

# Independent auditor's report to the members of China Sports International Limited

## Report on the consolidated financial statements

We were engaged to audit the accompanying financial statements of China Sports International Limited ("the Company") and its subsidiaries ("the Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these 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

#### 1. Existence and recoverability of trade and other receivables

As set out in Note 11 to the financial statements, the Group has net trade receivables of approximately RMB429,904,000, of which approximately RMB210,466,000 was past due the Group's credit terms of 90 days. The management is of the view that no allowance for impairment is necessary. At the date of this report, we have not received third party confirmation replies from the circularized trade receivables amounting to RMB429,904,000. In addition, the management has also not provided us with evidence of subsequent collections from these customers. As such, we were unable to ascertain the existence and recoverability of the net trade receivable balances amounting to RMB429,904,000 as at balance sheet date. Accordingly, we were unable to determine if there are any adjustments that would need to be made for the impairment of trade receivables.

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### Basis for disclaimer of opinion (Cont'd)

#### 2. Completeness of trade and bills payable

Stated on the face of the consolidated statement of financial position as at 31 December 2014 were trade and bills payable of approximately RMB147,534,000. At the date of this report, we have not received third party confirmation replies from the circularized trade and bills payable amounting to approximately RMB40,411,000. The management has also not provided us with evidence of subsequent payments to these trade and bills payable. As such, we were unable to carry out alternative procedures to enable us to conclude on the completeness of trade payables as at 31 December 2014.

#### 3. Post balance sheet information

The absence of financial information in relation to post balance sheet receipts from trade receivables and post balance sheet payments to trade and bills payable constitute a limitation of scope on our audit. In addition, as part of our audit procedures, we have not received confirmation reply from the Group's legal counsel on the existence of any legal suits against the Company or the Group, if any. As such, we are unable to ascertain if any adjustment, provision or contingency is required for the financial year ended 31 December 2014.

#### 4. Going concern assumption

Although the Group recorded profit before taxation of approximately RMB15,600,000 for the financial year ended 31 December 2014, it also recorded net operating cash outflows of approximately RMB153,568,000. We also draw attention to the uncertainty surrounding the collectability of the Group's trade receivables in view of current poor business conditions in the sports shoes and apparels industry which is further exacerbated by the deterioration of trade receivables collection patterns from previous year (Note 31.3).

Management was not able to provide cash flow projections of the Group's future operations including information such as the current and expected profitability, debt repayment schedules, potential sources of replacement financing and future business plans etc. In the absence of management's cash flow projections and business plans, we are not able to obtain sufficient evidence regarding the appropriateness of using the going concern assumption in the preparation of the financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.



RT LLP  
Public Accountants and  
Chartered Accountants

Singapore, 14 April 2015