SINO CONSTRUCTION LIMITED

中华建筑有限公司

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

ANNOUNCEMENT IN RELATION TO RULE 704(5) OF THE LISTING MANUAL – DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

In compliance with Rule 704(5) of the SGX-ST Listing Manual of The Singapore Exchange Securities Trading Limited ("SGX-ST"), the Board of Directors of Sino Construction Limited (the "Company" or the "Group") wishes to announce the following in respect to Moore Stephens LLP ("MS"), the Company's external auditors, Independent Auditors' Report for the financial year ended 31 December 2014:

I. Basis for Disclaimer of Opinion
Opening Balances

4. In our auditors' report dated 7 May 2014, we have expressed a disclaimer of opinion in respect of the financial statements for the previous financial year ended 31 December 2013 due to the following matters:

   a. The accounting records of the key operating subsidiaries in the People's Republic of China were submitted to the Daqing Tax Authority in January 2013 for tax investigation. These subsidiaries included Daqing Xinyuan Construction Installation Co., Ltd ("Xinyuan"), Daqing City Dazheng Building Installation Co., Ltd. ("Dazheng"), Daqing City Baixinyuan Concrete Products Co., Ltd. ("Baixinyuan"), and Daqing Sunshine Reli Thermal Co., Ltd. ("Sunshine"). As the accounting records had not been returned to the Group, we were unable to perform audit procedures to obtain sufficient audit evidence to ascertain the appropriateness of the carrying amount of the opening balances in the financial statements for the previous financial year ended 31 December 2013. Accordingly, we were unable to determine whether any adjustments were necessary to the opening balances of the financial statements for the previous financial year ended 31 December 2013, which would have consequential effects on the 2013 financial statements.

   b. As mentioned in Note 9 to the financial statements, in November 2013, the Group disposed of its interest in Dazheng and Baixinyuan. Further, in March 2014, the Group disposed of Xinyuan and Sunshine. As the financial statements of these subsidiaries have not been audited, we were unable to perform audit procedures to obtain sufficient appropriate audit evidence relating to the loss from discontinued operations of S$23,468,000 for the financial year ended 31 December 2013, as disclosed in Note 9 of the financial statements, and consequently:

      i. the appropriateness and accuracy of the gain on disposal of Dazheng and Baixinyuan amounting to S$16,079,000 (Note 9(b) and Note 12(d)) for the financial year ended 31 December 2013; and
      ii. the appropriateness and accuracy of the write down of the net assets of Xinyuan and Sunshine to their recoverable amounts amounting to S$1,700,000 (Note 9(b)) as at 31 December 2013.

5. The matters referred to in paragraph 4(b)(ii) above remains unresolved in the current year as the accounting records for the above subsidiaries were still not made available to the Group. In view of this, we were unable to perform audit procedures to obtain sufficient audit evidence to

ascertain the appropriateness of the carrying amount of the opening balances relating to these subsidiaries in the financial statements for the financial year ended 31 December 2014. Accordingly, we were unable to determine whether any adjustments were required to such opening balances of the financial statements for the financial year ended 31 December 2014.

6. Our opinion on the current year's financial statements is also modified because of the possible effect of the matters referred to in paragraph 4 above on the comparability of the current year's figures and the corresponding figures.

7. As the Group disposed of Xinyuan and Sunshine in the financial year ended 31 December 2014, and the accounting records of these subsidiaries were not made available to the Group, we were unable to perform audit procedures to obtain sufficient appropriate audit evidence relating to the loss from discontinued operations of S$1,086,000 (Note 9(b)) for the financial year ended 31 December 2014.

