

Dapai International Holdings Co. Ltd

Agreed-Upon Audit Procedures Report

December 2016





Tel: +65 6828 9118
Fax: +65 6828 9111
www.bdo.com.sg

BDO LLP
21 Merchant Road
#05-01
Singapore 058267

Our Ref: 2016RPT12149

13 December 2016

Audit Committee
Dapai International Holding Co. Ltd
Clarendon House
2 Church Street
Hamilton HM 11 Bermuda
Attn: Mr Tan Chade Phang

Dear Mr Tan,

Agreed-Upon Audit Procedures Report

We have completed our Agreed-Upon Audit Procedures with regards to the operations of Dapai International Holding Co. Ltd ("Dapai") in accordance with our engagement letter dated 7 April 2016. Attached is a copy of the report prepared for the sole use of the Board and management of Dapai. Other than the parties mentioned in our engagement Letter, this report should not be released to any other third parties without prior written consent of BDO LLP ("BDO").

This engagement was completed in accordance with procedures designed to meet the objectives as outlined in our engagement letter mentioned above. The results of our review are subject to the limitations which have been included in our engagement letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'BDO LLP'.

BDO LLP

Contents

SECTION 1: EXECUTIVE SUMMARY	4
LOCATION AND DATE OF REVIEW	4
SCOPE OF REVIEW	4
BACKGROUND	5
KEY OBSERVATIONS ARISING FROM THE REVIEW	6
SUMMARY AND MATTERS ARISING	13
SECTION 2: REVIEW OBSERVATIONS	18
SECTION A: ESTABLISHMENT OF 500 OUTLETS	18
SECTION B: REVIEW OF DISTRIBUTORS	27
SECTION C: REVIEW OF CONTRACTORS	38
SECTION D: OTHER AUDIT PROCEDURES	52
APPENDIX 1: DISTRIBUTOR COMPANY DETAILS OBTAINED FROM NATIONAL COMPANY CREDIT INFORMATION PUBLICATION SYSTEM (FUJIAN) (全国企业信用信息公示系统 (福建))	56
APPENDIX 2: COMPANY DETAILS EXTRACTED FROM NATIONAL COMPANY CREDIT INFORMATION PUBLICATION SYSTEM (FUJIAN)	57
(全国企业信用信息公示系统 (福建))	57
APPENDIX 3: DOCUMENTS OBTAINED FOR OUR REVIEW	58

SECTION 1: EXECUTIVE SUMMARY

The key objective of this engagement was to perform agreed-upon audit procedures with regards to a set of documents (“Complaint Document”) raising various concerns with regards to two Sales Distributors (referred in report as “Highlighted Distributors”) and four Renovation Contractors (referred in report as “Highlighted Contractors”) and their transactions with Dapai International Holdings Co. Ltd (“Dapai”).

The Complaint Document provided to us was not dated but the visits were indicated to have been conducted in 2012. The report highlighted that the two Highlighted Distributors and four Contractors did not seem to have any sales or supply transactions with Dapai.

LOCATION AND DATE OF REVIEW

We performed this review from 18 April 2016 to 29 April 2016 at Dapai Hui’an Office. In addition to the review of documents relating to Highlighted Distributors and Contractors, we also conducted a joint interview with the following process owners:

- Mr Liao Jian Jun (Finance Manager)
- Mr Ng Kiat Peen (Chief Financial Officer)
- Mr Chen Xi Zhong (Chief Executive Officer)

SCOPE OF REVIEW

The Agreed upon Audit Procedures have been structured to address whether there is existing evidence in the form of meeting minutes, invoices or other records that can confirm the relationship between Dapai and the named third parties in the Document and if so, the value of transactions with these parties if any.

The following summarises the key objectives of our review based on the above background.

- i. Document the value of transactions between the Highlighted Distributors and Contractors with Dapai for the period January 2009 to December 2012 (based on the available sales and purchase listings)

- ii. Assess if the above transactions such as for sale of goods, renovation projects, prepaid rental were supported with documents that indicate the nature of the transactions adequately (based on selected samples)
- iii. Assess if funds paid or received for the above transactions were supported with banking records that indicate the correct payee and payer (based on selected samples)
- iv. Assess the extent of relationship between Dapai and the Highlighted Distributors and Contractors through mailing confirmation notes and performing site visits (subject to existence of the companies and only if they are still located in the Fujian province in China)

BACKGROUND

On 11 November 2009, the Chairman of Dapai had briefed the Audit Committee (AC) on a campaign to open 500 retail outlets carrying Dapai products to create awareness in China. The plan was to appoint a group of distributors to set up and manage allocated numbers of outlets. The Distributors were given RMB 320,000 as an advance for each outlet to reimburse them for the lease rental for the outlets for two years. The construction of the outlets was supposed to have been done through appointed contractors on behalf of these distributors and Dapai was supposed to pay for the cost of fitting out the outlets directly to the appointed contractors. Three contractors were appointed to supply the furniture and fittings for allocated numbers of outlets each while one was appointed to provide renovation services. The three contractors was paid RMB 280,000 per outlet to provide furniture and fittings while the single contractor was paid RMB 220,000 per outlet to renovate all 500 outlets. The total expenditure for furniture, fittings and renovation was RMB 250m for the 500 outlets.

145 outlets commenced operations in the fourth quarter of FY2010 while the remaining 355 outlets commenced operations in the first quarter FY 2011, as indicated in an SGX announcement. Subsequently by the end of 2011, due to market conditions, the company had shut down 452 out of the 500 outlets.

We were also informed that there was a previous police investigation conducted over Dapai's suppliers and customers arising from a complaint lodged with the police department. Arising from this investigation, we were informed that the suppliers and distributors in the list provided to the police had become hostile towards Dapai and we were advised not to interview any of the highlighted parties.

A telephone conference was conducted on 30 August 2016 where the key issues arising from this review were discussed with the Chairman Mr Chen Xizhong and the Audit Committee members, Mr Roger Tan, Mr Chua Meng Hing, Mr Hu Jirong and the Chief Financial Officer, Mr Ng Kiat Peen.

KEY OBSERVATIONS ARISING FROM THE REVIEW

The key points arising from this review are summarized below while results of the work done for the audit procedures are provided in the next section. We have also summarised comments from the Chairman Mr Chen during our telephone conference on 30 August 2016 for the relevant issues.

- **Discussion by the Audit Committee on performance of the 500 outlets**

The plan to set up the 500 outlets was discussed by the Chairman in the November 2009 AC meeting. We were however unable to obtain any supporting cost analysis or formal proposal paper on the plan or projected revenue and costs for the 500 outlets. The total setup cost of each outlet based on prepaid rental to subsidise the distributors and payments to contractors for renovation and furniture was RMB820,000 (RMB320,000 + RMB280,000 + RMB220,000). Appointed Distributors were also given RMB320,000 per outlet for purposes of prepaid rental (total RMB160m). Subsequent to our fieldwork, the current CFO provided us with a spreadsheet that was supposed to have been prepared by the previous CFO with a cost benefit analysis of managing the 500 outlets by Dapai themselves or through the Distributors but we were not able to find any reference to this worksheet in the minutes of the Board and Audit Committee meetings. Similarly, a Board memo prepared by the previous CFO was provided after our fieldwork by the current CFO that referred to this analysis but we were also not able to sight any reference to this in the minutes of the Board and Audit Committee meetings. Hence we had not relied on these worksheets.

The following are some examples of discussions at the Board and Audit Committee meetings pertaining to matters concerning the operation of the 500 outlets:

- 11 November 2009: The Board approved the draft announcement on the opening of the 500 outlets
- 9 November 2010: Mr Chen said that all the 500 outlets would be opened early next year in response to a query from the External Audit partner. Also, the AC Chairman

requested Mr Chen and the previous CFO to check if the lease agreements were for 5 years or 2 years.

- 23 February 2011: The AC Chairman mentioned that sighting of outlets should include making sure that fittings are in order and the RMB8,000 was reasonably utilised by each distributor in accordance with the agreement.
- 9 May 2011: Credit terms to distributors was recorded in the minutes to have been extended from 60 to 90 days
- 17 February 2012: The internal audit report performed by [REDACTED] to visit the outlets was discussed. (Note: See next paragraph for more information)
- 28 July 2012: The CFO had mentioned that there was no procedure to keep track on how and when the outlets were started. The company depended on the confirmation of the distributors and contractors as the Management was not experienced. There was also no centralised documents and no proper control, and the journal entries were brief. It was also mentioned that the CFO has to obtain a copy of the report by the external auditor on audit confirmations from the distributors.

