

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021 AND 2022

In compliance with Rule 704(4) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalist, the board of directors (the “Board”) of Sincap Group Limited (the “Company” and together with its subsidiaries, collectively the “Group”) would like to announce that its independent external auditor, Foo Kon Tan LLP (the “Auditor”), has included:

- (a) a disclaimer of opinion (the “FY2021 Disclaimer Opinion”) in relation to the audited financial statements of the Group and the Company for the financial year ended 31 December 2021 (“FY2021”) (the “FY2021 Financial Statements”); and
- (b) a disclaimer of opinion (the “FY2022 Disclaimer Opinion”) in relation to the audited financial statements of the Group and the Company for the financial year ended 31 December 2022 (“FY2022”) (the “FY2022 Financial Statements”).

An extract of the nature and contents of the (i) FY2021 Disclaimer Opinion; and (ii) FY2022 Disclaimer Opinion contained in the independent auditor’s report for FY2021 and FY2022 (collectively, the “Independent Auditor’s Reports”), is annexed hereto as **Appendix A (Extract of the FY2021 Independent Auditor’s Report)** and **Appendix B (Extract of the FY2022 Independent Auditor’s Report)** to this announcement. The Independent Auditor’s Reports, the FY2021 Financial Statements and the FY2022 Financial Statements will form part of the Company’s annual report for the financial years ended 31 December 2021 and 31 December 2022 (the “Annual Report 2021/2022”), which will be released separately on the SGXNet today. Shareholders of the Company are advised to read this announcement in conjunction with the Annual Report 2021/2022 in its entirety.

Updates on Audit Issues Pursuant to Paragraph 3A of Appendix 7C of the Catalist Rules

The Company wishes to provide an update on the efforts taken to address the bases of the disclaimer of opinion to date, including management’s views in relation to these audit issues. Shareholders are advised to read the audited financial statements accompanying the Annual Report 2021/2022 in conjunction with the updates set out below.

Opening balances and comparative information

The financial statements of the Company for the financial year ended 31 December 2020 were audited by another auditor who expressed a qualified opinion thereof. The disclaimer of opinion was specifically related to the completeness, existence and accuracy of the opening balances brought forward from past years and thus affecting the comparative information presented in the audited financial statements for FY2021 and FY2022. As previously disclosed, the Company experienced several resignations among its directors and executives. These significant changes, which occurred both before finalising the binding Heads of Agreement (“HOA”) with a professional investor (the “Professional Investor”) and preceding the date of the Independent Auditor’s Reports, resulted in no substantive administrative follow-up being conducted to secure the requisite supporting documents.

Furthermore, there was a lack of technical assessment conducted in relation to impairment analysis, which could have reasonably provided substantiated details concerning the carried forward opening balances as at 1 January 2021, for comparative purposes.

Following the entry into the HOA with the Professional Investor, the Group had engaged external consultant and professionals to address the above outstanding issues so that the effects of the above-mentioned issues on those opening balances in FY2021 would not be extended across FY2022.

