

CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED
(Company Registration Number: 200711863D)

RESPONSE TO SGX QUERIES

The Board of Directors of China Taisan Technology Group Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) wishes to announce its response to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX”) in connection with the announcements made by the Company on 2 September 2017.

We refer to the Company’s response to SGX queries released via SGXNet on 2 September 2017 and available via the following weblink:

http://infopub.sgx.com/Apps?A=COW_CorpAnnouncement_Content&B=AnnouncementLast12Months&F=YGI20MYHPC8393RB&H=c045df03ac8da8252ce3c3c61137391207456716d5529cdab231f1eee40fd93f.

(a) It is stated, “The new directors were introduced to Mr. Choi Cheung Kong (“Mr Choi”), the major shareholder and Executive Director (previously was Non-Executive Chairman) of the Company, by Mr Tan Chee How who is the newly appointed company secretary of the Company. Mr Choi then recommended the new directors to the Board.”

How did Mr Tan Chee how get to know these newly appointed directors? Please identify who introduced the new directors to Mr Tan Chee How.

Response:

Tan Chee How is a corporate secretarial service provider who is based in Singapore. The newly appointed directors are the business contacts of Tan Chee How via his business networking in ASEAN countries, including Singapore, Indonesia, Malaysia, China and Hong Kong. They also approach him to provide corporate secretarial services to their companies in Asia from time to time.

(b) In response to our queries regarding Mr. Lin Wen Chang’s resignation, the Company replied, “Mr Lin is only overseeing the daily operations of the Company’s subsidiary, JinJiang Lianjie Textile Printing & Dyeing Industrial Co., Ltd as well as helping the production, R&D, procurement administration and HR departments. Mr. Lin has no duty on the Company and the Group...”. (emphasis added)

As the subsidiary is the sole operating subsidiary, why is the Board of Directors of the view that by overseeing the daily operations of the Company’s subsidiary, Mr. Lin Wen Chang has no duty to the Company and the Group?

Response:

Mr Lin is only overseeing the daily operations of the Company's subsidiary, JinJiang Lianjie Textile Printing & Dyeing Industrial Co., Ltd as well as helping the production, R&D, procurement administration and HR departments. Mr Lin does not otherwise play any role in the management or supervision of the Company and/or the Group, and in that sense, does not owe duties to them directly. Given Mr Lin's present interest in limiting his duties as described, it is in the best interests of the Company that he resigns from the Board so as to focus on the management of the factory.

(c) In response to our queries regarding Mr. Chen Jia Ji's resignation, the Company replied, "Mr Chen would like to focus on the daily operation of the subsidiary. He has no duty on the Company and Group level. Mr Chen will focus on daily operation of the factory, which he is more familiar with..." (emphasis added).

As the subsidiary is the sole operating subsidiary, why is the Board of Directors of the view that by overseeing the daily operations of the Company's subsidiary, Mr. Chen Jia Ji has no duty to the Company and the Group?

Response:

Mr Chen would like to focus on the daily operation of the subsidiary. By stepping down from the Board, Mr Chen will be able focus on daily operations of the factory. As his role will be limited to that of the subsidiary, he will not have any direct role in the administration or supervision of the Company itself and in that sense does not have a direct duty to the Company / Group.

(d) We had sought the Company's clarification as to why the Board is of the view that Ms. Sri Tjintawati Hartanto ("**Ms. Hartanto**") is suitable to be appointed as Chief Finance Officer ("**CFO**") of the Company despite the special audit findings by E&Y on 31 October 2014 relating to Ms. Hartanto as an executive director of Next-Generation Satellite Communications Limited ("**NGSC**").

On 25 July 2012, Ernst & Young Advisory Pte. Ltd. ("**E&Y**") was appointed by the Audit Committee of NGSC to investigate into certain significant questionable transactions and cash transfers (the "**Matter**"). E&Y subsequently issued a report on its findings to the Audit Committee of NGSC and an executive summary was released via SGXNet on 31 October 2014 (the "**E&Y Report**") (collectively, the "**NGSC Investigation**"). NGSC also engaged E&Y to, amongst others, review the internal control measures, policies and procedures within NGSC to identify and address any weaknesses and lapses in the internal controls and corporate governance procedures of the Company, over and above those that have already been highlighted in the E&Y Report. It is noted that Ms. Hartanto was an executive director during the relevant time.