8. As mentioned in Note 31 to the financial statements, in the financial year ended 31 December 2014, the Group and the Company changed the presentation currency from Renminbi ("RMB") to Singapore Dollars ("S$"). The change resulted in a deficit in translation reserves amounting to S$3,015,000 and S$1,092,000 as at 1 January 2013 and 31 December 2013, respectively, arising from the above subsidiaries (referred to in paragraph 4 above), which had a functional currency of RMB. As the accounting records for these subsidiaries were not made available to the Group, we were unable to perform audit procedures to obtain sufficient audit evidence to ascertain the appropriateness and accuracy of:

    a. the foreign currency translation gains amounting to S$1,923,000 and S$1,090,000, recorded in the consolidated statement of other comprehensive income for the financial years ended 31 December 2013 and 2014, respectively; and
    b. the carrying amounts of the opening balance of the foreign currency translation reserves in the consolidated balance sheets for the financial years ended 31 December 2013 and 2014, amounting to a deficit balance of S$3,015,000 and S$1,092,000, respectively.

Acquisition of Elite Bay Sdn Bhd ("Elite Bay")

9. As disclosed in Note 12(c)(i) to the financial statements, the Group acquired a 60% interest in Elite Bay, during the financial year ended 31 December 2014. Included in the consolidated financial statements of the Group during and as at 31 December 2014, are the following amounts in relation to Elite Bay.
    - Net assets of S$170,000
    - Revenue of S$2,331,000
    - Profit after tax of S$24,000

10. We were unable to obtain sufficient information about whether the Company had substantive rights to direct the relevant activities of Elite Bay during the financial year. Accordingly, we were unable to ascertain whether Elite Bay met the requirements to be consolidated under FRS 110 Consolidated Financial Statements.

11. 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.

12. As disclosed in Note 11 to the financial statements, the Group and the Company have unquoted equity investments amounting to S$35,380,000 and S$23,380,000, respectively, held at cost less impairment loss as at 31 December 2014. We were unable to obtain sufficient appropriate audit evidence concerning the carrying amount of these investments as at 31 December 2014, nor were we able to perform alternative audit procedures to ascertain the appropriateness of the carrying amount of these investments. Consequently, we were unable to determine whether any impairment charges should be recognised in the consolidated statement of comprehensive income with respect to these investments.

Recoverability of Investment in Subsidiary

13. As disclosed in Note 12(c)(ii) to the financial statements, the carrying amount of the investments in subsidiaries by the Company as at 31 December 2014 included an investment amounting to S$12,000,000 in Sunny Cove Investments Ltd. We were unable to obtain sufficient appropriate audit evidence concerning the carrying amount of this investment as at 31 December 2014, nor were we able to perform alternative audit procedures to ascertain the appropriateness of the carrying amount of this investment. Consequently, we were unable to determine whether any impairment charge should be recognised in the Company's balance sheet with respect to this investment.

Appropriateness of Going Concern Assumption

14. As disclosed in Note 3(a) to the financial statements, the Group incurred a net loss of S$2,694,000 and a total comprehensive loss of S$1,604,000 for the financial year ended 31 December 2014 and, as of that date, the Group's and Company's current liabilities exceeded its current assets by S$33,005,000 and S$31,928,000, respectively. These conditions, along with the matters mentioned in paragraphs 9 to 13 above, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Group and the Company to continue as going concerns. Management has prepared the financial statements on a going concern basis for the reasons disclosed in Note 3(b) to the financial statements. We were unable to obtain sufficient audit evidence to satisfy ourselves as to the ability of the Group and the Company to continue as going concerns.

15. In the event that the Group and the Company are unable to continue as going concerns, it could have an impact on the Group's and the Company's ability to realise assets at their recognised amounts and to extinguish liabilities in the normal course of business at the amounts stated in the balance sheets of the Group and the Company. The Group and the Company may also have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to these financial statements.

II. Disclaimer of Opinion

16. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs 4 to 15, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and accordingly, we do not express an opinion on the financial statements.

Copies of the aforesaid Independent Auditors' Report together with extracts of the relevant notes to the Financial Statements are annexed to this announcement.

BY ORDER OF THE BOARD

Drew Ethan Madacsi
Executive Director
17 April 2015