SINO CONSTRUCTION LIMITED
中华建筑有限公司

(Incorporated in the Republic of Singapore)
(Company Registration No. 200613299H)

RESPONSES TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON 2 JULY 2015 WITH RESPECT TO THE COMPANY'S ANNOUNCEMENT ON 14 MAY 2015 AND 30 JUNE 2015

The Board of Directors ("**Board**") of Sino Construction Limited (the "**Company**" and together with its subsidiaries the "**Group**") wishes to announce the following:-

Response to Queries

The Company would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 2 July 2015 with respect to the Company's announcements on:

(a) 14 May 2015 in relation to the Company's unaudited financial results for the three months ended 31 March 2015 ("**1Q2015**" and the "**1Q2015 Results Announcement**"); and

(b) 30 June 2015 in relation to the disposal of Elite Bay Sdn. Bhd. ("**Disposal Announcement**"); and

Unless otherwise defined herein, terms defined in such announcements shall have the same definitions herein.

No.	Queries	Company's Response
1.	The Company announced on in the Disposal Announcement that it "had on 30 June 2015 entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Mr. Goh Kim Chey and Mr. Yuen Pin Wai (the "**Purchasers**") to dispose of all its shares (the "**Sale Shares**") representing 60% of the issued and paid-up share capital of Elite Bay Sdn Bhd ("**Elite Bay**") to the Purchasers (the "**Disposal**")".	
	Please provide details on:-	
	(i) The Purchasers;	Mr. Goh Kim Chey and Mr. Yuen Pin Wai are the founders and directors of Elite Bay. They hold the remaining 40% of the issued and paid-up share capital of Elite Bay.
	(ii) The business that the Purchasers are in; and	The Purchasers manage Elite Bay, which is involved in the construction business in Malaysia.
	(iii) Any relationship between the Purchasers and the Company, its directors and controlling shareholders.	There are no relationships between the Purchasers and the Company, its directors and controlling shareholders.
2.	The Company disclosed in the Announcement that the total consideration for the Disposal was S$100,000, which is a discount of 57% to its net tangible asset ("**NTA**") of S$230,436.	
	(i) Please explain why Elite Bay was not disposed at fair value and elaborate on the reasons for the Disposal at a loss;	Historically, Elite Bay failed to comply with the Company's governance requirements. This was reflected in the Company's independent auditors opinion for FY2014, where the auditors noted that:

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		"*We were unable to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the financial statements of Elite Bay, included in the consolidated financial statements of the Group, are appropriately and properly consolidated. There were no other practicable audit procedures that we could perform to satisfy ourselves that the financial statements of Elite Bay have been properly reflected in the consolidated financial statements of the Group*." The Company believes that this state of affairs is unsustainable in the long term and detrimental to the Company and its shareholders. The Company thus made a decision to sell its interest in Elite Bay to the Purchasers, being the founders of Elite Bay. The newly installed management is in the process of transforming the Company and is focused on improving governance standards and developing its MMP business, which is expected to form a substantial portion of the Group's revenues from 3Q2015 onwards. The Disposal will allow the Company to focus its resources on expanding the MMP business. The Company believes the sale price is a current market value based on recent net proceeds and the future outlook of Elite Bay construction prospects. The Group has decided that the investment is neither strategic nor critical to the longer term direction of the Company. With limited growth prospects, the Company's management has decided to dispose of the Sale Shares at less than fair value as the absolute value is deemed immaterial and the opportunity costs of locating and realizing its fair value may be high and time consuming in a less than buoyant economic sector. As disclosed in the Disposal Announcement, notwithstanding that the consideration for the Disposal represents a discount of 57% to the net tangible asset value of the Sale Shares, the Company acquired the Sale Shares for RM300,000 (equivalent to S$115,000 based on the exchange rate of $1:RM2.6 prevailing then) on 29 January 2014. The consideration was agreed on a willing buyer, willing seller basis, and was deemed to be an acceptable amount given the compelling rationale for the Disposal.
(ii)	The Company disclosed that the deficit of the	The Company would like to clarify that the loss recognised should be S$130,436.

No.	Queries	Company's Response
	Consideration over NTA is S$130,436 and a loss of S$80,036.40 will be recognized on the disposal. Please explain the variance in the amounts relating to the deficit and the loss.	
3.	It was disclosed in the Disposal Announcement that "Elite Bay's profit for FY2014 was not material". However, the Company reported in its FY2014 Results announced on 24 March 2015 that "Elite Bay contributed solely to the increase in revenue and cost of sales in FY2014" and revenue had increased to $2.3 million in FY2014 (FY2013: NIL). Please account for the Company's statement that "Elite Bay's profit for FY2014 was not material".	Elite Bay was the Company's main operating subsidiary in FY2014. While it contributed solely to the Group's increase in revenue and cost of sales in FY2014, its profit attributable to the Company was immaterial, being S$14,000.
4.	For the purpose of the audit for Financial Year 2014, the Company reported that it faced difficulty in obtaining information and cooperation from Elite Bay. The auditors also issued a disclaimer as they were unable to obtain reasonable assurance that the financial statements of Elite Bay are appropriately and properly consolidated in the Company's FY2014 Results. However, the Company reported that the "Group's revenue and cost of sales for the period ended 31 March 2015 ("**1Q2015**") was S$342,000 and S$116,000 respectively and is solely attributed by our subsidiary Elite Bay Sdn Bhd ("**Elite Bay**") from their construction segment in Malaysia". The Board of Directors attested that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the 3 months ended 31 March 2015 to be false or misleading in any material respect, the confirmation in paragraph 15 of the results announcement. Please elaborate how the	The Company's consolidated financial results for 1Q2015 were prepared based on the financials prepared and provided by Elite Bay. In the absence of evidence to the contrary, the Company has taken the information provided by Elite Bay to be true and accurate. However, as mentioned above, the Board believes that this state of affairs is unsustainable in the long term and detrimental to the Company and its shareholders. The new management team installed in February 2015 is in the process of transforming the Company, and has thus decided that the Disposal is in the best interest of the Company and its shareholders.

