

SINCAP GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 201005161G)

CLARIFICATION ON DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The board of directors (the “**Board**”) of Sincap Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement released by the Company on 29 February 2016 in relation to its unaudited financial results for the financial year ended 31 December 2015 (“**FY2015**”) (the “**Unaudited Financial Statements**”). Further reference is made to the audited financial statements of the Group and Company for FY2015 (the “**Audited Financial Statements**”) which can be found in the annual report of the Company to be despatched to the shareholders of the Company and the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in due course.

Pursuant to Rule 704(5) of the Listing Manual (Section B: Rules of Catalyst) of the Singapore Exchange Securities Trading Limited, the Board would like to highlight that there are certain differences between the Audited Financial Statements and the Unaudited Financial Statements following the finalisation of the audit. Details and clarifications of the differences are set out below:

Consolidated Statement of Comprehensive Income

	Unaudited Financial Statement	Audited Financial Statement	Variance	Note
	RMB000	RMB000	RMB000	
Revenue	692,429	692,429	-	
Cost of sales	(669,716)	(669,593)	(123)	(1)
Gross profit	<u>22,713</u>	<u>22,836</u>		
Other items of income				
Other income	-	6001	(6,001)	(2)
Interest income	5,336	-	5,336	(2)
Other gains	279	-	279	(2)
Other items of expense				
Distribution costs	(4,472)	(4,472)	-	
Administrative expenses	(20,653)	(20,837)	184	(3)
Finance costs	(6,018)	(5,769)	(249)	(4)
Other charges	(10,341)	(10,296)	(45)	(5)
Profit before tax	(13,156)	(12,537)		
Income tax expense	(5,583)	(5,844)	261	(6)
(Loss) / profit, net of tax	(18,739)	(18,381)		
Other comprehensive loss for the year, net of tax	(3,278)	(3,372)	94	(7)
Total comprehensive (loss)/ income	<u>(22,017)</u>	<u>(21,753)</u>		

Notes:

- (1) The variance is attributable to excess amortisation of intangible assets by our China subsidiary.
- (2) The variances were mainly due to (i) the grouping of interest income and other gains as other income; and (ii) under-recording of interest income from the term loan of AUD4.7 million extended by the Company’s subsidiary, SCL Murray Pty Ltd (“**SCL Murray**”) to Richardson 1 Pty Ltd (a third party company) in March 2015 (as announced on 21 May 2015) (“**Loan to Richardson**”)
- (3) The variance is mainly due to unrecorded liabilities.

- (4) The variance is resulted from over-accrual of interest payable in relation to the AUD5.1 million term loan undertaken by SCL Murray in March 2015 (as announced on 21 May 2015) which is secured by way of first mortgage over the property in Perth, Australia (“**Development Property**”).
- (5) The variances are mainly due to excess impairment provided on our Development Property.
- (6) The variance is due to under-provision of income tax payable for our China subsidiaries.
- (7) The variance is resulted from foreign exchange differences on translation of foreign currencies transactions of subsidiaries arising from 2(ii); 3(i); 4 and 5(i) above.

Statement of Financial Position

	Unaudited Financial Statements		Audited Financial Statements		Variance		Note
	The Group	The Company	The Group	The Company	The Group	The Company	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
ASSETS							
<u>Non-current assets</u>							
Property, plant and equipment	27,530	1,125	27,189	1,125	341	-	(1)
Intangible assets	22,664	-	9,860	-	12,804	-	(2)
Goodwill	-	-	13,434	-	(13,434)	-	(2)(i)
Deferred tax assets	1,063	-	902	-	161	-	(3)
Other assets/Land use rights	394	-	394	-	-	-	
Investments in subsidiaries	-	80,123	-	55,316	-	24,807	(4)
Trade and other receivables	15,282	-	15,673	-	(391)	-	(5)
Total non-current assets	66,933	81,248	67,452	56,441			
<u>Current assets</u>							
Development property	43,201	-	43,151	-	50	-	(6)
Inventories	2,421	-	2,421	-	-	-	
Trade and other receivables	39,149	28,233	59,912	28,240	(20,763)	(7)	(7)
Other assets	20,602	7	-	-	20,602	7	(7)
Cash and cash equivalents	52,673	5,214	52,673	5,214	-	-	
Total current assets	158,046	33,454	158,157	33,454			
Total assets	224,979	114,702	225,609	89,895			
EQUITY AND LIABILITIES							
<u>Equity</u>							
Share capital	122,417	122,417	122,417	122,417	-	-	
Accumulated losses	(18,320)	(23,873)	(17,788)	(48,680)	(532)	24,807	(8);(9)
Statutory reserve	17,694	-	17,521	-	173	-	(9)
Translation reserve	(10,936)	-	(11,030)	-	94	-	(10)
Equity, attributable to owners of the parents	110,855	98,544	111,120	73,737			
Non-controlling interests	4,118	-	4,117	-	1	-	
Total equity	114,973	98,544	115,237	73,737			
<u>Non-current liabilities</u>							
Deferred tax liabilities	1,600	-	1,600	-	-	-	
Other financial liabilities	1,613	967	1,613	967	-	-	
Total non-current liabilities	3,213	967	3,213	967			
<u>Current liabilities</u>							
Provision	389	-	389	-	-	-	
Income tax payable	4,368	57	4,635	57	(267)	-	(11)
Trade and other payables	31,392	14,976	59,829	10,837	(28,437)	4,139	(2)/(13)
Other financial liabilities	42,558	158	42,306	4,297	252	(4,139)	(13)
Other liabilities	28,086	-	-	-	28,086	-	(12)
Total current liabilities	106,793	15,191	107,159	15,191			
Total liabilities	110,006	16,158	110,372	16,158			
Total equity and liabilities	224,979	114,702	225,609	89,895			

Notes:

(1) The variance is due to reclassification of the addition spending on exploration rights from property, plant and equipment to intangible assets.

