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

ACQUISITION OF 51% OF SIGNET COKING COAL INTERNATIONAL LIMITED

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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 had on 6 June 2014 entered into a sale and purchase agreement (the "**SPA**") with **Lighthouse Strategic Group Limited** (the "**Vendor**"), for the acquisition of shares (the "**Sale Shares**") constituting 51% of the entire issued share capital of Signet Coking Coal International Limited ("**Signet HK**") (the "**Acquisition**").

1.2 Completion of the Acquisition is expected to take place on or before 5 August 2014 (the "**Completion**").

2. INFORMATION ON THE VENDOR AND SIGNET HK AND ITS SUBSIDIARIES

2.1 **The Vendor.** The Vendor is a limited liability company incorporated in the British Virgin Islands. The sole director and shareholder of the Vendor is Mr. Drew Madacsi.

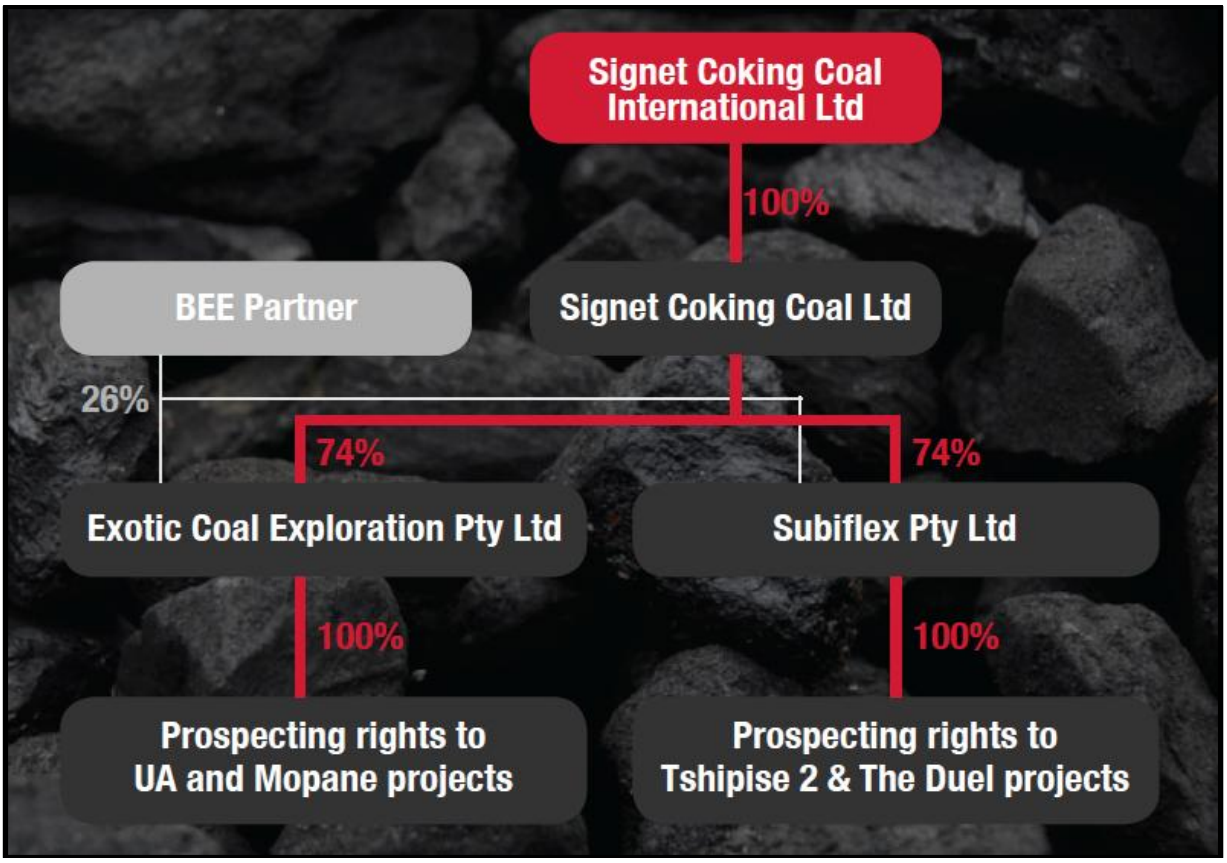
2.2 **Signet HK and its Subsidiaries.** Signet HK is a limited liability company incorporated in Hong Kong on 28th September 2012. The Directors of Signet HK are Mr. Drew Madacsi, Mr. Steven Chew and Mr. Rupert Smith, and the Vendor is the legal and beneficial owner of the entire issued share capital of Signet HK.