Specifically,

- (i) **Completeness, existence and accuracy of trade receivables and impairment of trade receivables:** The management engaged an independent valuer to conduct an Expected Credit Loss ("ECL") assessment on trade receivables as at 31 December 2021, in accordance with IFRS 9 *Financial Instruments* for accounting reference and financial reporting purposes. After reviewing the key underlying basis outlined in the independent valuation report and aligning with the criteria guided by the relevant accounting standard, the Group recognised a full allowance for ECL amounting to USD 29.9 million (RMB 192.5 million) on trade receivables for FY2021. Please refer to the pages 20 to 22 of the condensed interim consolidated financial statements for FY2021 (as announced on 10 May 2023); and pages 84, 106, 107 and 117 to 119 of the Annual Report 2021/2022 for further details, including the credit risk exposure and the basis methodology adopted by the independent valuer in its ECL assessment. The Company notes that there is no impact on the closing balances of trade receivables as at 31 December 2021 as the trade receivables had been fully impaired as at 31 December 2021.
- (ii) **Impairment of investments in subsidiaries and amounts due from a subsidiary:** The management had performed impairment assessment of the Company's investments subsidiaries and amounts due from a subsidiary with key underlying basis disclosed on page 11 of the condensed interim consolidated financial statements for FY2021 (as announced on 10 May 2023). As a result, the carrying amount for the Company's investments subsidiaries and amounts due from a subsidiary were NIL, as assessed under the disclosed underlying basis. Please refer to page 11 of the condensed interim consolidated financial statements for FY2021 (as announced on 10 May 2023); and Note 5 to the FY2021 Financial Statements on page 105 and 106 of the Annual Report 2021/2022 for further details. The Company notes that there is no impact on the closing balances of investment in subsidiaries and amounts due from a subsidiary as at 31 December 2021 as the investment in subsidiaries and amounts due from a subsidiary had been fully impaired as at 31 December 2021.
- (iii) **Valuation of Bond:** The management had initiated and completed the Internal Debt Restructuring (as announced and defined in the Company's announcement on 15 December 2022) and following which, all amounts outstanding under the Bond had been deemed fully settled and the Bond was subsequently cancelled and terminated in its entirety. As such, there were no outstanding amount under the Bond as at 31 December 2021 and 2022. Please refer to the announcement of the Company dated 15 December 2022 for further details.
- (iv) **Adequacy of other payables and accrued operating expenses:** The management has conducted a re-assessment of the adequacy of other payables and accrued operating expenses as at 31 December 2021. This evaluation incorporated consideration of post-balance events, leading to the derecognition of certain outstanding amounts. The Company notes that there is no impact on the closing balances of these other payables and accrued expenses as at 31 December 2021 as these other payables and accrued expenses had been fully derecognised as at 31 December 2021.

The above measures and assessments, as initiated by the management, have thus addressed the issues pertaining to disclaimer of opinion on the opening balances and comparative information as at 1 January 2021.

Impairment of other receivables

As announced by the Company on 29 April 2022, an amount of AUD1.0 million (equivalent to RMB4.6 million) was collected by a collecting agent on behalf of the Group in April 2022 as final settlement for the Richardson Loan and the Group received net proceeds of approximately AUD0.4 million (equivalent to RMB2.1 million), after deducting agent fees for the debt collection and service fees. As a result, taking the subsequent collection as a forward-looking estimates and information available as at 31 December 2021, the Group thus recorded a reversal of allowance for expected credit loss of AUD0.6 million (equivalent to RMB2.7 million, inclusive of currency translation differences) in FY2021. Save for its impact on the opening balances and comparative information as at 1 January 2022, the issue has been fully addressed and no impact on the closing balances of other receivables as at 31 December 2022 following the final settlement for the Richardson Loan with cash received by the Company in April 2022.

Going concern

An extract of the Note 2(B)(a) to the Financial Statements pertaining to the Group's and the Company's going concern assumption contained in the Financial Statements, including the factors taken into consideration by the Board when providing its view that the use of the going concern assumption is reasonably appropriate, is annexed hereto as **Appendix C (Extract of the Note 2(B)(a) to the FY2021 Financial Statements)** and **Appendix D (Extract of the Note 2(B)(a) to the FY2022 Financial Statements)** to this announcement.

The Board confirmed that the impact of all outstanding audit issues on the financial statements for FY2021 and FY2022 have been adequately disclosed.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts in respect of the subject matter contemplated thereunder, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

CAUTIONARY STATEMENT

The shares in the Company have been suspended from trading since 4 May 2021. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully and to exercise caution when dealing in the securities of the Company.

Although the shares of the Company are under suspension, shareholders and potential investors of the Company are advised to read this announcement and any past and future announcements of the Company carefully when dealing with the shares and securities of the Company. In the event of any doubt, shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, accountants and other professional advisers.

