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

RESPONSE TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RELATION TO THE PROPOSED JOINT VENTURE FOR RENEWABLE SOURCE POWER GENERATION

The Board of Directors ("**Board**") of Sino Construction Limited (the "**Company**" and together with its subsidiaries, the "**Group**") would like to respond to queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the announcements on 27 January 2015 ("Jan Announcement") and 3 February 2015 ("Feb Announcement") on the proposed joint venture for renewable source power generation.

The SGX-ST requested that the Company provide further details on the following matters.

(i) Primeforth Special Situation Fund Limited ("PSSFL") including who the beneficial owners are, track record and date of incorporation of PSSFL, the size of PSSFL, the profile of the fund manager and the type of fund managed;

PSSFL was incorporated in the Cayman Islands on 25 February 2010. It is a dormant company since inception but for the purposes of the JV with Sino Construction it has been used as a special purpose vehicle to house Mr. Kim's patents. For clarity, the company was originally formed to manage private funds but was never carried out. There has never been any fund management activity in PSSFL. PSSFL has concluded a name change to Primeforth Renewable Energy Limited to better reflect its principal activity. The beneficial shareholder of PSSFL is Mr. U Kean Seng.

(ii) The patents held by PSSFL including where they are registered, the type of patent obtained and the validity period and applicable jurisdiction granted to the patents, the unique features in the technology for which the patents were granted;

The patents held by PSSFL relate to the cultivation and harvesting of micro algae.

<u>Cultivation Patent</u>
Patent for micro algae cultivation tank utilizing aeration to deliver CO2 and circulation of micro algae Registration no. 1012946550000 and published on 9 August 2013 at KOREAN INTELLECTUAL PROPERTY OFFICE ("KIPO")

Similarly, in Malaysia, a patent was filed bearing number PI 2014002704 and is currently awaiting grant of the patent in that jurisdiction.

<u>Harvesting machine patent (Korea only)</u>
Two patents were filed and granted in South Korea pertaining to two versions of the harvesting machine;

- Version 1: Patent Application Serial No. 1020120072821 application date on 4 July 2012,
- Version 2: Patent Application Serial No. 1020120103260 application date on 18 September 2012,

Subsequently a patent was filed for version 3 of the harvesting machine and is awaiting final publication; Unexamined Publication No. 1020140036751

The patents are enforceable for 20 years from the date of Patent registration. PSSFL will register these patents in all the intended jurisdictions they intend to operate.

(iii) When this technology under the patent was first introduced to the market and whether the Inventor (Peter Kim Jae Hoon) had worked with anyone else previously to market this technology;

The inventor served as the principal consultant in the engineering and procurement aspects for the construction of a micro algae cultivation facility in Nagoya Japan in 2012/2013. The inventor has not actively marketed his technology since.

(iv) Outlook for the biofuel industry in Korea;

We would like to clarify that our business activities are in the construction of MPPs and its power generation. Biofuels and other crude vegetable oils are just feedstock for our micro power plants and hence the outlook for biofuels in Korea is not entirely relevant to our business. We are able to utilize different types of CVOs and fossil based fuels such as diesel if the need arises and will not be entirely dependent on any one kind of fuel.

(v) When will the construction of the micro power plants begin and complete, the power generation capacity of these plants, whether the Company will be building and owning the power plants;

Construction of the first 1 to 3 MPPs are targeted to begin in mid-March 2015 subject to funding availability. The period of construction of a single plant and commissioning of equipment which will be in units of up to 3MW each typically takes 12-15 weeks on average and the MPPs can be built concurrently depending on whether the funding, site locations and other factors are in place. For our venture in Korea, we shall be building and owning the plant together with our JV partner PSSFL.

(vi) The cost of construction of the micro power plants and how this cost will be funded;

A MPP (Micro Power Plant) costs approximately USD1.2 million on a turnkey basis. The initial 5 plants are expected to be financed internally (see vii)

(vii) The Company reported that the issued and paid up capital of the JV Co will be $1,000,000. Noting that the Company has an amount of $74,000 in its bank account as at 30 Sep 2014, please explain how such investment will be "funded internally" for its 70% interest as disclosed;

We are looking to finance this venture by;

a. Sales of assets, where preliminary discussions are ongoing
b. Short term funding from existing shareholders or other new investors

On another note, we have a SGD 16 million Convertible Bond issue which is still pending in-principal approval from the SGX which part of the proceeds can be used to finance this venture if the said approval is granted, given shareholder approval at an EGM to be held at a later date.

(viii) When will the plants begin operations, how and whether the Company will be involved in managing the operations, the target customers for the power generated and when the Company expects the investment to generate "a visible and stable cash flow and significant enhance the potential for future profitability of the Company"; and

The proposed JV company Magnum Modular Power Generation Pte Ltd (or any such name) will manage the rollout. This team will include Mr Kim as Chairman and an Interim Managing Director to oversee the rollout. The power generated will be sold through the KPX (Korean Power Exchange), which offers an incentive tariff for Biofuel use. As the construction lead time is only 12-15 weeks per MPP, we expect our first MPPs to start production in May 2015 and revenues to follow immediately after.

(ix) Whether there are any foreign investments restrictions in biofuel industry in Korea, investment in their power plants and selling electricity to its citizens

There are none.

By Order of the Board

Drew Ethan Madacsi
Executive Director
9 February 2015