The E&Y Report noted that:-

“...when we spoke to Sri Hartanto, who is a Director of NGSC, we were told that she was predominantly responsible for general oversight of the management. This is contrary to our understanding of NGSC’s Annual Report for FY2011, in which it was stated that Sri Hartanto was responsible for the overall administrative and financial functions of the Group. Accordingly, it is questionable whether Sri Hartanto had fully and adequately discharged her roles and responsibilities as described in the Annual Report of NGSC....” (emphasis added).

The E&Y Report on the NGSC Investigation also made the following findings and observations, amongst others:-

Questionable cash movement prior to the opening of the disbursement account with Niaga Finance;

Questionable transactions from the disbursement account with Niaga Finance;

Discrepancy in the bank balance and cash restriction with Niaga Finance; and

Weaknesses and lapses in internal control and corporate governance. With regards to this point, it was noted by E&Y that based on NGSC’s minutes of Directors’ meeting dated 11 March 2009 provided by Niaga Finance, Mr. Hady Hartanto and Ms. Hartanto had resolved for the disbursement account with Niaga Finance to be operated singly by 1 of 3 signatories, namely, Mr. Hady Hartanto, Ms. Hartanto and Patty. As Patty was not an employee of NGSC or its subsidiaries, the inclusion of Patty as an authorized signatory with the authority to operate the account with Niaga Finance on a singly basis posed a significant control risks to the Company.

We note the following disclosures in NSGC’s Annual Reports:-

FY2011:-

o “Madam Sri Tjintawati Hartanto is responsible for the overall administrative and financial functions of the Group.” (emphasis added).

o The auditors of NGSC had issued a qualified opinion on the financial statements as at 31 March 2011.

FY2012:-

o “Madam Sri Tjintawati Hartanto is responsible for the overall administrative and financial functions of the Group.” (emphasis added).

o The auditors of NGSC had issued a disclaimer of opinion on the financial statements as at 31 March 2012.

Taking into consideration the above, why is the Board of the view that Ms. Hartanto’s failure to fully and adequately discharge her roles and responsibilities as an executive director, as reported by E&Y in relation to the questionable transactions with Niaga Finance, discrepancy in bank balances and lapses in internal controls for areas under her responsibility, still makes her suitable to (i) be appointed as CFO of the Company; and (ii) to perform the duties expected of her in this role?

Response:

The Board has interviewed Ms Hartanto and noted that the key job duties of Ms Hartanto as an Executive Director of NGSC during the Investigation Period was not involved in the daily operations of finance and accounting functions of NGSC.

During the interview, Ms Hartanto represented that she was responsible for NGSC's overall administrative and financial functions on a "when-needed" basis, and not the daily operations of finance and accounting functions of NGSC during E&Y Advisory's investigation period from 1 January 2008 to 29 October 2012 (the "Investigation Period").

Ms Hartanto further commented that NGSC's daily operations of finance and accounting functions during the Investigation Period was fully in-charged by a full-time employee, that is, the Regional Financial Controller, with the assistance of Group Finance Manager, and a team of qualified finance staffs.

Ms Hartanto also briefed the Board on the recommendations from the E&Y Report dated 31 October 2014 in relation to NGSC's special audit, as well as NGSC's announcements and justified to the Board that certain weaknesses and lapses in the internal controls and corporate governance procedures as identified by E&Y Advisory were mainly related to the daily operations of finance and accounting functions, which was the key job duties of NGSC's Regional Financial Controller, during the Investigation Period.

As such, the Board is of the view that E&Y Report does not impair Ms Hartanto's integrity and suitability as the Company's CFO, with the supports of Ms Hartanto's extensive experience in managing a group of companies' accounting and finance functions, including but not limited to, accounting and reporting, forecasting and budgeting and taxation advisory matters.

(e) In response to our queries regarding Ms. Hartanto's appointment as CFO of the Company with effect from 29 August 2017, the Company also replied, "With regards to (k), it ought to be noted that Ms. Hartanto has not been subject to any 'current or past investigation or disciplinary proceedings...'. The NGSC Investigation was requested by the company, and not by MAS or 'any other regulatory authority, exchange, professional body or government agency'. The answer to the question is hence no."

As E&Y, the special auditor for the NGSC Investigation also reports to the Exchange, the answer to (k) should be yes. Accordingly, please respond by making a replacement announcement of Ms. Hartanto's appointment.

Response:

A replacement announcement of Ms. Hartanto's appointment is being released separately via the SGXNet.

By Order of the Board

Tan Chee How
Company Secretary
7 September 2017