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

PROPOSED ACQUISITION OF 52% OF JEMS EXPLORATION PTY LTD

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1. INTRODUCTION

1.1 The Board of Directors (the "**Board**") of Sino Construction Limited (the "**Company**", and together with its subsidiaries, collectively, the "**Group**") wishes to announce that it has on 22 July 2014 entered into a conditional sale and purchase agreement (the "**SPA**") with **Bizcap Investments Ltd** (the "**Vendor**") for the acquisition of shares (the "**Sale Shares**") constituting 52% of the entire issued share capital of **JEMS Exploration Pty Ltd** ("**JEMS**") (the "**Proposed Acquisition**").

1.2 Completion of the Proposed Acquisition ("**Completion**") will be subject to, inter alia, approval of shareholders of the Company ("**Shareholders**") at an extraordinary general meeting ("**EGM**") to be convened by the Company.

2. INFORMATION ON THE VENDOR AND JEMS

2.1 **The Vendor.** The Vendor is a company incorporated in the Marshall Islands and having its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

2.2 As at the date of the SPA, the issued share capital of the Vendor is held by Mr Harun Abidin and Lanesborough Investment Pte Ltd in the proportion of 47% and 53% respectively. Lanesborough Investment Pte Ltd is 100% owned by Mr Boelio Muliadi. The directors of the Vendor are Messrs Harun Abidin and Boelio Muliadi. The directors of Lanesborough Investment Pte Ltd are Boelio Muliadi, Andrie Yuanda Tjeng and Sandy Yuanda.

2.3 **Harun Abidin.** Mr Harun Abidin is the President Director of the Tata Artha Group, a diversified group that concentrates on the oil, gas, and geothermal sectors such as integrated drilling and heavy equipment. Apart from that, the Tata Artha Group also has interests in the mineral exploration and mining sectors such as coal, nickel ore, iron ore, galena and molybdenum. Further information on the Tata Artha Group can be found at www.tataartha.com.

2.4 **Boelio Muliadi.** Mr Boelio Muliadi is the President Director of PT Cakra Mineral Tbk, an Indonesian mineral mining company listed on the Jakarta Stock Exchange. Further information on PT Cakra Mineral Tbk can be found at www.ckra.co.id.

2.5 **JEMS.** JEMS is a company incorporated in Victoria, Australia on 17 November 2009. As at the date of the SPA, JEMS has an issued and paid up share capital of AUD 50 comprising of 50 issued and fully paid up ordinary shares; the Vendor is the beneficial owner of 100% of the issued and paid up share capital of JEMS; and the directors of JEMS are Messrs Domenic Vincent Martino, Christopher Domenic Martino and Gary Alexander Williams.

2.6 Upon Completion of the Proposed Acquisition, the Vendor shall retain its beneficial ownership of the remaining 48% of JEMS. As the Company shall be the majority shareholder of JEMS, no shareholders agreement is proposed to be entered into between the Company and the Vendor in respect of JEMS.

2.7 The business of JEMS is the exploration for, and mining and production of coal in Queensland, Australia.

2.8 **Grey Range Project.** The current project held and undertaken by JEMS is the Grey Range Project in Queensland, Australia. The Grey Range Project is a coal development project in the Eromanga Basin located 32 km from Quilpie in South West Queensland, Australia which proposes to mine 5 million tonnes per annum (Mtpa) of thermal coal within Exploration Permits for Coal (EPCs) 2510, 2544 and 2557.

2.9 According to the "**Independant JORC Compliant Geological Report in the Grey Range Coal Project Area, Western Queensland Australia**" prepared by Dr. Brian R. Senior of B.R. Senior & Associates Pty Ltd:-

> *Exploration JORC compliant drilling of only 22% of the probable 700km2 area in EPCs 2544, 2510 and 2557, which contain shallow coal, resources to identify initially open pit commercial mining and not at this stage deeper underground resources, has provided a* ***JORC Inferred Coal Resource of 858 million tonnes****. According to seismic and historical drilling data, extensive areas between the eight drilled resource blocks are also likely to contain coal,* ***thus indicating the presence of an additional, very large, inventory coal resource****.*

2.10 Dr Brian R. Senior. B.Sc.(Hons), M.Sc., Ph.D., F.Aus.I.M.M., is a Geological Consultant and the principal of B.R. Senior & Associates Pty Ltd. Dr Senior is a Fellow, in good standing, of the Australasian Institute of Mining and Metallurgy and has in excess of 40 years of experience and knowledge in gemstone exploration and mining. He is a "competent person" for the purposes of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code).