2.3 Signet Coking Coal Limited ("**Signet BVI**") is a limited liability company incorporated in the British Virgin Islands on 1st November 2011. The director of Signet BVI is Mr. Drew Madacsi and the sole shareholder of Signet BVI is Signet HK.

2.4 Exotic Coal Exploration (Proprietary) Limited ("**Exotic**") is a limited liability company incorporated in the Republic of South Africa on 25th February 2008. The directors of Exotic are Mr. Drew Madacsi and Mr. Surprise Nefolovhodwe and Signet BVI is the owner of 74% of the issued share capital of Exotic.

2.5 Subiflex (Proprietary) Limited ("**Subiflex**") is a limited liability company incorporated in the Republic of South Africa on 20th September 2010. The directors of Subiflex are Mr. Drew Madacsi and Mr. Surprise Nefolovhodwe and Signet BVI is the owner of 74% of the issued share capital of Subiflex.

2.6 In terms of the applicable law in the Republic of South Africa, any company holding rights under the Mineral Petroleum and Resources Development Act, 2002 (Act 28 of 2002 of the Republic of South Africa) ("**MPRD**") is required to be held as to a minimum of 26% by shareholders qualifying as Black Economic Empowerment ("**BEE**") shareholders. As such, BEE shareholders hold the remaining 26% of the respective issued share capital of Exotic and Subiflex.



2.7 The business of Signet HK, Signet BVI, Exotic and Subiflex (collectively, the "**Signet Group**") is the exploration for, mining of, and the processing and treatment, marketing and distribution and sale of coal, including (without limitation) thermal coal and coking coal, and all rehabilitation operations undertaken in connection therewith.

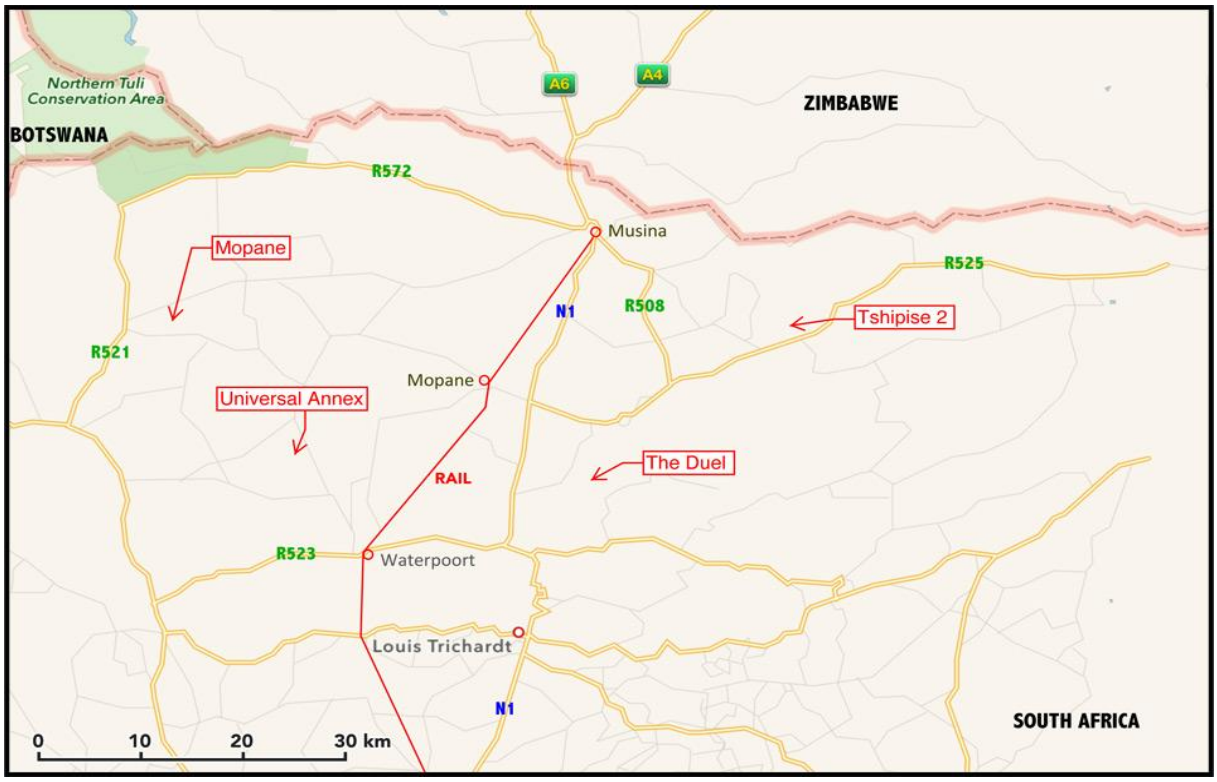
2.8 The projects ("**Projects**") held and undertaken by Exotic and Subiflex are The Duel, Universal Annex, Mopane and Tshipise II projects.

