

**SINCAP GROUP LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201005161G  
(the “**Company**”))

---

**QUALIFIED OPINION BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR  
THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

---

In compliance with Rule 704(5) 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 auditors, Baker Tilly TFW LLP (the “**Auditors**”), have included a qualified opinion (the “**Qualified Opinion**”) on the financial statements of the Group for the financial year ended 31 December 2018 (“**FY2018**”) (the “**Financial Statements**”).

An extract of the nature and contents of the qualification contained in the Independent Auditor’s Report is annexed to this announcement. The Independent Auditor’s Report and the FY2018 Financial Statements will form part of the Company’s Annual Report for FY2018 (the “**FY2018 Annual Report**”) which will be dispatched to the shareholders of the Company in due course.

Shareholders and potential investors are advised to carefully read this announcement and any further announcements made by the Company. Shareholders are also advised to exercise caution before making any decision in respect of their dealings in the Shares. Shareholders who are in any doubt about this announcement should consult their stockbroker, bank manager, solicitor or other professional adviser.

BY ORDER OF THE BOARD  
**SINCAP GROUP LIMITED**

**Chu Ming Kin**  
Executive Chairman and Chief Executive Officer  
11 April 2019

---

*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**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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 63893000, Email: [bernard.lui@morganlewis.com](mailto:bernard.lui@morganlewis.com).*

## Extract of the Independent Auditor's Report

### **Qualified Opinion**

We have audited the accompanying financial statements of Sincap Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 65 to 113, which comprise the statements of financial position of the Group and of the Company as at 31 December 2018, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### **Basis for Qualified Opinion**

#### **1 Trade receivables**

As disclosed in Note 15 to the financial statements, trade receivables amounted to RMB169,741,000 as at 31 December 2018. During the financial year, the total trade balance due from a former customer accumulated to RMB222,260,000 (equivalent to US\$32,310,000) was acquired by the existing customer. The amounts of RMB52,519,000 (equivalent to US\$7,635,000) and RMB104,010,000 (equivalent to US\$15,120,000) were respectively received during and subsequent to the end of the financial year. The balance of RMB65,731,000 (equivalent to US\$9,555,000) remained outstanding as at the date of these financial statements. The directors of the Company are of the view that no allowance for impairment on the trade receivables is necessary. We are, however, unable to obtain sufficient appropriate audit evidence, nor perform any procedures to satisfy ourselves as to whether any impairment loss is required with respect to the trade receivables balance amounting to RMB65,731,000.

#### **2 Valuation of Bond**

As disclosed in Note 16 to the financial statements, the Group and Company recorded a bond ("Bond") amounting to RMB60,483,000 on the statements of financial position as at 31 December 2018. The Bond may be redeemed at the Company's option through cash payment and/or issuance of new fully paid issued ordinary shares of the Company based on the terms of the Bond agreement as disclosed in Note 16. The Group and Company had measured and recorded the Bond as at 31 December 2018 based on its issue amount of S\$12,000,000 which is the equivalent of RMB60,483,000. Having considered the Company's option with respect to the redemption of the Bond, we are not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the valuation and carrying value of the Bond at initial recognition and as at 31 December 2018.

#### **3 Corresponding figures**

Our independent auditor's report dated 5 April 2018 expressed a qualified opinion on the financial statements for the financial year ended 31 December 2017 as we were unable to obtain certain information, explanation and supporting documents that we consider necessary for the purpose of our audit in respect of the letters received from the management and the employees' union of Shandong Luneng Taishan Mining Co.,

Ltd. (“Shandong Luneng”), requesting from the Company, the amounts of RMB31,000,000 for the completion of mine refilling project and RMB26,690,000 for settlement of outstanding employees’ social security insurance respectively as at 31 December 2016. The Company was unable to determine the merits of the claims. Consequently, these claims had not been provided for in the financial statements for the financial year ended 31 December 2016. We were unable to obtain sufficient appropriate audit evidence and explanation nor perform any procedures to ascertain the impact of the above claims, if any, on the financial statements of the Company and of the Group. As such, we were unable to determine whether any adjustments were needed for these claims.

The holding company of Shandong Luneng is Beijing Raffles Investment Advisory Co., Ltd (“Beijing Raffles”). On 12 October 2017, the Company completed the disposal of Beijing Raffles and its subsidiaries (collectively “Disposed Group”). Since the opening balances as at 1 January 2017 enter into determination of the financial performance for the financial year ended 31 December 2017, we were unable to determine whether any adjustments might have been found necessary in respect of the net assets of the Disposed Group as disclosed in Note 8 to the financial statements and the corresponding impact on consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity for the financial year ended 31 December 2017.

Our opinion on the current financial year’s financial statements is modified because of the possible effect of these matters on the comparability of the current year’s figures and the corresponding figures.

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.