2.11 The Proposed Acquisition was introduced to the Company by Mr Domenic Vincent Martino, a director of JEMS. No commission or fees have been paid or will be payable by the Company to Mr Domenic Vincent Martino in respect of such introduction.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 **Sale Shares**. Pursuant to the terms of the SPA, the Vendor shall sell the Sale Shares and the Company shall purchase the Sale Shares, free from all encumbrances and with all rights attaching thereto on a willing buyer and willing seller basis.

3.2 **Conditions Precedent.** Completion of the SPA is conditional upon:–

(i) the completion by the Company of a due diligence exercise on JEMS and the Grey Range Project, and the results of such due diligence exercise being satisfactory to the Company; and

(ii) the approval in-principle being given by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the listing and quotation of the Conversion Shares (defined below) on the SGX-ST upon the allotment and issue thereof; and

(iii) the approval of the shareholders of the Company for the transactions contemplated under the SPA being obtained at a general meeting of such shareholders; and

(iv) all necessary consents or approvals (if any) being granted by third parties or governmental or regulatory bodies or competent authorities having jurisdiction over the sale of the Sale Shares or the transactions contemplated under the SPA and where any such consent or approval is subject to any conditions, such conditions being reasonably acceptable to the Party on which they are imposed, and if such conditions being fulfilled before Completion and such consents or approvals not being revoked or repealed on or before Completion,

(collectively, the "**Conditions**").

If the Conditions are not fulfilled on or before the date falling six (6) months after the date of the SPA, the SPA shall *ipso facto* cease and all rights and liabilities of the Parties hereunder shall cease and no Party shall have any claim against any other Party save in respect of any antecedent breach of the SPA.

3.3 **Purchase Consideration**. The aggregate consideration for the purchase of the Sale Shares is the sum of USD 20 million (the "**Purchase Consideration**").

3.4 **Willing Buyer Willing Seller Basis**. The Purchase Consideration was determined after arms' length negotiations between the Company and the Vendor, on a willing buyer willing seller basis, taking into consideration, inter alia:-

(i) the gross in situ resources of the Grey Range Project.

Based on the "**Independant JORC Compliant Geological Report in the Grey Range Coal Project Area, Western Queensland Australia**" prepared by Dr. Brian R. Senior of B.R. Senior & Associates Pty Ltd, exploration JORC compliant drilling of only 22% of the probable 700km^2 area in EPCs 2544, 2510 and 2557 (covering the Grey Range Project area) has provided a JORC Inferred Coal Resource of 858 million tonnes.

In respect of this inferred coal resource, the Company has taken a view of a **USD 0.05** valuation per Gross in Situ tonne of coal, equating to approximately **USD 42,920,000**;

(ii) the payment of 50% of the Purchase Consideration being subject to the achievement of the milestones referred to in 3.5(B) below; and

(iii) the rationale referred to in Section 4 below.

3.5 **Satisfaction of the Purchase Consideration**. On Completion, the Company shall completely pay for and satisfy the Purchase Consideration by the issuance by the Company to the Vendor (and/or as it may direct) of convertible promissory notes (the "**Promissory Notes**") as follows:-

(A) a Promissory Note(s) for the aggregate principal sum of USD10,000,000 shall be issued by the Company subject to the following terms and conditions:-

(i) The Promissory Note(s) shall be non-interest bearing; and

(ii) The principal sum of USD10,000,000 shall mature and be due and payable in cash on the date falling twelve (12) months after the date of issuance of such Promissory Note(s); and

(iii) Prior to such maturity, the Company has the option to redeem the Promissory Note(s) from the holder(s) of such Promissory Note(s) by converting the principal sum of the Promissory Note(s) into an aggregate of 63,000,000 new ordinary shares in the capital of the Company ("**Conversion Shares**") and allotting and issuing such Conversion Shares to the holder(s) of the Promissory Note(s) (and/or as it may direct) at the issue price of S$0.20 for each Conversion Share ("**Issue Price**"), in full and final settlement of all sums due (whether as principal or otherwise) under such Promissory Note(s).

