		
Total	171,724	134,423	37,301	27.7		

The increase in trade payables of Rmb8.6 million 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 Rmb14.5 million as at 30 September 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 9M2013.

Equity attributable to owners of the Company

Equity attributable to owners of the Company decreased by Rmb104.5 million or 69.7% from Rmb149.9 million as at 31 December 2012 to Rmb45.4 million as at 30 September 2013 due to loss amounting to Rmb142.3 million incurred during 9M2013, 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.

Statement of cash flows review

The increase in net cash and bank balances of Rmb32.5 million is mainly due to net cash flows generated from operating activities amounting to Rmb3.6 million and proceeds from loans and borrowings for purchase of coal and repair and maintenance of network facilities in relation to heating services and issuance of new ordinary shares amounting to an aggregate of Rmb79.3 million which is offset by cash flows used in purchasing of auxiliary equipment for Reli amounting to Rmb0.2 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.

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

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

The Group continues to operate in a challenging business environment in the PRC due to macro factors, which include, among others, intense business competition in the construction industry, slow-down in government spending on building government offices and other administrative buildings following austerity measures to curb waste following the accession of President Xi Jing Ping and high local government debts which results in delay and in some cases non approval of payments for completed projects. The Group is also facing cash flows shortages and these have directly affected the ability of the Group to secure new contracts. In addition, certain subsidiaries of the Group have also been implicated in an on-going tax investigation and consequently developers have been wary to award the Group new contracts.

The Group will undertake steps to re-organise and restructure the Group and its business to resolve, *inter alia*, the existing tax issues of its existing subsidiaries in the PRC and to re-focus the Group on its core business of construction. A separate announcement will be made in relation to the Group's internal group restructuring.

The Board and the management are focused and committed in resolving, re-organising as well as restructuring the Group's business. 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 third quarter ended 30 September 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 September 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 1,387,128 2) Interest expense arising from Rmb50.0 million loan as announced on 30 May 2013 – Rmb1,539,778	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 6 November 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	854	497 ⁽¹⁾	357
Placement expenses	46	46	–
Total	900	543	357

⁽¹⁾ Comprises compliance and listing expenses, directors' fees for fourth quarter of FY2011, FY2012 and first nine months 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\$67,000, S\$221,000, \$48,000, S\$92,000, \$13,000, \$25,000 and \$31,000 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 9 months ended 30 September 2013 to be false or misleading in any material respect.

On behalf of the Board of Directors
Sino Construction Limited

Zhou Xing Zhong
Executive Director

Yap Wai Ming
Lead Independent Director

BY ORDER OF THE BOARD

Zhou Xing Zhong
Executive Director
6 November 2013