By Order of the Board
SINCAP GROUP LIMITED

CHU MING KIN
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
24 NOVEMBER 2023

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Bernard Lui, Telephone: +65 6389 3000, Email: bernard.lui@morganlewis.com

INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Sincap Group Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group, and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Use of going concern assumption

We draw attention to Note 2(B)(a) to the financial statements which indicates that the current liabilities of the Group and the Company exceeded their current assets by RMB4,180,000 and RMB32,786,000, and a deficit in equity of the Group and the Company of RMB5,839,000 and RMB33,685,000 respectively as at 31 December 2021. The Group also incurred a net loss of RMB192,520,000; and net cash used in operating activities of RMB378,000 for the financial year ended 31 December 2021. These conditions together with other substantial challenges faced by the Group as disclosed in Note 2(B)(a) to the financial statements indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

As disclosed and defined in Note 2(B)(a) to the financial statements, the management has prepared the Group's and the Company's financial statements on the basis that the Group and the Company will be able to meet its obligations as and when they fall due, taking into consideration various measures undertaken by the Company as well as completion of (i) the internal debts restructuring exercise on 15 December 2022, reducing the Group's total liabilities by SGD646,000 (RMB3,248,000); (ii) other reorganisation exercise, principally streamlining the Group's corporate structures to reduce operating costs; and (iii) identifying the target companies for the purpose of initiating the Proposed Reorganisation as planned with the Professional Investor.

We however noted that as at the date of this report, the Company has not fulfilled certain key conditions precedent to the Proposed Investment with the Professional Investor; and the ability of the Company to (i) pay its debts as and when they fall due; and (ii) undertake and complete the Proposed Reorganisation depends heavily on the willingness of the Professional Investor to provide continuous support to the Company. We are thus unable to obtain sufficient appropriate evidence that the use of going concern assumption in preparation of the financial statements is appropriate. The financial statements do not include any adjustments or any reclassification of assets and liabilities that would result if the going concern assumption is not appropriate.

Opening balances and comparative information

The financial statements of the Company for the financial year ended 31 December 2020 were audited by another auditor who expressed a qualified opinion on those financial statements on 16 December 2022. Our opinion on the current year's financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

Opening balances and comparative information (Cont'd)

- (i) Completeness, existence and accuracy of trade receivables and impairment of trade receivables

As disclosed in Note 6 to the financial statements, trade receivables amounted to USD29,872,000 (RMB190,389,000) as at 31 December 2021, the amount of which was brought forward from 1 January 2021. There were no movements in trade receivables for the financial year ended 31 December 2021 as the Group did not have any revenue-generating activities during the financial year. Management of the Group had assessed the impairment of trade receivables and appointed an independent valuer to conduct an Expected Credit Loss ("ECL") assessment on the trade receivables as at 31 December 2021, the amount of which was brought forward from 31 December 2020. Consequently, management of the Group provided full allowance for ECL of USD29,872,000 (RMB192,468,000) on trade receivables during the financial year ended 31 December 2021, which brought the net carrying amount of the trade receivables to be RMB Nil as at 31 December 2021.

We were unable to obtain sufficient appropriate audit evidence to ascertain the completeness, existence and accuracy of the opening balance of trade receivables as at 1 January 2021, as a result of lack of supporting documents arising from the significant changes in the Group's directors and management prior to the date of this auditor's report. Since the opening balance as at 1 January 2021 entered into the determination of the Group's results and cash flows for the financial year ended 31 December 2021, we were unable to determine whether any adjustments to the Group's results and cash flows in relation to the appropriateness of the allowance for ECL recognised in accordance with SFRS(I) 9 *Financial Instruments* for the financial year ended 31 December 2021 and opening accumulated losses as at 1 January 2021 might be necessary. We were thus also unable to ascertain the adequacy of the related disclosures in Notes 6 and 21 to the financial statements.