The Duel: The Signet Group has recently completed first round exploration on the farm, The Duel 186 MT, part of The Duel project, with coking coal qualities meeting world requirements to be deemed as ***Hard Coking Coal (HCC)***. The Duel project is located on an area of approximately 10.3 square kilometres. The project lays adjacent to ASX/JSE listed Coal of Africa's (CoAL) "Makhado and Mt Stuart" projects. The coal qualities from laboratory composite samples clearly put the likely coal produced at The Duel project to rival (and in some cases exceed) HCC from Queensland, Australia and Mozambique). The relevant qualities of the coal zones would suggest that whether individually or blended, these coals would qualify as ***hard coking coals***. The potential to produce a ***premium hard quality coking coal*** from selective seams is also evident, with selective seams also offering a potentially high fluidity, hard coking coal. The Signet Group has decided to move directly to defining SAMREC/JORC "measured and indicated" category resources and commence the application of a mining right on project.

Universal Annex and Mopane: The Soutpansberg coalfield is divided into three separate sectors named from west to east as Mopane, Tshipise and Pafuri. Within the Mopane Sector are CoAL's Chapudi project (formerly owned by Rio Tinto) and the Berenice project controlled by ASX listed Universal Coal (adjacent to the Signet Group's Universal Annex project). CoAL is currently exploiting a semi soft coking coal at their Vele Project, located along the South African side of the Botswana and Zimbabwe borders, several kilometres to the north of the Signet's Mopane project area. The Universal Annex project sits 20.4km from the town of Waterpoort. The Mopane project is 67km from the town of Waterpoort and 80km from the town of Musina. The Universal Annex and Mopane projects are located on areas of approximately 7.9 square kilometres and 13.9 square kilometres respectively.

All projects have direct access to fully tarred roads, roads capable of linking coal haulage vehicles to any part of South Africa, concluding existing railway sidings at Waterpoort, Mopane and Musina linking the area to the ports of Durban, Richards Bay and Matola in Mozambique.

Tshipise II: The coal strike within this particular sector of the Soutpansberg Basin has been shown to contain a 30m to 40m thick carbonaceous zone of the Madzaringwe Formation, with potentially six (6) mineable horizons. These zones lay below a graben structure, comprising interbanded carbonaceous mudstones and coal. The coal within the Tshipise sector is generally of a high coking quality with an ash content of about twelve percent or lower and with Volatiles varying between 15 to 28%, a high vitrinite content (+70%) renders the coal very suitable for coking. The remainder of the coal is suitable for thermal coal use within the export markets. The Tshipise II project is located on an area of approximately 75.4 square kilometres.



Further information on the Signet Group and the Projects can be found at the website of the Signet Group at www.signetcoal.com.

2.9 The Acquisition was introduced to the Company by Mr Andy Chee, a Director of the Company. No commission or fees have been paid or will be payable by the Company to Mr. Andy Chee in respect of such introduction.

3. PRINCIPAL TERMS OF THE ACQUISITION

3.1 **Sale Shares**. Pursuant to the terms of the SPA, the Sale Shares will be purchased by the Company free from any lien, charge and/or encumbrance.

3.2 **Conditions Precedent.** The sale and purchase of the Sale Shares is conditional upon, inter alia:

(a) by not later than 60 days after the date of the Agreement, or such later date as the Parties may agree in writing, the Purchaser (through its appointed agents and/or consultants) shall have undertaken and completed due diligence to its reasonable satisfaction; and

(b) by not later than 60 days after the date of the Agreement, or such later date as the Parties may agree in writing, the Purchaser will have received the written approval in-principle of 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.

If the above conditions, or any of them, shall be not have been fulfilled by not later than the dates specified above, the SPA (save in respect of certain clauses such as confidentiality, which shall remain of full force and effect) shall be of no force or effect and neither Party shall have any claim against the other of them for anything done hereunder and/or arising hereout.