- **Internal audit of 30 outlets in Beijing and Shandong**

An internal audit review was performed in 2011 by an outsourced internal audit team from [REDACTED] over 30 outlets located in Shandong and Beijing. The report indicated that the auditors had initially only managed to see two outlets out of 30 selected outlets while another four were not opened at the addresses provided. They were then given a list of addresses of another 26 outlets by management which they managed to confirm were in operation. (We note that the outlets or distributors reviewed by [REDACTED] did not cover any of the outlets managed by the Highlighted Distributors as those were in the Fujian province and not in Beijing or Shandong.)

We were not able to verify any further actions taken to find out the reasons why the addresses of new outlets were not reflected to Dapai or why they were not informed of the closure of the outlets.

As there was a significant number of outlets that were not correctly reflected in the listing maintained by the company, further actions should have been taken to verify that the listing was accurate and what were the actual number of outlets in operation. This would provide better assurance that the shareholders' announcements on the

number of completed outlets and the number of outlets in operations were accurate at the time of announcement.

Response by Chairman during 30 August 2016 telephone conference

Chairman responded as this meeting was many years ago, he could not recall exactly what was discussed at this meeting but the Board would usually direct questions at him if further actions were required. Moreover, he said that as discussions at the Audit committee was usually in English, he would not fully understand the discussions. However, based on an email provided to us subsequent to our fieldwork by the current CFO from the previous AC Chairman dated 28 December 2011, the Chairman was requested to provide an explanation on the closure of 400 outlets by the end of 2011. This email from the AC Chairman was further translated into Chinese by the current CFO. The AC Chairman had requested for further review into the matters such as confirming the number of outlets still operating, losses incurred and possibilities of any recovery. This email from the AC Chairman might indicate that the discussions over what needs to be done with regards to the operation of the 500 outlets at that time might have been previously brought to the Chairman's attention.

- **Police investigations into Dapai Distributors and Contractors**

We were informed by the Executive Chairman that the Police had conducted an investigation into several Dapai distributors and suppliers in 2013 arising from a complaint sent to them. A letter signed by the Chairman, which we were informed was previously submitted to the Police, was also provided to us. This letter provided details of how a previous deal with a purported banker had turned bad due to potential fraud by this banker. The Chairman had suspected that this banker was the one who had initiated the request for investigation into Dapai's Distributors and Contractors.

We interviewed Mr Huang [REDACTED] who represented himself to be from the [REDACTED] District police station, at Dapai's office in Quanzhou. He provided us a list, on a clean sheet of A4 paper, the following names of the companies which Dapai was alleged to have recorded fictitious transactions with. According to him, the police investigation had concluded that there was no basis for the claims that transactions between Dapai and the following parties were fictitious.

- 厦门宜众贸易有限公司 (Xiamen Yizhong Trading Company)
- 福州伊派贸易有限公司 (Fuzhou Yipai Trading Company)

- *石狮市日鑫鞋服道具有限公司 (Shishi Rixin Xiezhuang Daoju Co. Ltd)*
- *泉州市奇皇星五金制品有限公司 (Quanzhou Qihuangxing Hardware Co. Ltd)*
- *福建省晋江市名扬家私有限公司 (Fujian Jinjiang Mingyang Furniture Co. Ltd)*
- *福建金帝装饰工程发展有限公司 (Fujian Jindi Decoration Engineering Co. Ltd)*
- 青岛理智源商务有限公司 (Qingdao Li Zhi Yuan Business Co. Ltd)
- 北京思凯乐旅游用品有限公司 (Beijing Kai Si Le travel equipment Co. Ltd)
- 南通红苹果商贸有限公司 (Nantong Red Apple Business Co. Ltd)
- 绍兴市冠冠商贸有限公司 (Shaoxing Guanguan Business Co. Ltd)

Note: The first six companies in italics were in the parties indicated in the Complaint Document.

We were informed by Mr Huang that we were not able to get an official police report on the investigation outcomes as the Police department does not provide such reports to third parties. Hence we did not follow up to further verify the identity of Mr Huang or details of the police investigation.

Arising from this previous police investigation, we were informed that the companies being investigated had become very hostile towards Dapai as they were further investigated for possible tax offences. We were also advised not to conduct face to face interviews with the Highlighted Distributors and Contractors.

As we were not able to obtain any official police reports, we did not place much reliance on the matters highlighted from this interview except that we did not visit any of the distributors or contractors in accordance with the advice given by the Chairman that the Distributors and contractors were annoyed by this police investigation and might be hostile towards Dapai's personnel.

According to the Chairman, the police investigation had not highlighted non-compliance with any regulations and hence no official police investigation report was prepared by them. He did not inform the other Board members and he did not think at that time that the police investigation would highlight any breaches by Dapai.

- **Establishing the nature of transactions between the Highlighted Distributors and Contractors**

We had intended to review accounting records such as supplier invoices or goods delivery notes acknowledged by distributors to check the extent of transactions with

the Highlighted Distributors and Contractors. The system included records regarding accounts receivables and payables between 2009 and 2012, for all six parties but, we were not able to obtain most original documents from the Highlighted Distributors or Contractors such as purchase orders or invoices. That would have provided better confirmation on the nature of transactions between them and Dapai.

The following were some of the key documents that we were not able to obtain:

Samples requested	# samples not available (original copies)	Alternative documents provided
Distributor documentation		
Selected 40 samples of journal vouchers for distributors with supporting source documents	40	Reprinted journal vouchers from system
Selected 40 samples of distributor issued purchase orders	40	10 photocopied POs
Documents on assessment of two Highlighted Distributors	2	NA
Selected 40 samples of bank advices for distributor transactions	40	36 bank advices reprinted by bank
Selected 40 samples of delivery orders acknowledged by distributors	40	31 delivery orders reprinted by system
Contractor documentation		
Selected 38 samples of journal vouchers for contractors with supporting source documents	38	Reprinted journal vouchers from system
Selected 78 samples of contractor invoices	78	13 scanned copies
Selected 38 samples of bank advices for contractor transactions	38	22 scanned copies
Approval for appointment of four Highlighted contractors	4	NA
Selected samples of delivery or renovation completion reports or	40	10 scanned copies

Although we understand companies might discard accounting documents after the relevant audits have been conducted, as the document retention period in China is 15 years, Dapai should further assess if there are any legal implications of not keeping their documents and to implement procedures to prevent such recurrences. As we were not able to obtain many of the requested documents, we were not able to complete most of our audit procedures and to verify the transactions based on document trail. We did not carry out any additional tests to check authenticity of the scanned or photocopies such as by visiting the banks to verify the bank advices as this was not within the scope of our agreed upon audit procedures.

- **Appointment of Highlighted Distributors**

No records on the assessment or appointment of the Highlighted Distributors were available for review. Hence we were not able to review who had approved the selection of the distributors or what were the reasons provided for their appointment. For example, one of the Highlighted Distributors managing 50 sales outlets did not have any transactions recorded with Dapai in FY 2009 although Dapai had represented that the appointment of Distributors was based on good track records. We were informed by the Chairman that this Distributor had transactions with Dapai prior to 2009 but not in 2009. Records pertaining to 2008 were however not available for review already. This reason for appointment of the Distributor was also disclosed in several shareholders' announcements released by Dapai including one on 19 August 2011 and another one on 9 March 2012 where it was reiterated by the company that the Distributors were appointed based on previous working relationships with them. Without the supporting accounting records, we were not able to verify whether these statements in the shareholders' announcement was factually correct. In addition, this particular Highlighted Distributor had responded to a request for confirmation of their transaction total and had stated that they never had any transactions with Dapai. This is further elaborated on page 13.

Responses by Chairman Mr Chen during our 30 August 2016 telephone conference

The Chairman could not recall the basis for appointing this Distributor but said that this was probably due to assessment that the Distributor was able to perform this task of managing the sales outlets for Dapai.

- **Early payment to the Renovation Contractors**

Although the agreements for the Highlighted Contractors indicated that the last milestone for payment should be upon full completion of the work, the Highlighted contractors, as well as all the other contractors, had already been paid in full by March 2010. We understand from a previous SGX announcement that 145 outlets were completed in FY 2010 and the other 355 outlets were only completed in FY2011. We were informed that the early payments were to assist the suppliers for purchase of raw materials. As supplier delivery reports were mostly not available for review, we were also not able to further verify when construction of each of the outlets was completed. (Although we were provided on 7 September 2016 after our fieldwork through an email from the current CFO with a spreadsheet listing the completion

dates of the various outlets, these completion dates were not supported with any additional delivery reports. Hence we could not verify the completion dates of the outlets as indicated in the schedule).