(2) The variances are due to:

- (i) Goodwill arising from the acquisition of the 51% interest in Orion Energy Resources Pte. Ltd. disclosed as a separate line item; and
 - (ii) Reclassification of purchase of exploration and evaluation assets from property, plant and equipment to intangible assets.
- (3) The variance is due to the reversal of deferred tax assets utilised.
- (4) The variance is due to the impairment of the Company's investment in the Company's wholly-owned subsidiary, Sincap Australia Pte. Ltd.
- (5) The variance is due to under-provision of interest income on Loan to Richardson.
- (6) The variances are due to (i) over-impairment on our Development Property; and (ii) net effect of foreign exchange differences on translation of foreign currencies balances.
- (7) The variances resulted from reclassification of advances to suppliers from other assets to trade and other receivables.
- (8) Please refer to (i) the notes under Consolidated Statement of Comprehensive Income for Group variances; and (ii) note (4) above for Company level variance.
- (9) The variance is resulted from adjustment to correct the overprovision of statutory reserve on our China subsidiaries.
- (10) Please refer to Note (7) under the Consolidated Statement of Comprehensive Income.
- (11) Please refer to Note (6) under the Consolidated Statement of Comprehensive Income.
- (12) The variance is due to the reclassification of advances from customers from other liabilities to Trade and other payables.
- (13) The variance is due to the reclassification of unsecured term loans from Trade and other payables to Other financial liabilities (Borrowings).

Consolidated Statements of Cash Flows

	Unaudited Financial Statement RMB'000	Audited Financial Statement RMB'000	Variance RMB'000	Note
<u>Cash flows from operating activities</u>				
Profit before tax	(13,156)	(12,537)	(619)	
Adjustments for:				
Interest income	(5,336)	(3,115)	(2,221)	1
Interest expense	6,018	5,558	460	
Depreciation of property, plant and equipment	4,462	4,265	197	
Staff cost paid via shares	1,009	1,009	-	
Gain on disposal of plant and equipment	(73)	(73)	-	
Amortisation of other intangible assets and land use rights	201	169	32	
Impairment of development property	9,385	9,336	49	
Provision for safety expenses	-	187	(187)	
Currency Translation adjustments	(2,159)	-	(2,159)	2
Operating cash flows before changes in working capital	351	4,799		
Development property	-	(2,713)	2,713	2
Inventories	3,178	3,178	-	
Trade and other receivables	(31,584)	(35,916)	4,332	3
Other assets	(3,780)	-	(3,780)	3
Trade and other payables	(3,006)	23,500	(26,506)	4; 5
Other liabilities	21,137	-	21,137	4
Net effect of exchange rate changes on consolidating foreign operations	-	574	(574)	2
Net cash flows used in operations before tax	(13,704)	(6,578)		
Income tax paid	(2,890)	(2,723)	(167)	
Net cash flows used in operating activities	(16,594)	(9,301)		
<u>Cash flows from investing activities</u>				
Acquisition of a subsidiary	538	538	-	
Purchase of plant and equipment	(3,159)	(2,627)	(532)	
Purchase of intangible assets	-	(602)	602	
Proceeds from disposal	396	402	(6)	
Interest received	5,336	3,115	2,221	1
Net cash flows from investing activities	3,111	826		
<u>Cash flows from financing activities</u>				
Interest paid	(4,209)	(3,749)	(460)	
Finance lease repayment	(535)	(535)	-	
Repayment to shareholder	-	(5,206)	5,206	5
Proceeds from term loan	29,722	29,471	251	
Repayment of term loan	(2,352)	(2,352)	-	
Repayment of related party loan	(249)	(249)	-	
Proceeds from issuance of new shares, net of issuance expenses	25,156	25,156	-	
Net cash flows from financing activities	47,533	42,536		
Net increase in cash and cash equivalents	34,050	34,061	(11)	
Cash and cash equivalents, beginning balance	18,623	18,623	-	
Effects of exchange rate changes on cash and cash equivalents	-	(11)	11	
Cash and cash equivalents, ending balance	52,673	52,673		

Note:

- (1) The decrease is due to the reclassification of income earned from bills receivables that was previously classified as interest income (cash flows from operating activities) to interest received (cash flows financing activities).
- (2) The variance is due to the effect of foreign exchange differences on translation of foreign currencies balances.
- (3) The variances are due to the reclassification of advances to suppliers from other assets to trade and other receivables.
- (4) Please refer to Note (12) under the Statement of Financial Position.
- (5) The variances are due to the reclassification of repayment of loan from Fu Hao from trade and other payables (cash flows used in operations) to repayment to shareholder (cash flows used in financing activities).

BY ORDER OF THE BOARD

CHU MING KIN

Executive Chairman and Chief Executive Officer

8 April 2016

This announcement has been prepared by the Company and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

The Sponsor has not 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 accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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