There is no impact on the closing balances of trade receivables as at 31 December 2021 as the trade receivables had been fully impaired as at 31 December 2021.

- (ii) Impairment of investments in subsidiaries and amounts due from a subsidiary

As disclosed in Notes 5 and 6 to the financial statements, the gross carrying amount of the Company's investments in subsidiaries and amounts due from a subsidiary amounted to RMB164,381,000 and RMB56,424,000 as at 31 December 2021. Management of the Company had assessed the impairment of investments in subsidiaries and amounts due from a subsidiary. Consequently, management of the Company provided full impairment loss and allowance for ECL of RMB127,898,000 and RMB57,042,000 respectively on investments in subsidiaries and amounts due from a subsidiary during the financial year ended 31 December 2021, which brought the net carrying amount of the investments in subsidiaries and amounts due from a subsidiary to be RMB Nil and RMB Nil, respectively as at 31 December 2021.

INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

Opening balances and comparative information (Cont'd)

(ii) Impairment of investments in subsidiaries and amounts due from a subsidiary (Cont'd)

We were unable to obtain sufficient appropriate audit evidence recoverable amount of investments in subsidiaries and the recoverability of amounts due from a subsidiary in accordance with SFRS(I) 1-36 *Impairment of Assets* and SFRS(I) 9 *Financial Instruments*, respectively as at 1 January 2021. Since the opening balance as at 1 January 2021 entered into the determination of the Company's results and cash flows for the financial year ended 31 December 2021, we were unable to determine whether any adjustments to the Company's results and cash flows in relation to the appropriateness of the impairment loss and the allowance for ECL recognised in accordance with SFRS(I) 1-36 *Impairment of Assets* and SFRS(I) 9 *Financial Instruments*, respectively for the financial year ended 31 December 2021 and opening accumulated losses as at 1 January 2021 might be necessary. We were thus also unable to ascertain the adequacy of the related disclosures in Notes 5, 6 and 21 to the financial statements.

There is no impact on the closing balances of investment in subsidiaries and amounts due from a subsidiary as at 31 December 2021 as the investment in subsidiaries and amounts due from a subsidiary had been fully impaired as at 31 December 2021.

(iii) Valuation of bond

As disclosed in Note 10 to the financial statements, the carrying value of the bond ("**Bond**") amounted to SGD1,206,000 (RMB5,956,000) as at 31 December 2020, the amount of which was carried forward to 1 January 2021. The Bond was redeemable at the Company's option through cash payment and/or issuance of new fully paid ordinary shares of the Company (the "**Option**") based on the terms of the Bond agreement. At initial recognition, the Group and the Company had measured the Bond based on its issue amount of SGD 12,000,000 (RMB60,483,000). Having considered the Company's option with respect to the redemption of the Bond, we were unable to obtain sufficient appropriate audit evidence on the valuation and carrying value of the Bond in accordance with SFRS(I) 9 *Financial Instruments* as at 1 January 2021. Since the opening balance as at 1 January 2021 entered into the determination of the Group's and the Company's results and cash flows for the financial year ended 31 December 2021, we were unable to determine whether any adjustments to the Group's and the Company's results and cash flows for the financial year ended 31 December 2021 and opening accumulated losses as at 1 January 2021 might be necessary. We were thus also unable to ascertain the adequacy of the related disclosures in Notes 10 and 21 to the financial statements.

There is no impact on the closing balance of the Bond as at 31 December 2021 as the Option had lapsed following the expiration of the Bond agreement on 19 December 2021.

INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

Opening balances and comparative information (Cont'd)

(iv) Adequacy of other payables and accrued operating expenses

As disclosed in Note 11 to the financial statements, the other payables and accrued operating expenses of the Group and the Company amounted to RMB3,698,000 and RMB2,689,000, respectively as at 1 January 2021. Included in these balances of the Group and the Company were amounts of RMB900,000 and RMB771,000, respectively, which comprised mainly long outstanding amounts brought forward from past years. Management of the Group has assessed the adequacy of these balances and derecognised these outstanding amounts accordingly in the current financial year.