The manner in which the contractors were paid was indicated in the SGX announcement dated 22 November 2011 as having been made progressively to the contractors upon the completion of the outlets. Based on our review, this was not the case as payment was made without reference to completion of outlets but based on lump sum payments. We were not able to obtain any documents on how the payment schedule was structured or how it linked to the completion of the 500 outlets.

- **Prepaid rental given to Distributors**

The Distributors who were appointed to manage the outlets were given an advance of RMB 320,000 per outlet being managed for them to make the lease payments for 24 months. The total Prepaid rental paid to Distributors was RMB160m for the 500 outlets. The nature and intent of this advance was however not clearly specified in the agreements with the Distributors. We were informed that this was meant to be an indicative amount and even though the outlets were closed within a year, the remainder of the prepaid rental was not deemed to be refundable by the Distributors to Dapai. As the total prepaid rental was RMB160m, we were concerned on the lack of documents available on how the prepaid rental should be or were administered or the lack of restrictions on the type/ size of shops that they should be used for.

Response by Chairman during 30 August 2016 telephone conference

The Chairman mentioned that there might be some criteria for prepaid rental approved by the Board but he could not recall discussion on this as it was a long time ago. However, we were not able to sight any discussion of the criteria in the minutes of Board or Audit committee meetings from 2009 to 2012.

- **Confirmation notes and site visits**

We performed site visits at the various registered addresses of the Highlighted Distributors and Contractors though we did not attempt to contact anyone at the premises. As the six Highlighted Distributors and Contractors no longer has any transactions with the company and the personnel previously liaising with these companies had already left the company, we were not able to obtain more updated contact details on the six parties other than their registered addresses.

We had sent had confirmation notes to the six parties to confirm their transactions with Dapai for the period from 2009 to 2012. We received the confirmation note from one of the Highlighted Distributor, Xiamen Yizhong Trading Company who said that they did not have any transactions with the company. We have yet to receive responses from the remaining five parties.

As we do not have access to interview the Distributors, we have not followed up on this negative response from this Highlighted Distributor. Further review will need to be done to ascertain the extent of transactions between them and Dapai. The total recorded value for this Distributor who purportedly managed 50 sales outlets was around RMB40m for the period 2009 to 2012 as well as RMB16m of prepaid rental.

Responses by Chairman Mr Chen during our 30 August 2016 telephone conference

The Chairman mentioned that this Highlighted Distributor might have wanted to avoid investigations by tax authority should they verify the sale amount and also that these were transactions done five to six years ago which might have been forgotten by the company. We have proposed in this report for further review be done for this to ascertain the response by this distributor.

SUMMARY AND MATTERS ARISING

Our scope of work for this engagement was limited to the Agreed upon audit procedures as indicated in our engagement letter. We were however, not able to fully verify that transactions have been carried out and properly recorded due to incomplete documents. This was mainly due to the review period being more than five years ago. Hence, the following matters highlighted were assessed based on the documents provided some which are copies of originals which we have not further verified.

The following were the key concerns arising from this review and for which further actions might need to be taken. As we were informed that documents which might have been previously available were no longer available for our review, we would like to highlight that in some cases, we were only able to make assumptions based on the limited documents provided:

i. Possible breach of local regulations on document retention

We have highlighted in this report that various documents relating to our selected samples were not available for review. Many documents were only available as copies of the originals or reprinted such as bank advices and journal vouchers. As we understand that accounting records need to be kept for 15 years in China, Dapai should seek legal advice on potential implications that they have not fully retained the accounting records pertaining to less than 15 years ago and to determine whether any immediate actions need to be taken. CEO had emphasised that in China, it was not uncommon for companies to discard accounting records and supporting documents after five years especially after tax audits have been conducted.

In relation to the copies of source documents provided to us, alternative confirmation should be considered to verify them to their originals such as the copies of sales invoices, bank advices, delivery orders provided as it was not in our scope of work for this engagement to further verify authenticity of documents provided to us.

ii. Potential inaccuracies in SGX announcements

Based on the documents reviewed, there were some potential inaccuracies in the corresponding SGX announcements made. Under the Appendix 7.1 Corporate Disclosure Policy, Part IX to the listing rules, “The content of press release or other public announcement is as important as its timing. Each announcement should be factual, clear and succinct.” The following are some examples:

- The appointment of Distributors to manage the outlets was stated to have been based on past working relationships with them but one of the Distributor did not have any sales transactions recorded for the year (2009) preceding their appointment in 2009.
- The suppliers of furniture and renovation for the 500 outlets were paid based on a lump sum schedule without specific reference to delivery of services but they were said to have been paid based on the completion of the outlets.
- The changes in 28 out of 30 locations of distributor outlets selected as samples in an internal audit conducted should have been followed up upon to check that the 500 outlets were in operation as they were frequently mentioned in SGX announcements in 2011.

- The amounts paid for furniture and fittings indicated in announcements, such as the one on 19 August 2011, omitted the Value Added Tax portion paid to the suppliers amounting to RMB20m. The amount disclosed in the announcement was RMB 230m while the amount paid was RMB250m including the tax portion. These announcements should have been further reviewed for accuracy and moving forward, procedures should be established to better ensure that future announcements are checked for factual accuracy.

As many documents relating to the 500 outlets were not available for review they might affect the above points had they been available.

iii. Consideration for matters to be released as SGX announcements

We were informed that the local police had received a complaint about the transactions with some Dapai distributors and suppliers and had corresponded with the Dapai Chairman on this matter. We understand that this was a preliminary inquiry and subsequently there was no basis found to initiate a formal investigation. We were further informed that the Board was not notified of this matter. As such investigation could potentially involve many parties, the Board should have been notified for a decision on the best course of action and whether shareholders should have been kept informed such as through an SGX announcement.

iv. Adverse confirmation by Distributor on sales and prepaid rental transactions

We have received a confirmation note from one of the highlighted Distributor that the amounts recorded by Dapai relating to sales transactions and prepaid rental transferred to them were not accurate as they have not had any dealings with Dapai as reflected in the confirmation note. Further checks to verify their comments with them should be conducted since this could indicate serious lapses in the accounting records had this Distributor made their representation accurately and in good faith.

v. Lack of internal controls over payments to suppliers, payment of prepaid rental and monitoring of outlets

We note that the current CFO who was only appointed on 1 July 2011 had also commented in the AC meeting on 28 July 2012 that “there was no procedure to keep track on how and when the outlets were started. The company depended on

the confirmation of the distributors and contractors as the Management was not experienced. There was also no centralised documents and no proper control, and the journal entries were brief.” Presumably as the outlets were mostly closed by the end of 2011, no further action was taken to improve the reporting process for the 500 outlets. In line with Listing Rule 719, the Company is required to have “a robust and effective system of internal controls, addressing financial, operational and compliance risks.

Similarly, we have highlighted in this report the following weaknesses in internal controls:

- Selected sample documents not available for review
- Apparent lack of management oversight over the payments of RMB 250m to suppliers as they were made in lump sums rather than based on services rendered or goods provided
- No documents on the conditions or parameters for using prepaid rental of RMB160m given to distributors were available and we could not obtain any analysis such as obtaining lease agreements to review the actual terms. Although we were subsequently provided with a spreadsheet with details of cost computation and revenue, it was not dated or signed or referred to in any minutes of Board or Audit Committee meetings.
- No records that lease agreements were obtained during that time to check that the distributors had correctly and completely applied the prepaid rental amount to outlets managed for Dapai.

As the transaction values pertaining to the renovation, furniture, prepaid rental and revenue of the 500 outlets were very significant to the company, actions to address the weak internal controls should have been taken a bit more expeditiously.

During our telephone conference on 30 August 2016, one of the AC members highlighted that the overall governance of the Group had been improving over the years as the China based management became more familiar with the requirements of a Singapore listed entity. A Compliance Advisor (CNP Compliance Pte Ltd) was also appointed by the Company on 1 October 2012 to assist the Company and the Director in its compliance with the continuing disclosure requirements of the Listing Rules as well as to further enhance its standard of corporate governance within the Group. PrimePartners Corporate Finance

Pte Ltd had replaced CNP Compliance Pte Ltd from 18 December 2014 to 30 September 2016.