3.3 **Purchase Consideration**. The aggregate consideration for the purchase of the Sale Shares is the sum of US$21 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:-

(a) the resources of the Projects;

(b) the stage of development of the Projects; and

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

3.5 **Satisfaction of the Purchase Consideration**. The Purchase Consideration shall be fully satisfied by the Company on Completion by the issuance by the Company to the Vendor of a convertible promissory note (the "**Promissory Note**")

3.6 **Principal Terms of the** Promissory Note. The terms of the Promissory Note shall provide as follows:-

(a) The Company shall undertake to pay the Purchase Consideration to the Vendor in 3 tranches being:

(i) US$ 6 million on the completion of the initial program for the exploration, development, production and exploitation of The Duel; and the preparation, completion and delivery to the Parties respectively of a JORC compliant report in respect of The Duel ("**JORC Completion Date**");

(ii) US$ 10 million on the day being 6 months after the JORC Completion Date; and

(iii) US$ 5 million on the day being 12 months after the JORC Completion date.

(b) The Vendor shall be entitled in respect of each of the 3 tranches of payment of the Purchase Consideration, on written notice to the Company, to demand that each relevant tranche shall be paid and settled by the allotment and issue, credited as fully paid, of shares in the issued share capital of Company ("**Shares**") (which Shares shall be listed for trading on the SGX-ST ("**Conversion Shares**") to the Vendor (and/or as its nominee(s)), equal in value to the value of the relevant payment tranche. For such purposes, the issue price ("**Issue Price**") of the Conversion Shares shall be equal to 90% of the Volume Weighted Average Price ("**VWAP**") of the Shares of the Company on the SGX-ST on the date of the SPA, and the applicable exchange rate for the conversion of US$ to S$ shall be USD1:SGD1.26.

(c) The Vendor shall be obliged, by not later than 14 days before the due date for payment of each of the 3 tranches of payment of the Purchase Consideration to it in terms of the Promissory Note, to notify the Company in writing whether it elects to be paid the relevant tranche in cash or by the allotment and issue of Conversion Shares.

(d) As security for the due and punctual payment and performance by the Company of all of its obligations in terms of and/or in connection with the Promissory Note, the Company shall pledge the Sale Shares to and in favour of the Vendor. The Company shall, on Completion, deliver the certificates issued to the Company in respect of the Sale Shares to an escrow agent ("**Escrow Agent**") agreed between the Parties; and the Escrow Agent shall hold the certificates in respect of the Sale Shares for and on behalf of the Vendor as continuing security for the performance by the Company of all of its obligations in terms of the Promissory Note. The Parties shall appoint the Escrow Agent and the Sale Shares shall be pledged to the Vendor (and held by the Escrow Agent) on reasonable terms to be agreed between the Parties, commensurately with prevailing commercial practice.

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 holder of the Promissory Note so elects, it has the option to be paid the relevant tranche by the allotment and issue of Conversion Shares under the Promissory Note.

3.8 **Conversion Shares.** If the holder of the Promissory Note so elects for all 3 tranches to be paid by the allotment and issue of Conversion Shares under the Promissory Note, the total number of Conversion Shares to be allotted and issued shall be 136,490,250 Conversion Shares and will represent (i) approximately 10.37% of the existing issued share capital of the Company as at the date hereof; and (ii) approximately 9.39% of the enlarged issued share capital of the Company as enlarged by the issue of the Conversion Shares.

(The total number of Conversion Shares was computed by dividing the amount due under the Promissory Note by the Issue Price).

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 VWAP on 6 June 2014 (being the market day on which the SPA was signed) is S$0.2154. As such, the Issue Price (being equivalent to a discount of 10.0% to the VWAP) shall be S$0.19386.

3.10 **Share Issue Mandate.** If the holder of the Promissory Note so elects to be paid by the allotment and issue of Conversion Shares under the Promissory Note, the Conversion Shares will be issued pursuant to the general mandate ("**General Mandate**") obtained at the annual general meeting of the Company held on 30 May 2014 ("**Date of AGM 2014**") which authorises the Directors of the Company to allot and issue new Shares in the capital of the Company in accordance with, and subject to, the provisions of Rule 806 of the Listing Manual of the SGX-ST.

It is envisaged that the Conversion Shares (or part thereof) may be allotted and issued after the expiry of the General Mandate. Nevertheless, as authorized by the General Mandate, notwithstanding that the authority conferred by the General Mandate may have ceased to be in force, the Directors were granted authority to issue Shares in pursuance of any offers, agreements, or options made or granted by the Directors while the General Mandate was in force.