We were unable to obtain sufficient appropriate audit evidence to ascertain the adequacy of other payables and accrued operating expenses of the Group and the Company as at 1 January 2021 amounting to RMB900,000 and RMB771,000, respectively as a result of lack of supporting documents arising from the significant changes in the Group's directors and management prior to the date of this auditor's report. Since the opening balance as at 1 January 2021 entered into the determination of the Group's and the Company's results and cash flows for the financial year ended 31 December 2021, we were unable to determine whether any adjustments to the Group's and the Company's results and cash flows for the financial year ended 31 December 2021 and opening accumulated losses as at 1 January 2021 might be necessary. We were thus also unable to ascertain the adequacy of the related disclosures in Notes 11 and 21 to the financial statements.

There is no impact on the closing balances of these other payables and accrued expenses as at 31 December 2021 as these other payables and accrued expenses had been fully derecognised as at 31 December 2021.

Impairment of other receivables

As disclosed in Note 6(b) to the financial statements, other receivables comprised mainly an unsecured loan of AUD2,304,000 (RMB10,650,000) extended by the Group to Richardson 1 Pty Ltd (the "**Richardson Loan**"). The Group had previously provided an allowance of ECL on the Richardson Loan of AUD1,867,000 (RMB9,389,000) as at 1 January 2021. Management of the Group had reassessed the impairment of the Richardson Loan taking into consideration a final settlement agreement was executed on 19 January 2022 with a final settlement amount of AUD1,000,000. Consequently, Management of the Group provided reversal of allowance for ECL of AUD563,000 (RMB2,719,000) on the Richardson Loan during the financial year ended 31 December 2021, which brought the net carrying amount of the Richardson Loan to be AUD1,000,000 (RMB4,622,000) as at 31 December 2021.

We were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of management's accounting application in relation to the timing of the reversal of allowance for ECL in accordance with SFRS(I) 9 *Financial Instruments* and correspondingly, the net carrying amount of the Richardson Loan as at 31 December 2021. Accordingly, we were unable to determine whether any adjustments to the Group's results and cash flows in relation to the appropriateness of the reversal of allowance for ECL in accordance with SFRS(I) 9 *Financial Instruments* for the financial year ended 31 December 2021 might be necessary. We were thus also unable to ascertain the adequacy of the related disclosures in Notes 6 and 21 to the financial statements.

Other Matter

The financial statements of the Company for the financial year ended 31 December 2020 were audited by another auditor who expressed a qualified opinion on those financial statements on 16 December 2022 as described in Note 25 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

Report on the Audit of the Financial Statements (Cont'd)

Responsibilities of Management and Directors 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 1967 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**"), and for devising and maintaining a system of internal accounting controls sufficient to provide a 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing ("**SSAs**") and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Chin Bo Wui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 23 November 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Sincap Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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We do not express an opinion on the accompanying consolidated financial statements of the Group, and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Use of going concern assumption

We draw attention to Note 2(B)(a) to the financial statements which indicates that the current liabilities of the Group and the Company exceeded their current assets by RMB3,136,000 and RMB3,337,000, and a deficit in equity of the Group and the Company of RMB7,791,000 and RMB7,992,000 respectively as at 31 December 2022. The Group also incurred a net loss of RMB1,364,000; and net cash used in operating activities of RMB1,739,000 for the financial year ended 31 December 2022. These conditions together with other substantial challenges faced by the Group as disclosed in Note 2(B)(a) to the financial statements indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

As disclosed and defined in Note 2(B)(a) to the financial statements, the management has prepared the Group's and the Company's financial statements on the basis that the Group and the Company will be able to meet its obligations as and when they fall due, taking into consideration various measures undertaken by the Company as well as completion of (i) the internal debts restructuring exercise on 15 December 2022, reducing the Group's total liabilities by SGD646,000 (RMB3,248,000); (ii) other reorganisation exercise, principally streamlining the Group's corporate structures to reduce operating costs; and (iii) identifying the target companies for the purpose of initiating the Proposed Reorganisation as planned with the Professional Investor.

