



DAPAI INTERNATIONAL HOLDINGS CO. LTD.
(the "Company")
Company Registration No.: 41211

EMPHASIS OF MATTER IN THE INDEPENDENT AUDITORS' REPORT

The Board of Directors wishes to announce that the Company's Independent Auditors, Messrs Moore Stephens LLP, had issued an emphasis of matter in the Independent Auditors' Report on the financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2013 ("Financial Statements").

A copy of the Independent Auditors' Report together with the extract of the relevant note to the Financial Statements are attached hereto for information.

Submitted by Mr Chen Xizhong, Executive Chairman, on 3 April 2014 to the SGX-ST.

Independent Auditors' Report

To the members of Dapai International Holdings Co. Ltd.
(Incorporated in Bermuda)

Report on the Financial Statements

We have audited the accompanying financial statements of Dapai International Holdings Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 31 to 67, which comprise the statements of financial position of the Group and of the Company as at 31 December 2013, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Emphasis of Matter

We draw attention to Note 2(b) to the financial statements which states that as at 31 December 2013, the Group's current liabilities exceeded its current assets by RMB121,239,000 (2012: RMB137,739,000) and the Company's current liabilities exceeded its current assets by RMB1,485,000 (2012: RMB2,150,000). Further, the Group has short-term borrowings amounting to RMB208,881,000 (2012: RMB269,994,000) (Note 24) as at 31 December 2013.

Independent Auditors' Report

To the members of Dapai International Holdings Co. Ltd.
(Incorporated in Bermuda)

Emphasis of Matter (cont'd)

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2013 is appropriate after taking into consideration the following factors:

- (i) The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve profitability and generate positive cash flows from operations. In this regard, management have prepared a cash flow projection, which shows the Group will have adequate working capital for its operations and will be able to meet its obligations as and when they fall due.
- (ii) The Group continues to maintain its credit facilities with the financial institutions and, subject to the financial institutions' approval, to renew or roll over its short-term borrowings when they fall due and/or the extension of additional credit facilities. In this regard, the Group has been maintaining and renewing the short-term bank borrowings when they fall due and management are not aware of any adverse circumstances that might cause the financial institutions to withdraw their credit facilities granted to the Group. As at 31 December 2013, the Group has unutilised credit facilities amounting to approximately RMB95,119,000 with its principal bankers.

If the Group and the Company are unable to continue in operational existence for the foreseeable future and/or are unable to maintain its credit facilities, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement 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 as current assets. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
3 April 2014

Notes to the Financial Statements

31 December 2013

2 Basis of Preparation (cont'd)

(a) Adoption of New/Revised FRS (cont'd)

New/Revised FRS which are not yet effective

At the date of these financial statements, the following new or revised standards which have been issued and are relevant to the Group but not yet effective:

		Effective for accounting periods beginning on or after
FRS 27 (Revised)	<i>Separate Financial Statements</i>	1 January 2014
FRS 110	<i>Consolidated Financial Statements</i>	1 January 2014
FRS 112	<i>Disclosure of Interests in Other Entities</i>	1 January 2014

- FRS 27 (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged and will not have any impact on the financial performance or the financial positions of the Group and of the Company on initial application.
- FRS 110 supersedes FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities*. It changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. FRS 110 requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The Group has reassessed which entities the Group controls and expects no change.
- FRS 112 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. FRS 112 specifies minimum disclosures that an entity must provide. It requires an entity to provide summarised financial information about the assets, liabilities, profit or loss and cash flows of each subsidiary that has non-controlling interests that are material to the reporting entity and to disclose the nature of its interests in unconsolidated structured entities and the nature of the risks it is exposed to as a result. As this is a disclosure standard, it will not have any impact on the financial performance or the financial positions of the Group and of the Company on initial application.

(b) Going Concern Assumption

As at 31 December 2013, the Group's current liabilities exceeded its current assets by RMB121,239,000 (2012: RMB137,739,000) and the Company's current liabilities exceeded its current assets by RMB1,485,000 (2012: RMB2,150,000). Further, the Group has short-term borrowings amounting to RMB208,881,000 (2012: RMB269,994,000) (Note 24) as at 31 December 2013.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2013 is appropriate after taking into consideration the following factors:

- (i) The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve profitability and generate positive cash flows from operations. In this regard, management have prepared a cash flow projection, which shows the Group will have adequate working capital for its operations and will be able to meet its obligations as and when they fall due.

2 Basis of Preparation (cont'd)

(b) Going Concern Assumption (cont'd)

- (ii) The Group continues to maintain its credit facilities with the financial institutions and, subject to the financial institutions' approval, to renew or roll over its short-term borrowings when they fall due and/or the extension of additional credit facilities. In this regard, the Group has been maintaining and renewing the short-term bank borrowings when they fall due and management are not aware of any adverse circumstances that might cause the financial institutions to withdraw their credit facilities granted to the Group. As at 31 December 2013, the Group has unutilised credit facilities amounting to approximately RMB95,119,000 with its principal bankers.

If the Group and the Company are unable to continue in operational existence for the foreseeable future and/or are unable to maintain their credit facilities, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement 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 as current assets. No such adjustments have been made to these financial statements.

3 Summary of Significant Accounting Policies

(a) Basis of Consolidation

Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity in the consolidated statement of financial position, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.