CHINA HONGCHENG HOLDINGS LIMITED
(Incorporated in Bermuda)

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

Pursuant to Rule 704(5) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Board of Directors (the "**Board**") of China Hongcheng Holdings Limited (the "**Company**") wishes to announce that the Company's Auditors, Moore Stephens LLP, have issued a disclaimer of opinion in their report ("**Independent Auditors' Report**") on the consolidated audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 30 June 2015 ("**Audited Financial Statements**").

Copies of the Independent Auditors' Report together with an extract of Note 2(b) of the notes to the financial statements are collectively annexed to this announcement as Appendix I.

By Order of the Board
CHINA HONGCHENG HOLDINGS LIMITED

Liu Ming
Executive Chairman
18 November 2015

Independent Auditors' Report

To the Members of China Hongcheng Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Report on the Financial Statements

1. We were engaged to audit the accompanying financial statements of China Hongcheng Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 43 to 87, which comprise the statements of financial position of the Group and of the Company as at 30 June 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Cost of Sales

4. Included in cost of sales in the consolidated statement of comprehensive income were certain cost of inventories sold amounting to RMB151,852,000. Due to the lack of documentation and incomplete accounting records, we were unable to carry out the necessary audit procedures, nor were we able to perform alternative audit procedures, to satisfy ourselves as to the validity and appropriateness of these amounts that have been included in cost of sales in the consolidated statement of comprehensive income for the current financial year ended 30 June 2015. Consequently, we were unable to determine whether any adjustments, if any, to these amounts were necessary.

Going Concern Assumption

5. (i) As disclosed in Note 2(b) to the financial statements, the Group incurred a net loss and total comprehensive loss of RMB237,831,000 (2014: RMB77,543,000) for the financial year ended 30 June 2015, and as at that date, the Group's and the Company's current liabilities exceeded their current assets by RMB575,675,000 (2014: RMB385,671,00) and RMB15,984,000 (2014: RMB11,786,000) respectively and the Group and the Company have a deficit in shareholders' fund of RMB90,698,000 and RMB15,984,000 (2014: surplus in shareholders' fund of RMB147,133,000 and RMB122,367,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt as to the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business.

Independent Auditors' Report

To the Members of China Hongcheng Holdings Limited
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Going Concern Assumption (cont'd)

(ii) The financial statements have been prepared on the assumption that the Group and the Company will continue as going concerns. Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements for the next twelve months ending 30 June 2016 and to pay its debts as and when they fall due. The forecast was prepared on the basis that the Group's bankers will continue to provide financing and extend existing bank loans to the Group, as well as the ability of the Group to generate positive cash flows from its operations. This assumption is premised on future events, the outcome of which is inherently uncertain.

(iii) In view of the material uncertainties as discussed above, we are unable to obtain sufficient appropriate audit assurance regarding the use of the going concern assumption in the preparation of the financial statements. Accordingly, we are unable to form a view as to the use of the going concern assumption in the preparation of these financial statements.

(iv) In the event 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 ordinary 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 ordinary course of business and at amounts which could differ 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 provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

Disclaimer of Opinion

6. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs 4 and 5, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and accordingly, we do not express an opinion on the financial statements.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore

18 November 2015

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

<u>*New/Revised IFRS which are not yet effective*</u> (cont'd)

- IFRS 15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous revenue Standards: IAS 18 *Revenue* and IAS 11 *Construction Contracts*, and the related interpretations on revenue recognition; IFRIC 15 *Agreements for the Construction of Real Estate*; IFRIC 18 *Transfers of Assets from Customers*; and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The Group is currently assessing the impact on the financial statements.

- IFRS 9 was introduced to replace IAS 39 *Financial Instruments: Recognition and measurement*. IFRS 9 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. IFRS 9 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies. The Group is currently assessing the impact on the financial statements.

- Amendments to IAS 1 provide clarification on various aspects of financial statements presentation. Key clarifications relate to the interpretation of materiality requirements in FRS, extent of aggregation and disaggregation of financial information presented in the primary financial statements, presentation of sub-totals, and ordering of notes to the financial statements. The amendments also clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will be subsequently be reclassified to profit or loss. The Group is in the process of assessing the impact on the financial statements.

(b) Going Concern Assumption

The Group incurred a net loss and total comprehensive loss of RMB237,831,000 (2014: RMB77,543,000) for the financial year ended 30 June 2015, and as at that date, the Group's and the Company's current liabilities exceeded their current assets by RMB575,675,000 (2014: RMB385,671,000) and RMB15,984,000 (2014: RMB11,786,000) respectively and the Group and the Company have a deficit in shareholders' fund of RMB90,698,000 and RMB15,984,000 (2014: surplus in shareholders' fund of RMB147,133,000 and RMB122,367,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business.

The financial statements have been prepared on the assumption that the Group and the Company will continue as going concerns. Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements for the next twelve months ending 30 June 2015 and to pay its debts as and when they fall due. The forecast was prepared on the basis that the Group's bankers will continue to provide financing and extend existing bank loans to the Group, as well as the ability of the Group to generate positive cash flows from its operations.

2 Summary of Significant Accounting Policies (cont'd)

(b) Going Concern Assumption (cont'd)

In the event 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 ordinary 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 ordinary course of business and at amounts which could differ 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 provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

(c) Group Accounting

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.