We however noted that as at the date of this report, the Company has not fulfilled certain key conditions precedent to the Proposed Investment with the Professional Investor; and the ability of the Company to (i) pay its debts as and when they fall due; and (ii) undertake and complete the Proposed Reorganisation depends heavily on the willingness of the Professional Investor to provide continuous support to the Company. We are thus unable to obtain sufficient appropriate evidence that the use of going concern assumption in preparation of the financial statements is appropriate. The financial statements do not include any adjustments or any reclassification of assets and liabilities that would result if the going concern assumption is not appropriate.

INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

Opening balances and comparative information

We expressed a disclaimer of opinion in our independent auditor's report dated 23 November 2023 in respect of the financial statements for the financial year ended 31 December 2021 in respect of use of going concern assumption and impairment of other receivables. Consequently, our opinion on the current year's financial statements for the year ended 31 December 2022 is modified because of the possible effect of the comparability of the current year's figures and the corresponding figures, as well as the impact on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2022.

(i) Impairment of other receivables

As disclosed in Note 6 to the financial statements, other receivables comprised mainly an unsecured loan of AUD2,304,000 (RMB10,650,000) extended by the Group to Richardson 1 Pty Ltd (the "**Richardson Loan**") as at 1 January 2022. The net carrying value of the Richardson Loan was AUD1,000,000 (RMB4,622,000) as at 1 January 2022, net of allowance for expected credit loss of AUD1,304,000 (RMB6,028,000).

We were unable to obtain sufficient appropriate audit evidence to ascertain the opening balance of the Richardson Loan as at 1 January 2022. Since the opening balance as at 1 January 2022 entered into the determination of the Group's results and cash flows for the financial year ended 31 December 2022, we were unable to determine whether any adjustments to the Group's results and cash flows for the financial year ended 31 December 2022 and opening accumulated losses as at 1 January 2022 might be necessary. We were thus also unable to ascertain the adequacy of the related disclosures in Notes 6 and 19 to the financial statements.

There is no impact on the closing balances of other receivables as at 31 December 2022 as the final settlement amount was settled as at 31 December 2022.

Responsibilities of Management and Directors 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 1967 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**"), and for devising and maintaining a system of internal accounting controls sufficient to provide a 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

Report on the Audit of the Financial Statements (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing ("**SSAs**") and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Chin Bo Wui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 23 November 2023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(B) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2(E), management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

(a) *Going concern assumption*

As at 31 December 2021, the current liabilities of the Group and the Company exceeded their current assets by RMB4,180,000 and RMB32,786,000, and a deficit in equity of the Group and the Company of RMB5,839,000 and RMB33,685,000 respectively. The Group also incurred a net loss of RMB192,520,000; and net cash used in operating activities of RMB378,000 for the financial year ended 31 December 2021.

The coal trading business, as conducted under the Group's principal subsidiary, Orion Energy Resources Pte Ltd ("**Orion**"), faced substantial challenges, including high freight costs and supply chain disruptions due to the COVID-19 pandemic, coupled with certain non-performing receivables which have thus affected both operating cash flows and financial performance of the Group.

The Group does not have any revenue-generating activities since 4 May 2021, despite continuing efforts from the Board and management. The Group had, on 22 May 2022, announced that it has been deemed a cash company since May 2021. On 26 August 2022, the Group announced that the bank balances held by the Company are insufficient to repay all the estimated outstanding liabilities, comprising costs incurred and accrued for its professional service providers.

The Company has been working with an investor, who possesses significant professional corporate experience (the "**Professional Investor**"), to assess and evaluate corporate turnaround plans which may involve certain commercial structures which could lead to de-consolidation of certain key assets from the Group and streamlining of existing corporate structure (the "**Proposed Reorganisation**"), for the Group to proceed with preparation for the potential reverse takeover (the "**Potential RTO**") so as to inject new business and cash funding to the Group.