SECTION 2: REVIEW OBSERVATIONS

The following are the detailed outcomes of our audit procedures. More details are provided in the Appendices where applicable.

SECTION A: ESTABLISHMENT OF 500 OUTLETS

1. Review the Board and Audit Committee meeting minutes between April 2008 to December 2012 to highlight the following:
 - Approval for establishment of the 500 outlets
 - Approval for the distributors and renovation contractors (if any)
 - Discussion over the operations of the 500 outlets where it pertains to control or cost issues
 - Any mention of the Distributors or Contractors mentioned in the Document
 - i. We have reviewed the Board of Directors (“BOD”) and Audit Committee (“AC”) meeting minutes from April 2008 and December 2012.
 - Approval for establishment of the 500 outlets
 - Approval for the Highlighted distributors and renovation contractors (if any)
 - Discussion over the operations of the 500 outlets where it pertains to control or cost issues
 - Any mention of the Highlighted Distributors or Contractors mentioned in the Document.
 - ii. The following were the respective Board members and their appointment/cessation dates:

Director	Appointment	Cessation
Chen Xizhong	26 December 2007	Active
Cheng Yong	26 December 2007	29 April 2014
Lim Kern	27 February 2008	27 April 2012
Lam Peck Heng	27 February 2008	2009
Wong Hung Khim	10 March 2008	5 March 2012
Sam Kok Yin*	27 February 2008	6 January 2012

Director	Appointment	Cessation
<i>Hu Jirong</i>	15 July 2011	Active
<i>Chua Meng Hing</i>	2 April 2012	Active
<i>Richard Tan Kheng Swee</i>	30 April 2012	7 July 2016
<i>Fong Pin Jan</i>	1 March 2016	Active
<i>Tan Chade Phang</i>	1 March 2016	Active

Note: The Directors in *italics* were appointed after most of the 500 outlets were closed

*Mr Sam Kok Yin expressed disagreement with the business strategy of providing significant downward adjustments on prices of products sold to distributors as one of his reasons for cessation.

- iii. The following related items were recorded in the minutes of the Board of Directors (“BOD”) and Audit Committee (“AC”) meetings from April 2008 to December 2012:

Minutes of Board meetings
APPROVAL FOR ESTABLISHMENT OF THE 500 OUTLETS
11 November 2009:
REDACTED
APPROVAL FOR THE DISTRIBUTORS AND RENOVATION CONTRACTORS (IF ANY)
Not applicable
DISCUSSION OVER THE OPERATIONS OF THE 500 OUTLETS WHERE IT PERTAINS TO CONTROL OR COST ISSUES
27 April 2012:
REDACTED
ANY MENTION OF THE HIGHLIGHTED DISTRIBUTORS
Nil

Minutes of Audit Committee meetings
APPROVAL FOR ESTABLISHMENT OF THE 500 OUTLETS
11 November 2009:
REDACTED
11 August 2010:
REDACTED

Minutes of Audit Committee meetings	
9 November 2010:	REDACTED
23 February 2011:	REDACTED
APPROVAL FOR THE DISTRIBUTORS AND RENOVATION CONTRACTORS (IF ANY)	
27 April 2009:	REDACTED
DISCUSSION OVER THE OPERATIONS OF THE 500 OUTLETS WHERE IT PERTAINS TO CONTROL OR COST ISSUES	
11 November 2009:	REDACTED
9 May 2011:	REDACTED
8 November 2011:	REDACTED
17 February 2012:	REDACTED
28 July 2012:	REDACTED
ANY MENTION OF THE HIGHLIGHTED DISTRIBUTORS	
Nil	

2. Obtain the Delegation of authority pertaining to sales to Distributors or purchases

We were provided with Dapai's Delegation of Authority ("DOA") Matrix dated 1 January 2013 which indicated the approving limits for various types of transactions. The following exceptions were noted:

- i. We were provided with a DOA which the Finance Manager said applied to 2008 and 2009. However, we the effective date indicated on this 2008 and 2009 DOA was 1 January 2013. The differences between these two DOA were:

Authorised party	DOA for 2008 and 2009	DOA wef 1 Jan 2013
Fixed assets		
DGM	Below (incl) RMB500,000	Below (incl) RMB1,000,000
GM or CEO	Above RMB500,000	Above RMB1,000,000
Written of bad debts		
DGM	Below (incl) RMB300,000	Below (incl) RMB500,000
GM or CEO	Above RMB300,000	Above RMB500,000
Disposal of Assets, Fixed asset adjustment		
DGM	Below (incl) RMB500,000	Below (incl) RMB1,000,000
GM or CEO	Above RMB500,000	Above RMB1,000,000

- ii. The DOA Matrix dated 1 January 2013 for the year 2008 and 2009 did not include who should be the approving parties for the following:
- Approval of distributor agreements, discounts, selling prices margins, delivery orders, sales invoices, appointment and assessment of distributors.
 - Purchasing process such as payments of prepaid rental to distributors, approval of purchase agreements, payments to contractor more than RMB 300, 000 approved by GM or Executive Chairman.

3. Obtain documented procedures pertaining to sales to distributors and purchasing or contracting with suppliers

We were provided with the following Standard Operating Procedures (SOP) of Dapai International Holdings Co., Ltd.

- Cash management dated 1 January 2013
- Purchasing dated 1 January 2013
- Account receivables dated 1 January 2014

However, we were not able to obtain the SOP for sales to distributors and purchasing or contracting with suppliers which applies to the period between January 2009 and December 2012.

4. Review any bad debts or credit notes pertaining to the distributors highlighted in the Document

Bad Debts

Based on the 2012 provision for doubtful debts listing for Dapai Bags (China) Co., Ltd (“Dapai Bags China”) and Quanzhou Dabao Light Industry Products Co., Ltd (“Qaunzhou Dabao”), none of the “Highlighted Distributors” were reflected in the listing. We were informed that the Highlighted Distributors had settled all their debts by then. The following table provides the outstanding balances from the Highlighted Distributors for the respective years:

Highlighted Distributor Name	Year	Total Outstanding Amount (RMB)
Xiamen Yizhong Trading Company (厦门宜众贸易有限公司)	2010	REDACTED
Xiamen Yizhong Trading Company (厦门宜众贸易有限公司)	2011	REDACTED
Fuzhou Yipai Trading Company (福州伊派贸易有限公司)	2010	REDACTED
Fuzhou Yipai Trading Company (福州伊派贸易有限公司)	2011	REDACTED

Credit Notes

We were informed by the Finance Manager that no credit notes were issued for the period from 2009 to 2012.

5. Highlight any long outstanding receivables from the distributors highlighted in the Document as at the current period

Based on our review of AR Ageing as at 29 February 2016 for Dapai Bags (China) Co., Ltd (Dapai Bags China), Dapai (China) Co., Ltd (Dapai China) and Quanzhou Dabao Light Industry Products Co., Ltd (Qaunzhou Dabao), there were no outstanding balances for the Highlighted Distributors, Xiamen Yizhong Trading Company (厦门宜众贸易有限公司) and Fuzhou Yipai Trading Company (福州伊派贸易有限公司).

6. Check the extent of goods returned from the named Distributors in the Document

We were informed that as there were no sales returns from January 2009 to December 2012 for Dapai Bags China, Dapai China and Quanzhou Dabao, there were no sales return reports.

7. Review the report of the previous internal auditor of the company (at that material time) and if necessary, to interview the working parties of the previous internal auditor

We have reviewed the following internal audit (“IA”) reports:

- REDACTED dated 5 February 2009
- REDACTED dated 24 February 2010
- REDACTED dated 27 April 2011
- REDACTED dated 9 February 2012

The following exceptions related to distributor matters were highlighted in the IA report from REDACTED dated 24 February 2010:

- i. Some distributor agreements were not available for sighting.
- ii. Some distributor agreements were in original and some in photocopies.
- iii. Visits to some distributors were still being considered by Management.
- iv. Some provisions in the distributor agreement may be inconsistent with certain prevailing Chinese laws and regulations such as amount of deposits to be collected for purchase orders placed during trade fairs and choice of jurisdiction of a court by agreement.
- v. No formal DOA and procedures on authorised personnel to sign the distributor agreement &/or Sales & Purchase Agreement (“SPA”).
- vi. SPA did not specify whether the unit price stated in the SPAs is inclusive of the VAT
- vii. Top 10 distributors provided by Management were different from those provided by external auditors.