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	Company had verified the results of Elite Bay included its 1Q2015 results.	
5.	In the Announcement, the relative figure calculated under Listing Rule 1006(b) was -41.37%. Listing Rule 1007(1) states that "If any of the relative figures computed pursuant to Rule 1006 is a negative figure, this Chapter may still be applicable to the transaction at the discretion of the Exchange, and issuers should consult the Exchange." Please comply accordingly.	Given the urgent and compelling reasons for the Disposal, being: (a) Elite Bay's non-compliance with the Company's governance requirements as a company listed on the Mainboard of the SGX-ST; (b) the profit contribution from Elite Bay being insignificant; and (c) the consideration for the Disposal being close to the amount paid by the Company for the Sale Shares in 2014, the Company was of the view that the Disposal had to be completed expeditiously, in the interest of the Company and its shareholders. Nonetheless, the Company will comply and consult with the Exchange on the Disposal.
6.	In paragraph 8 of the Company's 1Q2015 Results announcement, the Company disclosed that the "Group also bought a generator and crude oil amount to S$651,000 for the Micro Power Plant in South Korea".	
	(i) Please provide details on how the amount of S$651,000 was funded; and	The amount was funded by shareholder loans and short term external funding.
	(ii) Has the Company obtained shareholders' approval for its change in business?	The Company has not sought shareholder approval for a change in business, as the expansion of the Company's business was organic and did not involve an acquisition of a new business. As announced on 23 February 2015, the Company entered the MPP space by establishing Magnum Modular Power Generation Pte. Ltd. ("**MMPG**"), a 70% owned joint venture subsidiary with Primeforth Renewable Energy Ltd (formerly known as Primeforth Special Situation Fund Limited).

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		The Company constructs the MPP and has expanded its business to include the management of the MPP it constructs.
7.	In paragraph 10 of the Company's 1Q2015 results announcement, the Company announced that the "revenues from MPP are expected to form a substantial portion of the Group's revenues from 3QFY2015 onwards". Please provide details on:-	
	(i) This new business, the estimated construction and operation costs, the capacity of the plant, the state of the grids for which the power will be distributed, whether the Company has any contracts now that it has completed its first MPP, the type of customers that the Company is targeting and any other material information relating to the operations of the MPP;	The MPP business in Korea, specifically KOREA MPP ONE, has an installed capacity of 3.5 megawatts per hour ("**MWh**"), and produces a maximum of 3MWh of electricity, with a built in redundancy of 0.5MWh. Construction of KOREA MPP ONE commenced on 23 February 2015 and was completed in less than 3 months on 18 May 2015 at the estimated cost of US$1.78million, out of which the Company financed US$587K with the balance borne by its joint venture partner, Primeforth Renewable Energy Ltd. The estimated annual operation costs are expected be in the region of US$4.5 million to US$5.0 million, subject to fluctuations in the prices of fuel feedstock. As previously announced, approvals by the state authority were granted 2 weeks later on the 2 June 2015. KOREA MPP ONE commenced commercial operations on 17 June 2015. The Group does not transact with customers. The Group's entire electricity supply is sold to the Korea Power Exchange ("**KPX**"), an organisation that coordinates and supply of electricity in South Korea and operates the electricity market to ensure reliable power supply. KPX acts as the intermediary and settlement agent for all power producers and consumers of electricity. KOREA MPP ONE is located in the city of Pohang, and the power it generates is supplied to the grid in Pohang.
	(ii) When the Company expects to connect to the grid;	KOREA MPP ONE commenced commercial operations on 17 June 2015.

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(iii)	How many homes can one MPP supply power to and the targeted number of homes the Company expects to contract with;	Based on a capacity of 3MWh, each MPP power between 3,000-5,000 homes depending on fluctuations in power usage between seasons. Power consumption tends to increase in the winter months in Korea as more power is used for heating.
(iv)	How the Company plans to entice homeowners to change service providers for their electricity supply; and	The Group does not supply power directly to end users. The power generated at the Group's MPP is supplied to the grid and the transmission and distribution to end users are managed by Korea Electric Power Corporation ("**KEPCO**"). The Group sells its electricity on the KPX, which acts as the intermediary and settlement agent for the producers and consumers of electricity.
(v)	Who owns the building that housed the MPP.	MMPG has leased the building housing KOREA MPP ONE from Mr Hwang Hae Sook, a South Korean national unrelated to the Group, its directors or its substantial shareholders.

BY ORDER OF THE BOARD

Drew Ethan Madacsi
Executive Director
6 July 2015