



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

DISCLAIMER OF OPINION BY AUDITORS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Pursuant to Rule 704(5) of the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board of Directors of China Taisan Technology Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Independent Auditors of the Company, Messrs RT LLP (“**Auditors**”), has issued a “Disclaimer of Opinion” in its Independent Auditors’ Report (“**Report**”) in respect of the audited financial statements of the Group for the financial year ended 31 December 2016 (“**FY2016**”).

A copy of the Report is attached to this Announcement for shareholders’ reference.

An extract of the basis for the Disclaimer of Opinion in the Report is set out below:

“Basis for Disclaimer of Opinion

(1) Value Added Tax Recoverable (VAT)

Included in trade and other receivables as of 31 December 2016 were VAT receivables of RMB Nil (2015: RMB 9,513,000). During the financial year ended 31 December 2016, the Group wrote off VAT receivables of RMB 1,640,000 (2015: RMB 110,000,000) on the basis that these amounts cannot be recovered from the tax authorities. We were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the write-offs.

In 2015, the Group wrote off VAT recoverables of RMB 110,000,000 on the basis that these amounts cannot be recovered from the authorities. We were unable to ascertain the possible effect of this matter on the opening retained earnings and the comparability of the current period figures and the corresponding figures.

(2) Going Concern

During the financial year ended 31 December 2016, the Group incurred net loss of RMB 128,799,000 (2015: RMB 369,428,000) and net operating cash outflows of RMB 13,683,000 (2015: RMB 10,914,000). The total cash and cash equivalents of the Group was RMB 2,063,000 (RMB: RMB 8,846,000) and the Group had current liabilities of RMB 76,248,000 (2015: 198,291,000). The ability of the Group to meet these current obligations is highly dependent on the ability of the Group to realise cash flows from the trade receivables and inventories. These conditions indicated the existence of a material uncertainty which may cast a significant doubt over the Group’s ability to continue as a going concern. We have evaluated management’s assessment of the Group’s ability to continue as a going concern and in the absence of further information and documentary evidence, we were unable to satisfy ourselves on the reasonableness of the assumptions used by management to support their assessment.

Accordingly, we are unable to assess the appropriateness of the management’s use of going concern assumption in the preparation of the financial statements. If the Group were unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its 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 they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to reclassify its non-current assets as current assets. No such adjustments have been made to these accompanying financial statements.



(2) Going Concern (Continued)

As a result of the above matters, we were unable to determine whether any adjustments might have been found necessary in respect of the assets which may be realised other than under the normal course of business, and the elements making up the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

Other Matters

The financial statements of the Group for the financial year ended 31 December 2015 were audited by another auditor whose report dated 7 April 2016 expressed a disclaimer opinion on those financial statements. The extract of the basis for disclaimer of opinion is as below:

Value Added Tax Recoverable (VAT)

Included in trade and other receivables as of 31 December 2015 were VAT receivables of approximately RMB 9.5 million. During the financial year ended 31 December 2015, the Group wrote off VAT recoverable of RMB 110 million in 2015 on the basis that these amounts cannot be recovered from the tax authorities. We were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the write off. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

In 2016, the status of the VAT receivables and the write-off are still uncertain and this matter has continued to be included in the *Basis for Disclaimer of Opinion* section of our report.

Going Concern

During the financial year ended 31 December 2015, the Group incurred net loss of RMB 369 million and net operating cash outflows of RMB 10.9 million. These conditions indicated the existence of a material uncertainty which may cast a significant doubt over the Group's ability to continue as a going concern. We have evaluated management's assessment of the Group's ability to continue as a going concern and in the absence of further information and documentary evidence, we were unable to satisfy ourselves on the reasonableness of the assumptions used by management to support their assessment.

Accordingly, we are unable to assess the appropriateness of the management's use of going concern assumption in the preparation of the financial statements. If the Group were unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its 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 they are currently recorded in the statement of financial position. In addition, the Group may have to reclassify its non-current assets as current assets. No such adjustments have been made to these accompanying financial statements.

In 2016, there is still material uncertainty on the going concern of the Group and this matter has been included in the *Basis for Disclaimer of Opinion* section of our report."

Shareholders of the Company are advised to read the audited financial statement in the Company's Annual Report which will be despatched to shareholders FY2016 on 15 June 2017.

BY ORDER OF THE BOARD

Lin Wen Chang
Chief Executive Officer
12 June 2017