

INDEPENDENT AUDITORS' REPORT

To the Members of Sinopipe Holdings Limited

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Sinopipe Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2013, the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 95.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"), and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Bases for Disclaimer of Opinion paragraphs, however, we are not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Bases for Disclaimer of Opinion

Opening balances

We expressed a disclaimer of opinion in our independent auditors' report dated 4 November 2013 in respect of the financial statements for the financial year ended 31 December 2012 on the following matters:

- The management was verifying and reconciling the differences between the People's Republic of China ("PRC") Generally Accepted Accounting Principles ("GAAP") financial statements of certain PRC subsidiaries filed with the State Administration for Industry and Commerce ("SAIC Filing") and the PRC GAAP financial statements provided for audit purpose for the financial years ended 31 December 2012 and prior. We were unable to obtain sufficient appropriate audit evidence and satisfactory explanations from management to quantify the impact on and to determine any appropriate adjustments to the financial statements for the financial year ended 31 December 2012;

We noted significant deficiencies in both the accounting system and internal controls of significant PRC subsidiaries of the Group. Considering the involvement in the Group's affairs during financial year 2012 of Chen Li Hui ("Chen"), the former Chief Executive Officer of the Company, and Zhuang Qing, the former General Manager (Finance, Investment and Business Development) of the Company, who were mentioned in the Special Auditors' Report dated 4 July 2013 to be connected to the accounting and audit issues which led to the independent review by the Special Auditors, management was still reconstructing the accounts of the Group for the financial year ended 31 December 2012 and prior;

We were unable to access the accounting records of certain PRC subsidiaries, namely Jiamusi Auton Advanced Materials Technology Co., Ltd, which were undergoing liquidation proceedings, Hailun Aton Piping Co., Ltd, and Chengde Aton Plastics Co., Ltd.;

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Bases for Disclaimer of Opinion (Continued)

Opening balances (Continued)

These issues brought into question the proper accounting for transactions in the Group, including the completeness and reliability of transactions recorded in the Group's accounting system and other information and documents;

- We were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the respective carrying amounts of land use rights, property, plant and equipment, goodwill, investments in associates, deferred tax assets, inventories, contract work-in-progress, trade and other receivables, borrowings, trade and other payables, cash and bank balances and the provisions, contingent liabilities and contingent assets of the Group and investments in subsidiaries and associates of the Company as at 31 December 2012;
- We were unable to satisfy ourselves on the appropriateness of the Group's profit or loss as we were unable to obtain sufficient documentary evidence to support the occurrence, completeness and accuracy of revenue, purchases and expenses recorded for the financial year ended 31 December 2012;
- We were unable to obtain documentary evidence or satisfactory explanation from management on certain cash movements that took place during the financial year ended 31 December 2012;
- We were unable to establish whether any significant related party information has been omitted from the financial statements for the financial year ended 31 December 2012 as the Group did not disclose certain related parties and the corresponding transactions with these related parties in the financial statements, and we were unable to obtain sufficient appropriate audit evidence on the completeness of related parties and transactions with related parties disclosed in the financial statements;
- We were unable to include certain disclosures required under the respective FRS, which include but not limited to FRS 1 *Presentation of Financial Statements*, FRS 36 *Impairment of Assets* and FRS 107 *Financial Instruments: Disclosures* in the absence of information to be provided by management;
- We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the appropriateness of the use of the going concern assumptions by management in preparing the financial statements for the Group and Company for the financial year ended 31 December 2012;
- We were unable to ascertain whether any adjustments were required to be made to the provision of income taxes given certain matters included in our bases for disclaimer of opinion; and
- We were unable to obtain documentary evidence to support various transactions that may be required under certain laws, rules and regulations set out by the authorities of the PRC, the Group might be found to be in non-compliance with such laws, rules and regulations.

Consequently, we are unable to determine whether the opening balances as at 1 January 2013 are fairly stated. As the opening balances as at 1 January 2013 enter into the determination of the Group's results and cash flows for the financial year ended 31 December 2013, we are unable to determine whether any adjustments might have been found necessary in respect of the financial statements for the financial year ended 31 December 2013, nor the completeness, appropriateness and comparability of the corresponding figures and the related disclosures in the financial statements for the financial year ended 31 December 2013.