On 12 August 2022, the Company announced that it entered into a binding heads of agreement ("**HOA**") with the Professional Investor for a proposed investment of up to SGD2,000,000 into the Company (the "**Proposed Investment**"), which comprise the following:

- (a) The Professional Investor will subscribe new ordinary shares of SGD750,000 in the share capital of the Company, which is subject to approval from SGX-ST;
- (b) The Professional Investor will provide short-term loans up to SGD750,000 at an interest rate of 10% per annum, which is at the sole discretion of the Professional Investor; and
- (c) The Professional Investor will provide investor guarantees up to SGD500,000, which is at the sole discretion of the Professional Investor.

Pursuant to the HOA, the Company's executive chairman and chief executive officer, Mr Chu Ming Kin (the "**CEO**"), has agreed to waive any and all rights to receive repayment of any amounts owing to him in excess of SGD300,000, and he shall not receive any repayment, on any outstanding debts owing by the Company until the shares of the Company have resumed trading on the Catalist of the SGX-ST that shall be repaid through an issuance of new shares at the same issue price as the issue price for new shares pursuant to the Potential RTO if there is a completion of the Potential RTO. As at the date of this Report, the Company has not fulfilled certain key conditions precedent to the Proposed Investment with the Professional Investor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2(B) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Critical judgements in applying the entity's accounting policies (Cont'd)

(a) *Going concern assumption (Cont'd)*

On 15 December 2022, the Company entered into a settlement agreement with the Bond holder to fully settle the Bond at a cash consideration of SGD600,000 with a waiver of SGD646,000 granted by the Bond holder (the "**Bond Settlement**"). The Bond Settlement was paid on behalf by the CEO via an interest-free loan (the "**Director's Loan**") and the Company repaid SGD60,000 (being 10% of the Director's Loan) to the CEO in January 2023. Furthermore, the Company's obligation to repay the remaining SGD540,000 (being 90% of the Director's Loan) shall be subject to the fulfilment of certain repayment conditions, which include (a) upon receipt of SGX-ST's approval for the Company to undertake the Potential RTO; (b) the repayment will not affect the ability of the Group and the Company to continue as a going concern; and (c) the repayment will not adversely affect the completion of Potential RTO.

The above matters represent a material uncertainty that may cast a significant doubt on the ability of the Group and the Company to continue as a going concern and therefore, the Group and the Company may not be able to realise their assets and discharge their liabilities in the normal course of business. However, taking into the above measures undertaken by the Company in connection with (a) entering into a binding heads of agreement with the Professional Investor for a proposed investment of up to SGD2,000,000; (b) obtaining the Director's Loan of SGD600,000; and (c) full settlement of the Bond as well as the current progress and milestone in identifying the target companies for the purpose of completing the Proposed Reorganisation as planned with the Professional Investor, the Board reasonably believes that the Group and the Company will be able to meet its obligations as and when they fall due, and that the preparation of the financial statements on a going concern basis remains appropriate. The financial statements do not include any adjustments or any reclassification of assets and liabilities that would result if the going concern assumption is not appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2(B) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2(E), management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

(a) *Going concern assumption*

As at 31 December 2022, the current liabilities of the Group and the Company exceeded their current assets by RMB3,136,000 and RMB3,337,000, and a deficit in equity of the Group and the Company of RMB7,791,000 and RMB7,992,000 respectively. The Group also incurred a net loss of RMB1,364,000; and net cash used in operating activities of RMB1,739,000 for the financial year ended 31 December 2022.

The coal trading business, as conducted under the Group's principal subsidiary, Orion Energy Resources Pte Ltd ("**Orion**"), faced substantial challenges, including high freight costs and supply chain disruptions due to the COVID-19 pandemic, coupled with certain non-performing receivables which have thus affected both operating cash flows and financial performance of the Group.