According to the IA report from REDACTED dated 9 February 2012, physical sighting of 15 outlets located in Beijing and Shandong was performed from 15 December 2011 to 27 December 2011.

- i. Beijing outlets: Only two out of 15 selected outlets were located at the address provided. Four outlets were not opened at the provided addresses. The internal auditors were informed that the remaining nine outlets had been closed by the distributor.
- ii. Shandong outlets: The internal auditors did not visit any of the 15 outlets as they were informed by Dapai’s representative that the distributor in Shandong has closed all the 15 outlets.

- iii. Another list of 13 Beijing and 13 Shandong/ Xi'an outlets were provided for the site visits and the internal auditors were able to verify that these outlets were selling Dapai products at the addresses provided.

We were not able to verify if the internal audit issues had already been followed up as there were no indication of such matters in the subsequent minutes of Board of Directors and Audit Committee meetings. This was presumably due to the subsequent closure of the 500 outlets.

The current CFO had on 7 September 2016, subsequent to our fieldwork, provided with a list of addresses of the outlets in the different cities but this spreadsheet was not signed by the reviewer and looked like a working draft. Hence, we have not relied on this listing. The spreadsheet was also supposed to have been sent to the external auditors to plan for their units but we were not able to obtain any detailed reports on their visits.

Responses by Chairman Mr Chen during our 30 August 2016 telephone conference

During our discussion with the Chairman on this issue, he responded that he usually relied on any direct questions to him if the Board required any further actions to be taken or if they need his attention in any matters highlighted during the meetings. Moreover, the meetings during the period were conducted in English and he could not usually follow most of the discussions. In relation to this issue on the outlets, he was not made aware of any further actions needed, which he would have taken as it was many years ago and he cannot recall details of what had transpired during the meetings. Subsequent to our fieldwork, the current CFO provided an email trail from the previous AC Chairman dated 28 December 2011 requesting the Chairman to provide an explanation on the closure of 400 outlets by the end of 2011. This email from the AC Chairman was further translated into Chinese by the current CFO. The AC Chairman had requested for further review into the matters such as confirming the number of outlets still operating, losses incurred and possibilities of any recovery losses. This email from the AC Chairman might indicate that the discussions over what needs to be done with regards to the closure of the 500 outlets might have been previously brought to the Chairman's attention.

8. Interview the current CFO of the company who was appointed prior to the closure of all the outlets on the state of his knowledge in relation to the 500 outlets

We were informed that Finance department provided the CFO with an updated listing of the 500 outlets on a quarterly basis. The financial performance of the company including the 500 outlets was discussed during the Audit Committee meetings. The current CFO had visited some of the outlets (out of the 15 selected samples) in Beijing together with outsourced Internal Auditors, REDACTED

Subsequent to our fieldwork on 7 September 2016, the current CFO sent us additional documents on the analysis of costs (handed down from the previous CFO) to set up 500 outlets as well as emails discussing the external auditor's comments on their visits to the outlets. The emails also included an email from the AC Chairman to request Management to address the issues highlighted by the auditors.

9. Interview the previous external auditor (or the members of the working group) in relation to his team's assessment or visits to the 500 outlets

We were not able to conduct interviews with the previous external auditor or his working group and members as we were informed by current CFO that they have already left the audit firm.

We were on 7 September 2016, subsequent to our fieldwork, provided with a list of outlets from the current CFO that were indicated to be samples for the external auditors. However, we were not able to obtain any further formal documentation that the external auditors had visited the outlets indicated in this list or what were the outcomes of their review if it had been conducted. Hence, we have not relied on this listing.

The current CFO has also on 7 September after our fieldwork, forwarded us an email thread with an email dated 23 December 2011 from a Senior Audit Manager from Grant Thornton, commenting that their visits to the outlets were not satisfactory as most of the outlets were closed. We were not able to obtain further confirmation on which outlets were visited by Grant Thornton and what were the detailed outcome of their visits based on the location of the outlets. A subsequent email was sent on 26 January 2012 from the same audit manager to the AC with additional audit queries on the 500 outlets such as documentation on opening and closing of outlets, receipts

from landlord on opening the shops, reasons that they were not allowed to interview the distributors. We were not able to obtain any documented response to their queries although the AC meeting on 17 February 2012 touched broadly on most of these areas highlighted in the email.

SECTION B: REVIEW OF DISTRIBUTORS

10. Obtain a list of distributors for the period January 2009 to December 2012 to check if the distributors are recorded in the list

We were provided with the account receivables listing for four years 2009 to 2012.

The Highlighted Distributors Xiamen Yizhong Trading Company (厦门宜众贸易有限公司) and Fuzhou Yipai Trading Company (福州伊派贸易有限公司) were listed as customers in the years 2010 and 2011.

11. For Distributors who have been included in the Document, document the transaction total with them during the review period and whether there were any outstanding amounts

The following is the breakdown of the sales of Dapai Bags (China), Dapai (China) and Quanzhou Dabao for the period from January 2009 to December 2012. The total sales transactions between the two Highlighted Distributor Xiamen Yizhong Trading Company (厦门宜众贸易有限公司) and Fuzhou Yipai Trading Company (福州伊派贸易有限公司) and Dapai Bags (China) were:

Sales Total	Xiamen Yizhong Trading Company (厦门宜众贸易有限公司)	Fuzhou Yipai Trading Company (福州伊派贸易有限公司)
2009	REDACTED	REDACTED
2010	REDACTED	REDACTED
2011	REDACTED	REDACTED
2012	REDACTED	REDACTED
Total	REDACTED	REDACTED

The Finance Manager informed us that there were no sales transactions between the Highlighted Distributors and the other two entities, Dapai (China) and Quanzhou Dabao.

The table below provides details of the outstanding balances at the respective period with Dapai Bags (China). Based on our review of the December AR Ageing Report for 2009 to 2012, the following total outstanding balances were within 90 days

Outstanding amount	Xiamen Yizhong Trading Company (厦门宜众贸易有限公司)	Fuzhou Yipai Trading Company (福州伊派贸易有限公司)
2009	REDACTED	REDACTED
2010	REDACTED	REDACTED
2011	REDACTED	REDACTED
2012	REDACTED	REDACTED

12. Obtain the Distributor registration records to check if details captured on the Distributors, if any, match to the details indicated in the Document.

We were not able to obtain copies of the registration records or any of the documents provided by the customer when first appointed.

The selection, evaluation and approval of appointment of the distributors were not documented. Therefore, we were not able to ascertain whether other criteria such as track records, capability to deliver results and reliability in the past years were considered during the assessment and approval process for appointment of the distributors. We were informed that the above processes were discussed in the Management meetings but were not documented.

13. Check if the persons or committee who had recommended the creation or appointment of the distributors were recorded in the documents provided

We were not able to obtain documentation related to creation or appointment of the two Highlighted distributors Xiamen Yizhong Trading Company (厦门宜众贸易有限公司) and Fuzhou Yipai Trading Company (福州伊派贸易有限公司). We were informed that the selection and evaluation processes were performed by the Sales Manager and Deputy General Manager (GM) of Sales and approved by the Executive Chairman at that point in time.

14. Select up to 40 samples of distribution transactions with the Distributors (at least 10 per distributor) found both in the Document and supplier listing to check if the following forms have been attached:

- Distribution agreement

- Delivery orders for goods sent
- Invoice to Distributor
- Collection records such as bank transfer forms
- Prepaid rental for outlets

We were informed that in general, distributors such as those who were not involved in the establishment of the 500 outlets usually sign Sales Distribution Agreements (“Sales Agreement”) with the company. Distributors assigned to establish the 500 outlets had signed a separate agreement (“Outlet Sales Agreement”) which included the provision of the RMB320k prepaid rental for each outlet and other general terms regarding the management of the outlets. There was, however, no mention of how the RMB320k prepaid rental was going to be monitored or applied by the distributor although we were informed that it was meant to be the amount of rental over 24 months that the Distributor should pay for the outlets. There was no specific clauses to indicate what should be done if actual rental differs from this or where and how big the outlets should be.