(The foregoing number of Conversion Shares is computed on the basis of the applicable exchange rate for the conversion of USD to S$ (and vice-versa) of USD1:S$1.26 and divided by the Issue Price i.e. (USD10,000,000 x 1.26) / S$0.20 = 63,000,000)

(B) a Promissory Note(s) for the aggregate principal sum of USD10,000,000 shall be issued by the Company subject to the following terms and conditions:-

(i) The Promissory Note(s) shall be non-interest bearing; and

(ii) Subject to 3.5(B)(iii):-

(a) The principal sum of USD10,000,000 shall mature and be due and payable in cash on the date falling twelve (12) months after the date of issuance of such Promissory Note(s); and

(b) Prior to such maturity, the Company has the option to redeem the Promissory Note(s) from the holder(s) of such Promissory Note(s) by converting the principal sum of the Promissory Note(s) into an aggregate of 63,000,000 Conversion Shares and allotting and issuing such Conversion Shares to the holder(s) of the Promissory Note(s) (and/or as it may direct) at the Issue Price, in full and final settlement of all sums due (whether as principal or otherwise) under such Promissory Note(s).

(iii) Unless otherwise agreed in writing by the Company, the Company shall only be liable to make payment in respect of the principal sum of USD10,000,000 provided that, during the abovementioned period of twelve (12) months after the date of issuance of such Promissory Note(s), JEMS either:-

(a) secures funding (on terms acceptable to the Company) for the capital expenditure requirements of the Company to develop and operate the mining operations of the Grey Range Project; or

(b) procures offtake (on terms acceptable to the Company) for the thermal coal to be produced from the Grey Range Project.

3.6 The Conversion Shares when issued shall rank *pari passu* with all issued Shares in the capital of the Company, with all rights attached thereto and shall be free from all encumbrances whatsoever.

3.7 **Payment of Promissory Notes**. The Company intends to fund the payment of the Promissory Notes from the proceeds of equity fundraising, external financing, internal sources of fund or a combination thereof. Nevertheless, if the Company so elects, it has the option to allot and issue the Conversion Shares as full and final settlement of all sums due (whether as principal or otherwise) under the Promissory Notes.

3.8 **Conversion Shares.** If the Company so elects to allot and issue all of the Conversion Shares, the total number of Conversion Shares to be allotted and issued shall be 126,000,000 Conversion Shares and will represent (i) approximately 9.57% of the existing issued share capital of the Company as at the date hereof; and (ii) approximately 8.73% of the enlarged issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Company will be making an application for the listing and quotation of the Conversion Shares on the SGX-ST.

3.9 **Issue Price.** The Issue Price was determined after arms' length negotiations between the Company and the Vendor, on a willing buyer willing seller basis, and taking reference of the Volume Weighted Average Price (VWAP) of S$0.2142 for trades done on the Company's Shares on the SGX-ST for the six (6) month period up to and including 18 July 2014. The Issue Price represents a discount of 6.63% to the VWAP for the six (6) month period up to and including 18 July 2014.

The VWAP on 18 July 2014 (being the market day immediately preceding the date on which the SPA was signed) is S$0.2823. As such, the Issue Price represents a discount of 29.15% to the VWAP on 18 July 2014.

As the Issue Price represents a discount of more than 10% to the VWAP of S$0.2823 on 18 July 2014, specific approval of Shareholders for the issuance of the Conversion Shares at the Issue Price will be sought at the EGM to be convened by the Company.

3.10 **Share Issue.** The issuance of the Conversion Shares shall be subject to the specific approval of Shareholders at the EGM to be convened by the Company.

4. RATIONALE FOR THE PROPOSED ACQUISITION

One of the Company's present strategies to bring additional value to the Company and its Shareholders is to diversify its existing business and explore different investment opportunities, including the acquisition and holding of investments in high grade, Pulverized Coal Injection (PCI) and/or coal resources projects and companies.

With respect to such investments, the Company will seek to acquire coal projects and companies with large gross in situ coal resources with the intention of the Company eventually being a global or regional leader in terms of the holdings of such coal resources.

5. NET PROFITS (LOSS) / VALUE OF ASSETS (LIABILITIES) BEING ACQUIRED

JEMS incurred an unaudited net loss of AUD 100,471 (or approximately S$118,556, at the exchange rate of AUD 1: S$ 1.18) for the financial year ended 30 June 2013. As at 30 June 2013, JEMS had net liabilities of AUD 100,421 (or approximately S$118,497, at the exchange rate of AUD 1: S$ 1.18).

As such, the unaudited net loss attributable to the Sale Shares being acquired is approximately AUD 52,245 (or approximately S$61,649, at the exchange rate of AUD 1: S$ 1.18) and the value of the net tangible liabilities attributable to the Sale Shares being acquired by the Group pursuant to the Proposed Acquisition is approximately AUD 52,219 (or approximately S$61,618, at the exchange rate of AUD 1: S$ 1.18).

