

# Independent Auditors' Report

TO THE MEMBERS OF CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED

## Report on the Audit of the Financial Statements

### Disclaimer of Opinion

We were engaged to audit the financial statements of China Taisan Technology Group Holdings Limited (the "Company") and its subsidiaries (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 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 42 to 84.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### 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 (2015: 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.

# Independent Auditors' Report

TO THE MEMBERS OF CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED

## Report on the Audit of the Financial Statements (Continued)

### Basis for Disclaimer of Opinion (Continued)

#### (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.

# Independent Auditors' Report

TO THE MEMBERS OF CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED

## Report on the Audit of the Financial Statements (Continued)

### Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements and Company's statement of financial position and statements of changes in equity in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

### Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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.

RT LLP  
Public Accountants and  
Chartered Accountants

Singapore  
12 June 2017