Sales transactions with distributors

We selected 40 sales invoices from the Sales Invoice Listing for 2009 to 2012 for Xiamen Yizhong Trading Company (厦门宜众贸易有限公司) and Fuzhou Yipai Trading Company (福州伊派贸易有限公司):

The following were the tests performed and the outcomes are indicated in the following table:

DOCUMENTS REQUESTED AND TESTS PERFORMED

1. Sales Distribution Agreement
2. Outlet Sales Agreement (500 outlets)
3. Customer Purchase Order
4. Delivery Order signed by customers
5. Sales Tax Invoice
6. Bank Advice matched to Highlighted Distributor name and amount in general ledgers
7. Bank Statement reflected with receipts from Highlighted Distributors
8. Journal voucher matched to account receivables amount and account name

9. Journal voucher matched to receipts amount and account name

No	Highlighted Distributor Name	Sales Invoice No	Sales Invoice Date	Sales Invoice Value	1	2	3	4	5	6	7	8	9
1	厦门宜众贸易有限公司	00393268	21 Mar 2010	REDACTED	N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
2	厦门宜众贸易有限公司	00352190	21 May 2010		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
3	厦门宜众贸易有限公司	00352447	20 Jun 2010		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
4	厦门宜众贸易有限公司	00367029	29 Jun 2010		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
5	厦门宜众贸易有限公司	00367056	09 July 2010		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
6	厦门宜众贸易有限公司	00527440	30 Jul 2010		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
7	厦门宜众贸易有限公司	00400877	13 Dec 2010		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
8	厦门宜众贸易有限公司	00063274	28 Feb 2011		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
9	厦门宜众贸易有限公司	00050037	20 Apr 2011		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
10	厦门宜众贸易有限公司	00107713	19 Aug 2011		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
11	厦门宜众贸易有限公司	00414444	28 Sep 2011		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
12	厦门宜众贸易有限公司	00414521	26 Oct 2011		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
13	厦门宜众贸易有限公司	00195210	30 Jan 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
14	厦门宜众贸易有限公司	00195257	16 Feb 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
15	厦门宜众贸易有限公司	00314422	08 Mar 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
16	厦门宜众贸易有限公司	00441731	29 Mar 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
17	厦门宜众贸易有限公司	00441770	18 Apr 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
18	厦门宜众贸易有限公司	01679841	14 Jun 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
19	厦门宜众贸易有限公司	01679887	26 Jun 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
20	厦门宜众贸易有限公司	00182144	08 Dec 2011		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4

No	Highlighted Distributor Name	Sales Invoice No	Sales Invoice Date	Sales Invoice Value	1	2	3	4	5	6	7	8	9
21	福州伊派贸易有限公司	00504962	02 Feb 2009		N1	Y1	Y3	N1	N1	Y5	N1	Y4	Y4
22	福州伊派贸易有限公司	01025279	23 Feb 2009		N1	Y1	Y3	N1	N1	Y5	N1	Y4	Y4
23	福州伊派贸易有限公司	01025318	13 Mar 2009		N1	Y1	Y3	N1	N1	N1	N1	Y4	Y4
24	福州伊派贸易有限公司	01025326	18 Mar 2009		N1	Y1	Y3	N1	N1	N1	N1	Y4	Y4
25	福州伊派贸易有限公司	00579374	19 Apr 2009		N1	Y1	Y3	N1	N1	Y5	N1	Y4	Y4
26	福州伊派贸易有限公司	00579404	04 May 2009		N1	Y1	Y3	N1	N1	Y5	N1	Y4	Y4
27	福州伊派贸易有限公司	00579444	22 May 2009		N1	Y1	Y3	N1	N1	Y5	N1	Y4	Y4
28	福州伊派贸易有限公司	00579475	08 Jun 2009		N1	Y1	Y3	N1	N1	N1	N1	Y4	Y4
29	福州伊派贸易有限公司	00145143	19 Jun 2009		N1	Y1	Y3	N1	N1	N1	N1	Y4	Y4
30	福州伊派贸易有限公司	00393201	05 Mar 2010		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
31	福州伊派贸易有限公司	00366997	24 Jun 2010		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
32	福州伊派贸易有限公司	00400854	03 Dec 2010		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
33	福州伊派贸易有限公司	00400882	13 Dec 2010		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
34	福州伊派贸易有限公司	00391009	24 Mar 2011		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
35	福州伊派贸易有限公司	00050116	18 May 2011		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
36	福州伊派贸易有限公司	00075166	15 Jul 2011		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
37	福州伊派贸易有限公司	00414504	21 Oct 2011		N1	Y1	N1	Y4	N1	Y5	N1	Y4	Y4
38	福州伊派贸易有限公司	00195163	07 Jan 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
39	福州伊派贸易有限公司	00195242	13 Feb 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
40	福州伊派贸易有限公司	00446498	24 May 2012		N1	Y1	N1	Y4	N1	Y5	Y2	Y4	Y4
SUMMARY					N1: 40	Y1: 40	Y3: 9	Y4: 31	N1: 40	Y5: 36	Y2: 18	Y4: 40	Y4: 40

No	Highlighted Distributor Name	Sales Invoice No	Sales Invoice Date	Sales Invoice Value	1	2	3	4	5	6	7	8	9
							N1: 31	N1: 9		N1: 4	N1: 22		

OUTCOMES OF REVIEW

Y1: Original copies were sighted

Y2: Only scanned copies were sighted

Y3: Only photocopied documents were sighted

Y4: Only reprinted system copies were sighted

Y5: Reprinted bank advices with original bank stamp were sighted

N1: No document was provided

We had requested for 40 samples of sales transactions for the two Highlighted Distributors over the period 2009 to 2012. We note that there were no transactions after 2011. The following table summarizes the documents obtained with reference to each of the samples:

No	Document requested	Remarks
1	Distributor Agreement (Sales)	We were not able to obtain original copies of the Distributor Agreements (sales) for the two selected highlighted distributors for the period from January 2009 to December 2012.
2	Customer Purchase Order	We have sighted the following ten photocopied Customer Purchase Order for nine transactions. - DP-09020001 - DP-09020043 - DP-09030022 - DP-09030030 - DP-09040002 - DP-09040033 - DP-09050001 - DP-09050041 - DP-09060004 - DP-09060029

No	Document requested	Remarks
3	Sales Tax Invoice and Delivery Order	We were not able to obtain original copies of the Sales Tax Invoices for all our selected samples. Hence we were not able to ascertain that the Highlighted Distributors were billed in accordance to the Distributor Agreements (pricing) or authorised price lists. We were also not able to ascertain if the discounts given (if any) and quantity delivered were correct. Due to unavailability of Delivery Orders and Sales Tax Invoices, we were not able to ascertain that sales Invoices were billed within the same month of goods delivered.
4	Bank Transfer Form	We were not able to obtain original Bank Transfer Forms for 4 samples of sales receipts transactions. We were informed that these four bank transfer forms with Agriculture Bank of China could not be reprinted as the bank account had been closed. For the four samples without bank transfer forms, we were provided only with the Bank Statements, Journal Vouchers numbers in relating to bank receipts and bank ledgers for our review. However, based on these documents, it was not possible to ascertain that the payers name were the same as the distributors name recorded in the distributor agreement as these documents did not record the payers' name.
5	Journal voucher	We were only provided with the reprinted Journal Vouchers generated from the system with pre-printed names of the Account Officer as preparer, the Accountant as reviewer and the Finance Manager as approver. The original journal vouchers with the supporting documents were not available for review.

Prepayment rental to distributors

We selected four samples of prepayments of rental given to the Highlighted Distributors of Xiamen Yizhong Trading Company (厦门宜众贸易有限公司) and Fuzhou Yipai Trading Company (福州伊派贸易有限公司) from 2009 to 2012. As shown in the following table, none of the original documents pertaining to the prepaid rental was made available to us. Only two scanned payments were provided and the journal vouchers reprinted through the system.

The following were the tests performed and the outcomes are indicated in the following table:

1. Invoices issued from Highlighted Distributors
2. Outlet Sales Agreements (500 outlets)
3. Payment Request Forms
4. Bank Advices matched to Highlighted Distributor names and amount in general ledgers
5. Bank Statement reflected with payment to Highlighted Distributors
6. Journal voucher matched to account payables amount and account name
7. Journal voucher matched to payment amount and account name
8. Lease Agreements signed between the Highlighted Distributors and outlet owners

Status of documents provided and sighted

Y1: Original copies were sighted

Y2: Scanned copies were sighted

Y3: Photocopied documents were sighted

Y4: Reprinted system copies were sighted

N1: No document was provided

No	Highlighted Distributor Name	JV No	JV Date	Payment Value (RMB)	1	2	3	4	5	6	7	8
1	厦门宜众贸易有限公司	31	12 Nov 2009	REDACTED	N1	N1	N1	Y2	N1	Y4	Y4	N1
2	厦门宜众贸易有限公司	31	13 Nov 2009		N1	N1	N1	Y2	N1	Y4	Y4	N1
3	福州伊派贸易有限公司	31	12 Nov 2009		N1	N1	N1	N1	N1	Y4	Y4	N1
4	福州伊派贸易有限公司	31	13 Nov 2009		N1	N1	N1	N1	N1	Y4	Y4	N1
SUMMARY					N1: 4	N1: 4	N1: 4	N1: 2 Y2: 2	N1: 4	Y4: 4	Y4: 4	N1: 4

The following table summarizes the documents obtained with reference to each of the samples

No	Document requested	Remarks
1	Sales Tax Invoices from two Highlighted Distributors	We were not able to obtain the original copy of the Sales Tax Invoices from the two Highlighted Distributors for rental payment.