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Bases for Disclaimer of Opinion (Continued)

Current financial year

(i) Discrepancies between SAIC Filing and management accounts

As of the date of this report, management is still verifying and reconciling the discrepancies between the SAIC Filing and the management accounts provided for audit purpose for the financial year ended 31 December 2013, the results of which may lead to adjustments to the financial statements for the financial years ended 31 December 2013 and prior. We are unable to obtain sufficient appropriate audit evidence and satisfactory explanation from management to quantify the impact on and to determine any such appropriate adjustments to the financial statements for the financial year ended 31 December 2013.

(ii) Contract work-in-progress

Included in trade and other receivables stated on the face of the consolidated statement of financial position as at 31 December 2013 are amounts due from a contract customer of RMB 115,158,000. In the absence of documentary evidence and satisfactory explanation from management, we have been unable to satisfy ourselves on the appropriateness of the basis upon which the stage of completion of the construction projects was estimated, and the progress billings recorded till 31 December 2013 for the outstanding contracts. We have been unable to assess the recoverability of contract costs incurred and expected losses on construction contracts arising from any onerous contracts as of 31 December 2013 which would require provisions to be made. Consequently, we are unable to satisfy ourselves on the appropriateness of the carrying amount of the Group's contract work-in-progress as at 31 December 2013.

(iii) Trade payables

Included in trade and other payables stated on the face of the consolidated statement of financial position as at 31 December 2013 are certain trade payables of RMB 39,409,000 which in the absence of appropriate sufficient documentary evidence, we have been unable to perform alternative procedures to ascertain the existence, completeness and accuracy of these trade payables as at 31 December 2013. Consequently, we are unable to satisfy ourselves on the appropriateness of the carrying amount of the Group's trade payables as at 31 December 2013.

(iv) Provisions and contingent liabilities

Included in trade and other payables stated on the face of the consolidated statement of financial position as at 31 December 2013 is provision of RMB 10,663,000 made by the Group's management for the probable loss arising from the legal proceeding involving Fujian Aton Advanced Material Science and Technology Co. Ltd., a subsidiary of the Group. As disclosed in Note 29 to the financial statements, given the uncertainty in relation to the development and outcome of this litigation, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the appropriateness of the carrying amount of the provision.

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Bases for Disclaimer of Opinion (Continued)

Current financial year (Continued)

(v) Profit or loss and corresponding accounts

Stated on the face of the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2013 is loss for the year of RMB 168,045,000. We have been unable to obtain sufficient appropriate documentary evidence to ascertain the nature of certain unrecorded sale and purchase transactions and to satisfy ourselves on the occurrence and completeness of such transactions. Any adjustments found necessary would be made to the profit or loss with a corresponding impact on the carrying amounts of the Group's trade receivables and payables.

(vi) Income taxes

Certain matters described in the preceding paragraphs have tax implications and should adjustments be found necessary, the Group's income taxes may have to be adjusted accordingly. As of the date of this report, management is unable to determine the amount of income taxes to be recognised, if any.

(vii) Laws and regulations

The Group operates mainly in the PRC. In the absence of documentary evidence to support various transactions that may be required under certain laws, rules and regulations set out by the authorities of the PRC, the Group might be found to be in non-compliance with such laws, rules and regulations. Consequently, this may have a financial impact on the Group. Management is unable to determine or measure the liability, if any, as a result of the above.

(viii) Disclosure requirements under respective FRS

The Group has not disclosed certain information in the financial statements required by the respective FRS, which include but not limited to FRS 1 *Presentation of Financial Statements* and FRS 107 *Financial Instruments: Disclosures*. In the absence of information to be provided by management, we have been unable to include the omitted disclosures in the financial statements.

Disclaimer of Opinion

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

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Emphasis of Matter

Without modifying our opinion, we draw your attention to Note 1.3 to the financial statements. As at 31 December 2013, the Group and the Company were in net current liability positions of RMB 488,380,000 (2012: RMB 217,564,000) and RMB 101,611,000 (2012: RMB 96,228,000) respectively and the Group was also in a net liability position of RMB 213,203,000 (2012: RMB 33,872,000). The Group incurred net loss of RMB 168,045,000 (2012: RMB 251,026,000) for the financial year then ended. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and Company's abilities to continue as going concerns.

Notwithstanding the above, the financial statements of the Group and Company have been prepared on the assumptions that they will continue to operate as going concerns. Details are disclosed in Note 1.3 to the financial statements.

If the going concern assumptions were inappropriate, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to the financial statements.

Report on Other Legal and Regulatory Requirements

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraphs, we are unable to express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act. In our opinion, however, the accounting and other records required by the Act to be kept by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

MAZARS LLP

Public Accountants and
Chartered Accountants
Singapore

13 June 2014