

**Independent Auditors' Report to the Members of
CHINA POWERPLUS LIMITED (Registration No: 200208614Z)**

Report on the Financial Statements

We have audited the accompanying financial statements of China Powerplus Limited (the "company"), and its subsidiaries (collectively, 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 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the 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, 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 consolidated statement of profit or loss and other comprehensive income and statements of financial position and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditors' Report to the Members of
CHINA POWERPLUS LIMITED (Registration No: 200208614Z)**

Opinion

In our opinion, the consolidated financial statements of the group and the statements of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2013 and of the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Emphasis of Matter

We draw attention to Note 2 to the financial statements. During the reporting year ended 31 December 2013, the group and company incurred loss, net of tax of RMB82,925,000 and RMB11,605,000 respectively. The group and the company have been incurring losses since 2009. The accumulated losses of the group totalled RMB157,191,000 as at the end of the reporting year. The operating cash inflow of the group was RMB603,000 for the reporting year and cash and cash equivalents the group totalled RMB1,381,000 as at 31 December 2013. These indicate the existence of a material uncertainty which may cast significant doubt about the abilities of the group and the company to continue as going concerns.

As is more fully disclosed in Note 2, the directors have prepared these financial statements on a going concern basis on the assumptions that the group and company will be able to generate sufficient cash flows from their operations going forward.

If the group and the company are unable to continue in operational existence for the foreseeable future, 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 have to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, 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.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

4 April 2014

Partner-in-charge: Chan Weng Keen
Effective from the reporting year ended 31 December 2010

Extracts of the Notes to the Financial Statements

2. Going Concern Assumption

During the reporting year ended 31 December 2013, the group and company incurred loss, net of tax of RMB82,925,000 and RMB11,605,000 respectively. The group and the company have been incurring losses since 2009 and the total losses incurred by the group since the reporting year ended 31 December 2009. The accumulated losses of the group totalled RMB157,191,000 as at the end of the reporting year. The operating cash inflow of the group was RMB603,000 for the reporting year and cash and cash equivalents the group totalled RMB1,381,000 as at 31 December 2013. These indicate the existence of a material uncertainty which may cast significant doubt about the abilities of the group and the company to continue as going concerns.

In the opinion of the directors, the group and the company are able to continue as going concerns despite incurring losses since the reporting year ended 31 December 2009 and holding low cash and cash equivalents of RMB1,381,000 as at 31 December 2013 due to the following factors:

- The projected cash flows of the group for the reporting year ending 31 December 2014 show that the group will still be able to generate net cash inflow in the foreseeable future.
- Subsequent to the reporting year ended 31 December 2013 up till 28 February 2014, the group has collected approximately RMB 14.5 million trade receivables from its customers.
- No material capital expenditure expected to be incurred in the reporting year ending 31 December 2014 as most of the machinery and equipment required for production were already made in the past few years.
- With continuous engagement in research and development over the years, the group successfully innovated and produced new products to meet the customers' need, and these new products have brought better profit margins and higher sales to the group. At the same time, the group has also gradually phased out those old products which delivered low profit margins.
- Generally, the group had built up rapport and good relationship with the suppliers and these suppliers will not demand for early payments.
- The existing property, plant and equipment have not been pledged as security for bank facilities, and the group could readily apply for new bank facilities if required.
- With no external bank borrowing and proportion of trade and other payables as a whole is not significant to the group, the group does not expect to have any short term obligations which would significantly affect the cash flows of the group.

In view of the above factors, the directors of the company are of the view that the use of the going concern assumption is appropriate for the preparation of these financial statements.

If the group and the company are unable to continue in operational existence for the foreseeable future, 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 have to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.