No	Document requested	Remarks
2	Bank Transfer Form, Bank Statement and Journal Vouchers	There were two out of four samples which did not have either original bank transfer forms or scanned copy of bank transfer forms affixed with the bank stamps. Therefore, we were not able to verify that payments were made in accordance with the amount stated in the Distributor Agreements. For the two samples which did not have the original bank transfer form, we were provided with Journal Voucher numbers relating to payment transactions and Bank Ledgers generated from the accounting system for our review. However, we were not able to ascertain the payee names were the same as the name of the Highlighted Distributors' name for these two samples which would only be indicated on the bank transfer forms. We also requested management to reprint the Bank Transfer Forms from the respective banks. We were informed that the banks related to the payment transactions (Agriculture Bank of China) had been closed
3	Lease Agreements signed between the Highlighted Distributors and outlet owners	Lease Agreements signed between the Highlighted Distributors and outlet owners for all the payments made to the Highlighted Distributors were also not available for sighting.
4	Outlet Sales Agreements (500 outlets)	According to the Distributor Agreements (500 outlets), it was documented that "The distributor has to focus increasing sales to expand the market. If the distributors' sales achieve lower than 70% of the sales target, the Company has right to reappoint other distributors or negotiate on the basis of partnership or direct management." This sales target was not mentioned in the Distributor Agreement (500 outlets). It was mentioned in the Distributor Agreement (Sales). We were informed that change of outlet locations were not allowed after the outlets had been operated. However, the above term and condition was not stipulated in the Distributor Agreements (500 outlets).

15. Check based on the selected samples that the Distributors in the named document have been appointed and managed in accordance with the documented operating procedures for appointment of Distributors

We were informed that there were no documented policies and procedures relating to the appointment and management of Distributors.

Based on our review of appointment of the distributors and management of 500 outlets procedures, the following exceptions were noted:

- i. Although it was mentioned in the AC meeting minutes 27 April 2009 that the distributor agreement has to be provided to Directors for review and approval, we were informed that this was not carried out previously.
- ii. We were informed that Management had previously selected samples of 100 to 200 outlets from different distributors to verify the lease agreements for the rental units. However, the above verification and review processes were not documented. Therefore, we were not able to ascertain that the verification process was conducted.

Since Management did not keep copies of the lease agreements, there were no documents to substantiate rental prepayment for the 500 units.

- iii. We were informed that Sales personnel had selected samples of distributors' outlets for site visits to verify the existence of outlets. The outcomes of the site visits were then verbally reported to the Sales Manager. Therefore, there were no documented details of these visits.

16. Check based on collection records if the payer name is the same as the name of the customer name

We were not able to obtain original Bank Transfer Forms for four samples of sales receipts transactions. We were informed that these four bank transfer forms with Agriculture Bank of China could not be reprinted as the bank account had been closed.

For the four samples without bank transfer forms, we were provided only with the Bank Statements, Journal Vouchers numbers in relating to bank receipts and bank ledgers for our review. However, based on these documents, it was not possible to check that the payer name were the same as the distributors name recorded in the distributor agreement as these documents did not record the payers' name.

17. Check based on the selected samples that the Distributors are billed in accordance with the Distribution contracts

We were not able to obtain original copies of the Sales Tax Invoices for all our selected samples. Hence we were not able to ascertain that the Highlighted Distributors were billed in accordance to the Distributor Agreements (pricing) or authorised price lists. We were also not able to ascertain if the discounts given (if any) and quantity delivered were correct.

Due to unavailability of Delivery Orders and Sales Tax Invoices, we were not able to ascertain that sales Invoices were billed within the same month of goods delivered.

18. Check based on the selected samples that invoices were based on the details stated in the delivery order

We were not able to obtain original copies of the Sales Tax Invoices for all our selected samples. Hence we were not able to ascertain that the Highlighted Distributors were billed in accordance to the Distributor Agreements (pricing) or authorised price lists. We were also not able to ascertain if the discounts given (if any) and quantity delivered were correct.

Due to unavailability of Delivery Orders and Sales Tax Invoices, we were not able to ascertain that sales Invoices were billed within the same month of goods delivered.

19. Check based on the selected samples that the invoice details were correctly and timely updated in the accounting records

We were not able to obtain original journal vouchers and invoices. We had based on the re-printed journal vouchers to check against the invoice dates indicated on the invoice listing to verify that journal vouchers with information such as invoice amount were timely updated into the accounting records.

SECTION C: REVIEW OF CONTRACTORS

20. Obtain a list of Contractors for the January 2009 to December 2012 to check if the Contractors are recorded in the document

We were provided with listing of four suppliers for the period from 2009 to 2012. The Highlighted Contractors were included in this report.

Name	GL Listing
Fujian Jindi Decoration Engineering Co. Ltd (福建金帝装饰工程发展有限公司)	2009 and 2010
Quanzhou Qihuangxing Hardware Co. Ltd (泉州市奇皇星五金制品有限公司)	2009 and 2010
Fujian Jinjiang Mingyang Furniture Co. Ltd (福建省晋江市名扬家私有限公司)	2009 and 2010
Shishi Rixin Xiezhuang Daoju Co. Ltd (石狮市日鑫鞋服道具有限公司)	2009 and 2010

21. For Contractors who have been included in the document, document the transaction total with them during the review period and whether there were any outstanding amounts

The following summarises the accounts payables related to the four Highlighted Contractors.

Customer Name	2009		2010	
	Total	O/s at 31 December	Total	O/s at 31 December
Quanzhou Qihuangxing Hardware Co. Ltd (泉州市奇皇星五金制品有限公司)	REDACTED	REDACTED	REDACTED	REDACTED
Fujian Jinjiang Mingyang Furniture Co. Ltd (福建省晋江市名扬家私有限公司)	REDACTED	REDACTED	REDACTED	REDACTED
Shishi Rixin Xiezhuang Daoju Co. Ltd (石狮市日鑫鞋服道具有限公司)	REDACTED	REDACTED	REDACTED	REDACTED
Fujian Jindi Decoration Engineering Co. Ltd (福建金帝装饰工程发展有限公司)	REDACTED	REDACTED	REDACTED	REDACTED

There were no transactions or outstanding amounts with the above Contractors in 2011 and 2012.

22. Obtain the Supplier Registration records to check if details captured on the Contractors, if any, match to the details indicated in the Document.

We were able to obtain the photocopied business registration certificate of Fujian Jindi Decoration Engineering Co. Ltd (福建金帝装饰工程发展有限公司) to verify against the Document. We had conducted our review based on the details of company search reports retrieved from 全国企业信用信息公示系统 (福建. Please refer to the Appendix 2 for the company search details.)

However, we were not able to obtain the registration records of the other three Contractors such as Business Registration Certificates, Tax Registration Certificate and other profiles.

23. Check if the persons or committee who had recommended the creation or appointment of the Contractors were recorded in the documents provided.

Based on our review of the creation or appointment of the Contractors, the following exceptions were noted:

- i. We were not able to obtain supplier registration forms related to creation or appointment of the Highlighted Contractors:
- ii. We were informed that the selection and evaluation processes were performed by the Purchasing Manager and approved by the Executive Chairman during the discussion. The Purchasing Manager obtained the price quotations from the potential Contractors and present them to the committee. We were informed that the selection and evaluation processes were performed by the Purchasing Manager and approved by the Executive Chairman during the discussion. The selection was based on the lowest price quotation submitted by the Contractors. However, we were not able to ascertain who had recommended the creation or appointment of the four Contractors as there was no supporting documents for the super appointment.
- iii. We were not able to ascertain whether other criteria such as track records, safety records, capability to deliver results, and reliable in the past years dealing in terms of delivering results were considered during the assessment of Contractors, as no documentation was available on this.