The Company has not commissioned any valuation of JEMS.

6. FINANCIAL EFFECTS

For illustration purposes only, the table below sets out the financial effects of the Proposed Acquisition based on the following bases and assumptions:-

(a) The audited consolidated financial statements of the Group for the financial year ended 31 December 2013;

(b) The issued share capital of the Company comprising of 1,316,763,799 Shares as a result of the completion of the allotment and issue of 631,458,200 Shares to the controlling Shareholder of the Company on 26 June 2013;

(c) The Company allots and issues 126,000,000 Conversion Shares at the Issue Price in full and final settlement of all sums due under the Promissory Notes;

(d) The disposal of the Company's PRC subsidiaries – Daqing Xinyuan Construction Installation Co., Ltd ("**Xinyuan Construction**") and Daqing Sunshine Reli Thermal Co., Ltd ("**Reli Thermal**") which had been completed on 27 March 2014; and

(e) The financial impact on the Group's consolidated net tangible assets ("**NTA**") per Share is computed based on the assumption that the Proposed Acquisition was completed on 31 December 2013 and in relation to the Group's consolidated earnings per Share ("**EPS**"), computed based on the assumption that the Proposed Acquisition

was completed on 1 January 2013. The foregoing financial impact on the NTA and EPS shall be computed taking into account the allotment and issue of the 631,458,200 new Shares and the disposal of Xinyuan Construction and Reli Thermal referred to in Notes (b) and (d) above respectively.

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Share Capital		
- Issued and paid up share capital (S$)	96,108,000	121,308,000
- Number of Shares	1,316,763,799	1,442,763,799
Net Tangible Assets		
- NTA (S$)	9,948,000	9,829,000
- Number of Shares	1,316,763,799	1,442,763,799
- NTA per Share (S$)	0.0076	0.0068
Loss Per Share		
- Loss after tax attributable to owners of the Company (S$)	27,560,000	27,560,000
- Number of Shares	1,014,009,867	1,140,009,867
- Loss per Share (S$)	0.0272	0.0242

The financial effects of the Proposed Acquisition on the Group are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Group after the completion of the Proposed Acquisition.

7. CHAPTER 10 OF THE LISTING MANUAL

7.1 Relative Figures

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**") are as follows:

Rule 1006	**Bases**	**Relative Figure (%)**
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not Applicable
(b)	The net losses attributable to the assets acquired or disposed of, compared with the Group's net losses (1)	0.22
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares(2)	6.78
(d)	The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue(3)	9.57
(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. This basis is applicable to a disposal of mineral, oil or gas assets by a	Not Applicable

	mineral, oil and gas company, but not to an acquisition of such assets.	

Notes:-

(1) Based on the Group's unaudited consolidated net loss before tax of S$27,560,000 for the financial year ended 31 December 2013 and the unaudited net loss attributable to the Sale Shares being acquired of approximately AUD 52,245 (or approximately S$61,649, at the exchange rate of AUD 1: S$ 1.18) for its financial year ended 30 June 2013.

(2) Based on the Company's existing issued ordinary share capital of 1,316,763,799 Shares and the VWAP of S$0.2823 for trades done on the Company's shares on the SGX-ST for the full market day on 18 July 2014 (being the market day immediately preceding the date on which the SPA was signed), the Company's market capitalization on 18 July 2014 was S$371,722,420.

(3) Assuming the Company so elects to issue and allot the total number of 126,000,000 Conversion Shares.

7.2 **Classification**

As some of the relative figures under Rule 1006 for the Proposed Acquisition exceed 5% but none exceeds 20%, the Proposed Acquisition constitutes a Discloseable transaction for the purposes of Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is not required to be subject to the approval of the Company's shareholders.

Nevertheless, the Company shall convene an EGM to seek the specific approval of Shareholders for the Proposed Acquisition.

8. 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 any interest, direct or indirect, in the Proposed Acquisition.

9. NO APPOINTMENT OF DIRECTOR

There are no Directors who are proposed to be appointed to the Company in connection with the Proposed Acquisition.

10. DOCUMENTS FOR INSPECTION

Copies of the SPA are available for inspection during normal business hours at the registered office of the Company at 21 Merchant Road, #04-01 Royal Merukh S.E.A. Building, Singapore 058267 for a period of three (3) months commencing from the date of this Announcement.

By Order of the Board

Andy Chee
Chairman
22 July 2014