The Group does not have any revenue-generating activities since 4 May 2021, despite continuing efforts from the Board and management. The Group had, on 22 May 2022, announced that it has been deemed a cash company since May 2021. On 26 August 2022, the Group announced that the bank balances held by the Company are insufficient to repay all the estimated outstanding liabilities, comprising costs incurred and accrued for its professional service providers.

The Company has been working with an investor, who possesses significant professional corporate experience (the "**Professional Investor**"), to assess and evaluate corporate turnaround plans which may involve certain commercial structures which could lead to de-consolidation of certain key assets from the Group and streamlining of existing corporate structure (the "**Proposed Reorganisation**"), for the Group to proceed with preparation for the potential reverse takeover (the "**Potential RTO**") so as to inject new business and cash funding to the Group.

On 12 August 2022, the Company announced that it entered into a binding heads of agreement ("**HOA**") with the Professional Investor for a proposed investment of up to SGD2,000,000 into the Company (the "**Proposed Investment**"), which comprise the following:

- (a) The Professional Investor will subscribe new ordinary shares of SGD750,000 in the share capital of the Company, which is subject to approval from SGX-ST;
- (b) The Professional Investor will provide short-term loans up to SGD750,000 at an interest rate of 10% per annum, which is at the sole discretion of the Professional Investor; and
- (c) The Professional Investor will provide investor guarantees up to SGD500,000, which is at the sole discretion of the Professional Investor.

Pursuant to the HOA, the Company's executive chairman and chief executive officer, Mr Chu Ming Kin (the "**CEO**"), has agreed to waive any and all rights to receive repayment of any amounts owing to him in excess of SGD300,000, and he shall not receive any repayment, on any outstanding debts owing by the Company until the shares of the Company have resumed trading on the Catalist of the SGX-ST that shall be repaid through an issuance of new shares at the same issue price as the issue price for new shares pursuant to the Potential RTO if there is a completion of the Potential RTO. As at the date of this Report, the Company has not fulfilled certain key conditions precedent to the Proposed Investment with the Professional Investor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2(B) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Critical judgements in applying the entity's accounting policies (Cont'd)

(a) *Going concern assumption (Cont'd)*

On 15 December 2022, the Company entered into a settlement agreement with the Bond holder to fully settle the Bond at a cash consideration of SGD600,000 with a waiver of SGD646,000 granted by the Bond holder (the "**Bond Settlement**"). The Bond Settlement was paid on behalf by the CEO via an interest-free loan (the "**Director's Loan**") and the Company repaid SGD60,000 (being 10% of the Director's Loan) to the CEO in January 2023. Furthermore, the Company's obligation to repay the remaining SGD540,000 (being 90% of the Director's Loan) shall be subject to the fulfilment of certain repayment conditions, which include (a) upon receipt of SGX-ST's approval for the Company to undertake the Potential RTO; (b) the repayment will not affect the ability of the Group and the Company to continue as a going concern; and (c) the repayment will not adversely affect the completion of Potential RTO.

The above matters represent a material uncertainty that may cast a significant doubt on the ability of the Group and the Company to continue as a going concern and therefore, the Group and the Company may not be able to realise their assets and discharge their liabilities in the normal course of business. However, taking into the above measures undertaken by the Company in connection with (a) entering into a binding heads of agreement with the Professional Investor for a proposed investment of up to SGD 2,000,000; (b) obtaining the Director's Loan of SGD600,000; and (c) full settlement of the Bond as well as the current progress and milestone in identifying the target companies for the purpose of completing the Proposed Reorganisation as planned with the Professional Investor, the Board reasonably believes that the Group and the Company will be able to meet its obligations as and when they fall due, and that the preparation of the financial statements on a going concern basis remains appropriate. The financial statements do not include any adjustments or any reclassification of assets and liabilities that would result if the going concern assumption is not appropriate.