SINO CONSTRUCTION LIMITED

中华建筑有限公司

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

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**DISPOSAL OF SUBSIDIARY – ELITE BAY SDN BHD**

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## 1. INTRODUCTION

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

The Disposal was completed on 30 June 2015 ("**Completion**") and Elite Bay has ceased to be a subsidiary of the Company.

## 2. INFORMATION ON ELITE BAY

On 29 January 2014, the Company's wholly owned subsidiary, SC Building & Construction Pte. Ltd. ("**SCBC**") entered into a subscription agreement with Elite Bay, pursuant to which SCBC subscribed for the 300,000 Sale Shares representing 60% of the enlarged share capital of Elite Bay at an issue price of RM1.00 per Sale Share. Elite Bay is a company incorporated in Malaysia, which is engaged in the construction business.

## 3. RATIONALE FOR THE DISPOSAL

The Disposal is in line with the Group's new strategy to expand into the energy resources sector. As previously announced, the first Micro Power Plant ("**MPP**") is currently in operation, with construction of the second MPP underway. The revenue from MPP is expected to form a substantial portion of the Group's revenues from 3Q2015 onwards.

In addition, as stated in the Independent Auditors Report included in the Company's annual report for the financial year ended 31 December 2014 ("**FY2014**"):

> "*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*."

For reasons stated above, the Board believes that the Disposal is in the best interests of the Company and its shareholders, as Elite Bay's profit for FY2014 was not material. Elite Bay's construction business will not be the Company's focus moving forward, and the Disposal will allow the Company to refocus its resources on developing its MMP business.

## 4. CONSIDERATION

The total cash consideration for the Disposal was S$100,000 (the "**Consideration**"). The Consideration was agreed based on arms length negotiations between the parties and was arrived at on a willing-buyer willing-seller basis, after taking into consideration the aggregate cost of subscribing for the Sale Shares of RM300,000 (equivalent to approximately S$107,660, based on an exchange rate of S$1.00:RM2.7866 as at the date of this announcement).

## 5. ASSET VALUE AND USE OF PROCEEDS

(a) Based on the unaudited consolidated financial results of the Company for 1Q2015, the net tangible asset value attributable to the Sale Shares was S$230,436.

(b) The deficit of the Consideration over the net tangible asset value of the Sale Shares is S$130,436.

(c) The Company will recognise a loss of S$80,036.40 pursuant to the Disposal.

(d) The Company intends to use all the proceeds from the Disposal to fund the development of its MPP business.

## 6. FINANCIAL EFFECTS

The pro forma financial effects of the Disposal on the earnings per share ("**EPS**") and net tangible assets ("**NTA**") per share are set out below and are prepared purely for illustration only. The pro forma financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014, based on the following assumptions:

(a) The financial effects of the Disposal on the NTA of the Group are computed assuming that the Disposal was completed on 31 December 2014.

(b) The financial effects of the Disposal on the EPS of the Group are computed assuming that the Disposal was completed on 1 January 2014.

(c) The net tangible asset value and earnings of Elite Bay are based on the amounts included in the audited consolidated financial statements of the Group for FY2014, as disclosed in the Company's annual report for FY2014 ("**FY2014 Annual Report**"). As stated in the Independent Auditors Report included in the FY2014 Annual Report:

"*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.*"

Shareholders are advised to refer to the FY2014 Annual Report for further information on the financial statements of Elite Bay.

**NTA per Share**

| | Before the Proposed Disposal | After Proposed Disposal |
|---|---|---|
| NTA ($'000) | 3,210 | 2,826 |
| Number of issued shares | 1,316,763,799.00 | 1,316,763,799.00 |
| NTA per Share (cents) | 0.24 | 0.21 |

**EPS**

| | Before the Proposed Disposal | After Proposed Disposal |
|---|---|---|
| Profit/(Loss) attributable to Shareholders ($'000) | (2,694) | (2,709) |
| Weighted average number of issued shares | 1,316,763,799.00 | 1,316,763,799.00 |
| EPS (cents) | (0.20) | (0.21) |

## 7. DISCLOSEABLE TRANSACTION

The Disposal is governed by the rules in Chapter 10 of the Mainboard Rules. Based on the audited consolidated financial statements of the Group for FY2014, the relative figures of the Disposal computed on the bases set out in Rules 1006(a) to (e) of the Listing Manual are as follows:

| Rule 1006 | Bases of Calculation | Relative Figure (%) |
|---|---|---|
| (a) | Net asset value of the assets to be disposed of S$230,436, compared with the Group's net asset value of approximately S$2.93 million | 7.18% |
| (b) | The net profits[(1)] of approximately S$0.12 million attributable to the Target Group, compared with the | -41.37% |

| | | |
|---|---|---|
| | Group's net loss of approximately S$0.29 million for 1Q2015 | |
| (c) | The Consideration of S$100,000 compared with the Company's market capitalisation of approximately S$34.06 million as at 30 April 2015, being the last market day the Shares were traded on the SGX-ST immediately preceding the date the Sale and Purchase Agreement was executed(2) | Not meaningful |
| (d) | The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue | N.A. |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves | N.A. |

**Notes:**

(1) Under Listing Rule 1002(3), "net profits" means profit or loss before income tax, minority interests and extraordinary items. The net profit of Elite Bay and the Group is based on unaudited consolidated financial statements of the Group for 1Q2015.

(2) Based on the Company's share price of $0.034 as at 29 June 2015, the Company's market capitalisation is S$44.77 million (the Company share capital comprises 1,316,763,799 shares).

As the relative figures under Listing Rule 1006(a) exceeds 5%, the Disposal constitutes a "Discloseable Transaction" under Listing Rule 1010. No shareholder approval is required in connection with the Disposal.

## 8. SERVICE AGREEMENTS

No director is proposed to be appointed to the Board in connection with the Disposal.

## 9. DOCUMENTS FOR INSPECTION

A copy of the Sale and Purchase Agreement is available for inspection for Shareholders during normal business hours at the registered address of the Company at 21 Merchant Road, #04-01, Royal Merukh S.E.A. Building, Singapore 058267 for three months from the date of this Announcement.

## 10. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (Other than in their capacity as directors or Shareholders of the Company) has an interest, direct or indirect, in the Disposal.

By Order of the Board
Drew Ethan Madacsi
Interim Executive Director
1 July 2015