

SE Business
HD **Watchdog probes Sino Aus for market fraud**
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WC 590 words
PD 11 June 2014
SN The Australian
SC AUSTLN
ED Australian
PG 17
LA English
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SINO Australia **Oil** and Gas is the subject of a criminal investigation after the Australian Federal Police executed search warrants against the Australian-listed **mining** services **company** as part of a probe into market manipulation and false trading.

The Australian Securities & Investments Commission last week continued a freezing order over the HSBC bank account of the **Chinese** drilling services **company** after its chairman and majority shareholder, Shao Tian-peng, attempted to transfer \$7.5 **million** to **Chinese** bank accounts a day after the **company** floated on the Australian Securities Exchange on December 12 last year.

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Sino Australia listed on the ASX last year, raising \$12.8m at 50c a share for a market capitalisation of \$109m.

According to a letter of complaint to the corporate regulator from two of the **company**'s sacked directors, Wayne Johnson and Andrew Faulkner, Mr Shao asked the board to authorise the payment of \$7.5m into a **Chinese** bank account, which would have left \$170,000 in its accounts just a day after listing.

Continued on Page 18 Continued from Page 17 Mr Johnson and Mr Faulkner were removed from the board after refusing to sign off on the transfer.

The **Chinese** drilling-services **company** also had trading in its shares halted by the ASX after it failed to lodge its accounts in February.

The Australian revealed significant discrepancies between profit assurances given by Sino prior to the float and its actual financial performance, as well as significant "related-party transactions" paid to Mr Shao by the **company** worth \$3.1m.

Last night, Sino issued a statement to the ASX calling on ASIC and the Federal Court to release the **company**'s funds, but did not comment on a criminal investigation.

"It is the unanimous opinion of the **company**'s directors that the injunction is hurting the **company**, is not in shareholders' best interest, is unwarranted and should be removed," it said.

The Sino board said the frozen funds identified by ASIC had been earmarked for drilling purchases in **China**, and it was the court's freezing order that was dragging down expected profits.

"ASIC is concerned about an historical variance in forecast profit to actual profit caused by the **company**'s reliance on leased equipment but is actively preventing the **company** from expending its money, in a manner entirely in accordance with what was disclosed, to **purchase** equipment that would reduce the reliance on leased equipment and increase profitability," the statement said.

Affidavits filed in the Federal Court by ASIC reveal that the AFP executed a search warrant at an address in Mosman in Sydney on May 21 "pursuant to s3E of the Crime Act".

“The search warrant relates to suspected contraventions of the following provisions of the Corporations Act arising from the trading in SAO’s shares during the period from around 12 December 2013 to 24 February 201.” The ASIC and AFP investigation relates to “market manipulation” and “false trading” of Sino shares.

“Evidence obtained by ASIC prior to obtaining this warrant indicates that Mr Shao was aware of the motive underpinning the trading in SAO’s shares (that is the subject of ASIC’s investigation into market manipulation and false trading) and supported it.” An ASIC spokesman would not comment further on the search warrants or the ongoing investigation into Sino. ASIC is understood to have interviewed Mr Shao and other Sino directors late last month, with Mr Shao now having returned to **China**.

CO aufpol : Australian Federal Police | ausic : Australian Securities and Investments Commission

NS cwarr : Warrants | gcrim : Crime/Courts | c12 : Corporate Crime/Legal Action | c17 : Funding/Capital | ccat : Corporate/Industrial News | gcat : Political/General News | ncat : Content Types | nfact : Factiva Filters | nfcpx : FC&E Executive News Filter | nfcpi : FC&E Industry News Filter

RE austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcz : Developing Economies | easiaz : Eastern Asia

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AN Document AUSTLN0020140610ea6b0005e