The issued share capital of the Company (in terms of number of Shares) as at the Date of AGM 2014 comprised 1,316,763,799 Shares. Therefore, the share capital base of the Company for the computation of the number of Shares which may be issued pursuant to the General Mandate is 1,316,763,799 Shares and the maximum number of new Shares which may be issued (other than on a pro rata basis to existing Shareholders) pursuant to the General Mandate is 263,352,759 Shares.

As at the date of this Announcement, the Company has not utilised the General Mandate obtained on the Date of AGM 2014 for the allotment and issue of new Shares. As such, the maximum number of new Shares which may still be issued (other than on a pro rata basis to existing Shareholders) pursuant to the General Mandate is 263,352,759 Shares.

3.11 **Funding.** The Company shall also be responsible for funding the prospecting operations of the Signet Group by lending and advancing to Signet HK an aggregate amount of US$ 5 million.

4. RATIONALE FOR THE ACQUISITION

Based on the present status of the Projects, the Board believes the Acquisition will enable the Company to gain a strong foothold to participate in the coking and thermal coal resources industry.

The Acquisition is in line with the Company's present strategy to explore different investment opportunities so as to diversify its existing business, thereby bringing additional value to the Company and its Shareholders.

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

Signet HK and Signet BVI are the holding company and intermediate holding company respectively of Exotic and Subiflex. Signet HK and Signet BVI have no revenue nor profits. In addition, Signet HK has yet to prepare financial statements and Signet BVI is not obliged to prepare financial statements. Exotic has no revenue nor profits, and it has negligible book values.

Subiflex incurred an audited net loss of South African Rand (Rand) 2,972,115 (or approximately S$356,654, at the exchange rate of Rand 1: S$ 0.12) for the financial year ended 28 February 2013. As at 28 February 2013, Subiflex had net liabilities of Rand 2,972,015 (or approximately S$356,642, at the exchange rate of Rand 1: S$ 0.12).

As such, assuming that consolidated financial performance and position of Signet HK reflects Signet BVI's 74% shareholding of Subiflex, the net loss attributable to the Sale Shares being acquired is approximately Rand 1,121,676 (or approximately S$134,601, at the exchange rate of Rand 1: S$ 0.12) and the value of the net tangible liabilities attributable to the Sale Shares being acquired by the Group pursuant to the Acquisition is approximately Rand 1,121,638 (or approximately S$134,597, at the exchange rate of Rand 1: S$ 0.12).

The Company has not commissioned any valuation of the Signet Group.

6. FINANCIAL EFFECTS

For illustration purposes only, the table below sets out the financial effects of the 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 136,490,250 Conversion Shares to the Vendor at the Issue Price in full and final settlement of all sums due under the Promissory Note;

(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 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 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 Acquisition	**After the Acquisition**
Share Capital		
- Issued and paid up share capital (S$)	96,108,000	122,568,000
- Number of Shares	1,316,763,799	1,453,254,049
Net Tangible Assets		
- NTA (S$)	9,948,000	9,813,000
- Number of Shares	1,316,763,799	1,453,254,049
- 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	1,150,500,117
- Loss per Share (S$)	0.0272	0.0240

The financial effects of the 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 Acquisition.

7. CHAPTER 10 OF THE LISTING MANUAL

7.1 Relative Figures

The relative figures for the 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)]	0.49%
(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)]	11.00%
(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)]	10.37%

Notes:-

(1) Based on the Group's audited consolidated net loss before tax of S$27,560,000 for the financial year ended 31 December 2013 and the net loss attributable to the Sale Shares being acquired of approximately Rand 1,121,676 (or approximately S$134,601, at the exchange rate of Rand 1: S$ 0.12) as computed from the audited financial statements of Subiflex for its financial year ended 28 February 2013.

(2) Based on the Company's existing issued ordinary share capital of 1,316,763,799 Shares and the VWAP of S$0.2262 for trades done on the Company's shares on the SGX-ST for the full market day on 5 June 2014 (being the market day immediately preceding the date on which the SPA was signed), the Company's market capitalization on 5 June 2014 was S$297.85 million. The value of the consideration given by the Company shall be US$26 million (or approximately S$32.76 million, at the exchange rate of US$1:S$1.26), which shall comprise of the Purchase Consideration and the funding amount of US$5 million.

(3) Assuming that the holder of the Promissory Note so elects for all 3 tranches to be paid by the allotment and issue of Conversion Shares under the Promissory Note, the total number of Conversion Shares to be allotted and issued shall be 136,490,250 Conversion Shares.

7.2 **Classification**

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

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 Acquisition.

9. NO APPOINTMENT OF DIRECTOR

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

William Joseph Condon
Executive Director
6 June 2014