

**DAPAI INTERNATIONAL HOLDINGS CO. LTD.**  
(Incorporated in Bermuda)  
Company Registration No.: 41211

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**RESPONSE TO SGX-ST'S QUERIES ON UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017**

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The Board of Directors of Dapai International Holdings Co. Ltd. (the "**Company**", and together with its subsidiaries, collectively the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the Company's announcement titled "Financial Statements and Related Announcement: First Quarter Results" and dated 15 May 2017, and wishes to provide its response as follows:-

**SGX-ST Query:**

*The Company reported Trade Receivables amounting to RMB55.4 million in its Q1FY2017 Results which includes an amount of approximately RMB38 million due from Xiamen Yushang Trading Co. ("**Yushang**"). The Company also disclosed that the RMB38 million has not yet been collected as Yushang is still in the midst of renewing their bank facilities and that the Executive Chairman of the Company is of the opinion that no provision for doubtful debts is required.*

*Please disclose the following:-*

- a. The aging schedule of the Trade Receivables amounting to RMB38 million due from Yushang;*
- b. Whether the Company is currently still supplying goods to Yushang and if so, what are the safeguards in place in the event that Yushang is unable to fulfil its payment obligations;*
- c. The Executive Chairman's basis for the opinion that no provision for doubtful debts is required; and*
- d. The Board's opinion on Yushang's financial standing and their ability to repay the amount of Trade Receivables owing to the Company.*

**Company's Response:**

- a. The aging of the Trade Receivables amounting to RMB38 million due from Yushang was between 180-240 days past due.
- b. The Company had stopped supplying goods to Yushang since July of FY 2016.
- c. As disclosed previously in the replies to SGX queries on 17 April 2017, "Response to SGX-ST's queries on financial statements and related announcement: Discrepancies between unaudited and audited accounts for the financial year ended 31 December 2016", it was the understanding of the management of the operating PRC subsidiaries and the Executive Chairman, that Yushang was of creditable standing and had been in the trading business since FY 2007, with a registered share capital of RMB30.0 million. It was estimated that their gross turnover was larger (approximately RMB160.0 million

and above) than that of the Group's in FY 2016. Yushang had previously been making payments until fourth quarter of FY 2016.

Based on the representation by management of the operating PRC subsidiaries and the Executive Chairman, Yushang was in the midst of renewing their bank facilities and had encountered a delay in their renewal process. The management of the operating PRC subsidiaries and the Executive Chairman had followed up conversations, in 1Q17, with Yushang and understand that Yushang is actively in discussions with their banks and also understands the renewal process was only delayed and is hopeful that it will be renewed.

Therefore, it is of the opinion of the Executive Chairman that no provision for doubtful debt was required as at 31 March 2017 and will continue to closely monitor the debt collection situation.

- d. The Board had taken into consideration the above factors (as described in part c.) and also understands from the Executive Chairman's representation on the follow up discussions with Yushang, had instructed the management and the Executive Chairman to document and seek PRC legal advice, including a check on the current financial standing of Yushang, to further provide evidence to ensure that Yushang is indeed in sound financial standing and has the ability to repay the amount owing to the Company.

**BY ORDER OF THE BOARD**

Chen Xizhong  
Executive Chairman

8 June 2017