

DAPAI INTERNATIONAL HOLDINGS CO. LTD.

(Company Registration No. 41211)

(Incorporated in Bermuda)

**AGREED-UPON AUDIT PROCEDURE REPORT
RELATING TO ALLEGATIONS CONCERNING THE GROUP**

The Board of Directors ("**Board**") of Dapai International Holdings Co. Ltd. ("**Company**" and together with its subsidiaries, "**Group**") wishes to inform shareholders on the results of an Agreed-Upon Audit Procedure Report ("**AUP Report**") relating to allegations concerning the Group which had previously come to the attention of the Audit Committee of the Company ("**Allegations**").

The Allegations alleged that various transactions between the Group and certain sales distributors and renovation contractors relating to the initiative undertaken by the Group in late 2009 to open 500 new retail outlets carrying the Group's products which started operations between 2010 and 2011 in the Peoples Republic of China, including but not limited to transactions for sale of goods, renovation projects and prepaid rentals, were fictitious and/or misrepresented.

After careful review of the Allegations, the Audit Committee, together with the Board, had engaged BDO LLP ("**BDO**") to undertake an independent review and to provide its findings as to the veracity of the Allegations. The Board wishes to release the attached AUP Report prepared by BDO dated 13 December 2016. The AUP Report states, amongst others, that BDO was not able to fully verify whether the transactions referred to in the Allegations have been carried out and properly recorded.

The Audit Committee, together with the Board, has therefore engaged KordaMentha Pte Ltd to further review and follow up on the outstanding matters arising from the AUP Report.

The Company will make further announcement(s) to update shareholders as and when appropriate.

In the meantime, shareholders of the Company and potential investors should exercise caution when dealing in the Company's shares, and where in doubt as to the action they should take, they should consult their financial, tax, legal or other professional advisers.

By Order of the Board

Chen Xizhong
Executive Chairman

14 December 2016