



SINOPIPE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200411382N)

AUDITORS' OPINION ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 PURSUANT TO RULE 704(5) OF THE LISTING MANUAL

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors ("**Board**") of Sinopipe Holdings Limited (the "**Company**") wishes to announce that the independent auditors of the Company, Messrs Mazars LLP, has issued a disclaimer of opinion in the independent auditors' report in respect of the Company's consolidated financial statements for the financial year ended 31 December 2017 ("**Independent Auditor's Report**").

The nature and contents of the disclaimer of opinion are contained in the Independent Auditors' Report annexed to this announcement.

Trading of the shares in the Company has remained suspended since 2 April 2012.

BY ORDER OF THE BOARD

Mr Wang Sen
Non-Executive Chairman
6 June 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINOPIPE HOLDINGS LIMITED

Report on the Audit of Financial Statements

Opinion

We were engaged to audit the accompanying consolidated financial statements of Sinopipe Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, and 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 notes to the financial statements, including a summary of significant accounting policies.

Basis for Disclaimer of Opinion

1. Opening balances

We expressed a disclaimer of opinion in our independent auditors' report dated 21 July 2017 in respect of the financial statements for the financial year ended 31 December 2016 on the following matters, which remain unresolved in the current financial year ended 31 December 2017 as a result of a continued limitation in the scope of our audit consequent to the departure of certain key finance personnel of the Chinese operations and a key management personnel and cessation of certain operations in China in the previous financial years, which resulted in alleged loss of certain accounting records, as well as the inability of management to provide audit evidence to address our audit queries:

- Appropriateness of the classification and carrying amount of the disposal group held for sale, which was presented as "Assets classified as held for sale" and "Liabilities classified as held for sale" in the statement of financial position as of 31 December 2016, also in consideration of insufficient appropriate audit evidence obtained to satisfy ourselves on
 - (i) the nature, occurrence and completeness of certain unrecorded sale and purchase transactions during the financial year ended 31 December 2013;
 - (ii) the appropriateness of the amounts due from a contract customer, included in trade and other receivables as at 31 December 2014, of carrying amount of RMB 115,158,000 for which full impairment has been made during the financial year then ended, in the absence of documentary evidence to support the stage of completion of the corresponding construction contract and the validity of the related cumulative progress billings recorded;
 - (iii) recoverability of the corresponding contract costs incurred till 20 May 2015 and the completeness of any expected loss;
 - (iv) appropriateness of the carrying amounts of various financial statements items, including, and not limited to, cash and bank balances, property, plant and equipment, contract work in progress, provisions as of 31 December 2015; and the amounts of revenue, purchases and expenses recorded during the financial year ended 31 December 2015 consequent to a limitation in scope of our audit then;
 - (v) the appropriateness of the amounts of revenue, purchases, and expenses recorded during the financial year ended 31 December 2016; and
 - (vi) resulting tax implications arising from the aforementioned matters;
- Appropriateness of the amounts of revenue, purchases, and expenses recorded during the financial year ended 31 December 2016 and which were presented as "Results from discontinued operations" in the consolidated statement of profit or loss and other comprehensive income consequent to a limitation in scope of our audit, also in consideration of the potential impact arising from the applicable unresolved matters as mentioned above.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SINOPIPE HOLDINGS LIMITED (Continued)**

Basis for Disclaimer of Opinion (Continued)

1. Opening balances (Continued)

Consequently, we are unable to determine whether the opening balances as at 1 January 2017 are fairly stated. As the opening balances as at 1 January 2017 enter into the determination of the Group's results, changes in equity and cash flows for the financial year ended 31 December 2017, we are unable to determine whether any adjustments are necessary in respect of the financial statements for the financial year ended 31 December 2017, 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 2017.

2. Limitation of scope

We continued to encounter limitation in the scope of our audit consequent to the departure of certain key finance personnel of the Chinese operations and a key management personnel and aforementioned cessation of certain operations in China in the previous financial years, which resulted in alleged loss of certain accounting records, as well as the inability of management to provide audit evidence to address our audit queries.

In the absence of further information and alternative procedures, we were unable to obtain sufficient appropriate audit evidence necessary for us to ascertain the following:

- i) the appropriateness of the classification and carrying amount of the disposal group held for sale, which is presented as "Assets classified as held for sale" and "Liabilities classified as held for sale" in the statement of financial position as of 31 December 2017;
- ii) the appropriateness of the carrying amount of the investment in associate in the statement of financial position as of 31 December 2017 and the share of result for the financial year then ended;
- iii) the appropriateness of the amounts of revenue, purchases, and expenses recorded during the financial year then ended and which are presented as "Results from discontinued operations" in the consolidated statement of profit or loss and other comprehensive income;
- iv) the consequential tax impact arising from any necessary adjustments; and
- v) the completeness and appropriateness of the disclosures made in the financial statements.

Consequently, as of the date of this report, we are unable to determine whether any adjustments or amendments are necessary in respect of the financial statements for the financial year ended 31 December 2017.

3. Going concern

As at 31 December 2017, the Group and the Company were in capital deficiency position of RMB929,786,000 and RMB11,279,000, respectively. The Group also incurred a net loss of RMB38,274,000 resulting from discontinued operations for the financial year then ended. These conditions indicate the existence of significant doubt over the Group's and the Company's abilities to continue as going concern. Notwithstanding these conditions, the Group's and the Company's financial statements have been prepared on a going concern basis which is dependent on management's success in obtaining new capital fund injection to the Group.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINOPIPE HOLDINGS LIMITED (Continued)

Disclaimer of Opinion (Continued)

3. Going concern (continued)

As of the date of this report, we are unable to obtain from management a reasonable and supportable basis for their aforementioned assumptions, which is necessary for us to assess the appropriateness of their use of the going concern assumption, in the preparation of the Group's and Company's financial statements.

If the Group and the Company were unable to continue in operational existence, the Group and the Company may be unable to discharge their liabilities in the normal course of business. Non-current assets and non-current liabilities may need to be reclassified as current assets and liabilities, and adjustments may then 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 the event that the disposal group were sold but the Group and Company were unable to obtain sufficient capital injection, the liabilities may not be able to be discharged in the normal course of business. No such adjustments have been made to the financial statements.

Because of the significance of the matters described in the Basis 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.

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgment in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SINOPIPE HOLDINGS LIMITED (Continued)**

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters include the aforementioned salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other than the matters highlighted as part of the basis for disclaimer of opinion, there were no other key audit matters.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Act and IFRSs, 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 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 AUDITORS' REPORT TO THE MEMBERS OF
SINOPIPE HOLDINGS LIMITED (Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SINOPIPE HOLDINGS LIMITED (Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Tan Chee Tyan.

Report on Other Legal and Regulatory Requirements

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we were the auditors, have been properly kept in accordance with the provisions of the Act.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
6 June 2018