The following table shows the price quotations which had been obtained from the following Contractors:

Name	Comparative quotations received
Fujian Jindi Decoration Engineering Co. Ltd (福建金帝装饰工程发展有限公司)	Yes
Quanzhou Qihuangxing Hardware Co. Ltd (泉州市奇皇星五金制品有限公司)	Yes
Fujian Jinjiang Mingyang Furniture Co. Ltd (福建省晋江市名扬家私有限公司)	Yes
Shishi Rixin Xiezhuang Daoju Co. Ltd (石狮市日鑫鞋服道具有限公司)	Yes

24. Select up to 40 samples of payment transactions with the Contractors found both in the Document and supplier listing to check if the following forms have been attached:

- Budgeted amounts
- Contracts for the projects
- Purchase requisition
- Purchase order
- Supplier invoices
- Bank payment forms/ cheque images.

The following were the tests performed and the corresponding outcomes as indicated in the following table:

1. Payment schedule and scanned bank transfer forms checked to the payment terms of contracts
2. Bank payments matched to Bank Transfer Forms with the correct payee name
3. Payments supported by the Contractors' Tax Invoices
4. Bank Payment traced to Bank Statement

No	Contractor Name	Bank Advice Date	Bank Transfer Form Ref	Payment Amount (RMB)	1	2	3	4
1.	泉州市奇皇星五金制品有限公司	12 Nov 2009	Not indicated	REDACTED	Y1	N2	N1	N1
2.	泉州市奇皇星五金制品有限公司	13 Nov 2009	Not indicated		Y1	N2	N1	N1
3.	泉州市奇皇星五金制品有限公司	10 Dec 2009	Not indicated		Y1	N2	N1	N1
4.	泉州市奇皇星五金制品有限公司	15 Dec 2009	Not indicated		Y1	N2	N1	N1

No	Contractor Name	Bank Advice Date	Bank Transfer Form Ref	Payment Amount (RMB)	1	2	3	4
5.	泉州市奇皇星五金制品有限公司	25 Dec 2009	Not indicated		Y1	N2	N1	N1
6.	泉州市奇皇星五金制品有限公司	31 Dec 2009	Not indicated		Y1	N2	N1	N1
7.	福建省晋江市名扬家私有限公司	12 Nov 2009	Not indicated		Y1	N2	N1	N1
8.	福建省晋江市名扬家私有限公司	13 Nov 2009	Not indicated		Y1	N2	N1	N1
9.	福建省晋江市名扬家私有限公司	15 Dec 2009	Not indicated		Y1	N2	Y2	N1
10.	福建省晋江市名扬家私有限公司	28 Dec 2009	Not indicated		Y1	N2	Y2	N1
11.	福建省晋江市名扬家私有限公司	13 Jan 2010	114140447		Y1	Y2	N1	N1
12.	福建省晋江市名扬家私有限公司	26 Jan 2010	114140836		Y1	Y2	N1	N1
13.	福建省晋江市名扬家私有限公司	09 Feb 2010	111049584		Y1	Y2	N1	N1
14.	福建省晋江市名扬家私有限公司	23 Feb 2010	111064779		Y1	Y2	N1	N1
15.	石狮市日鑫鞋装道具有限公司	12 Nov 2009	Not indicated		Y1	N2	Y2	N1
16.	石狮市日鑫鞋装道具有限公司	13 Nov 2009	Not indicated		Y1	N2	N1	N1
17.	石狮市日鑫鞋装道具有限公司	14 Dec 2009	Not indicated		Y1	N2	N1	N1
18.	石狮市日鑫鞋装道具有限公司	25 Dec 2009	Not indicated		Y1	N2	Y2	N1
19.	石狮市日鑫鞋装道具有限公司	22 Jan 2010	114140756		Y1	Y2	N1	N1
20.	石狮市日鑫鞋装道具有限公司	15 Jan 2010	114140600		Y1	Y2	N1	N1
21.	石狮市日鑫鞋装道具有限公司	04 Feb 2010	111029942		Y1	Y2	N1	N1
22.	石狮市日鑫鞋装道具有限公司	22 Feb 2010	111059550		Y1	Y2	N1	N1
23.	福建金帝装饰工程发展有限公司	11 Nov 2009	Not indicated		Y1	Y2	N1	N1
24.	福建金帝装饰工程发展有限公司	12 Nov 2009	Not indicated		Y1	Y2	N1	N1
25.	福建金帝装饰工程发展有限公司	13 Nov 2009	Not indicated		Y1	Y2	N1	N1
26.	福建金帝装饰工程发展有限公司	18 Dec 2009	Not indicated		Y1	Y2	Y2	N1
27.	福建金帝装饰工程发展有限公司	11 Dec 2009	Not indicated		Y1	N2	Y2	N1
28.	福建金帝装饰工程发展有限公司	29 Dec 2009	Not indicated		Y1	N2	Y2	N1

No	Contractor Name	Bank Advice Date	Bank Transfer Form Ref	Payment Amount (RMB)	1	2	3	4
29.	福建金帝装饰工程发展有限公司	08 Jan 2010	114140315		Y1	Y2	N1	N1
30.	福建金帝装饰工程发展有限公司	15 Jan 2010	114140593		Y1	Y2	N1	N1
31.	福建金帝装饰工程发展有限公司	27 Jan 2010	114140879		Y1	Y2	N1	N1
32.	福建金帝装饰工程发展有限公司	02 Feb 2010	111022323		Y1	Y2	N1	N1
33.	福建金帝装饰工程发展有限公司	11 Feb 2010	111059504		Y1	Y2	N1	N1
34.	福建金帝装饰工程发展有限公司	24 Feb 2010	111072129		Y1	Y2	N1	N1
35.	福建金帝装饰工程发展有限公司	02 Mar 2010	111081551		Y1	Y2	N1	N1
36.	福建金帝装饰工程发展有限公司	10 Mar 2010	111087249		Y1	Y2	N1	N1
37.	福建金帝装饰工程发展有限公司	19 Mar 2010	111095081		Y1	Y2	N1	N1
38.	福建金帝装饰工程发展有限公司	31 Mar 2010	111099285		Y1	Y2	N1	N1
SUMMARY					Y1: 38	N2: : 16 Y2 :2 2	N1: : 31 Y2 :7	N1: 38

The following legend explain the results of the review:

Y1: Original copies were sighted

Y2: Scanned copies were sighted

Y3: Photocopied documents were sighted

Y4: Reprinted system copies were sighted

N1: No document was provided

N2: No scanned copy was provided

The following were selected samples of purchases from the Highlighted contractors and the tests performed as indicated in the following table:

1. Verified against the scanned invoices from the Contractors

No	Contractor Name	Tax Invoice Date	Tax Invoice Reference	Amount (With VAT)	1
1.	泉州市奇皇星五金制品有限公司	15 Nov 2009	00264971	REDACTED	N1
2.	泉州市奇皇星五金制品有限公司	15 Nov 2009	00264972		N1
3.	泉州市奇皇星五金制品有限公司	16 Nov 2009	00264973		N1

No	Contractor Name	Tax Invoice Date	Tax Invoice Reference	Amount (With VAT)	1
4.	泉州市奇皇星五金制品有限公司	15 Nov 2009	00264970		N1
5.	泉州市奇皇星五金制品有限公司	12 Nov 2009	00264964		N1
6.	泉州市奇皇星五金制品有限公司	13 Nov 2009	00264965		N1
7.	泉州市奇皇星五金制品有限公司	13 Nov 2009	00264966		N1
8.	泉州市奇皇星五金制品有限公司	13 Nov 2009	00264967		N1
9.	泉州市奇皇星五金制品有限公司	14 Nov 2009	00264969		N1
10.	泉州市奇皇星五金制品有限公司	14 Nov 2009	00264968		N1
11.	泉州市奇皇星五金制品有限公司	05 Jan 2010	00398321		N1
12.	泉州市奇皇星五金制品有限公司	04 Jan 2010	00398320		N1
13.	泉州市奇皇星五金制品有限公司	04 Jan 2010	00398319		N1
14.	泉州市奇皇星五金制品有限公司	04 Jan 2010	00398318		N1
15.	泉州市奇皇星五金制品有限公司	06 Jan 2010	00398327		N1
16.	泉州市奇皇星五金制品有限公司	06 Jan 2010	00398326		N1
17.	泉州市奇皇星五金制品有限公司	06 Jan 2010	00398325		N1
18.	泉州市奇皇星五金制品有限公司	06 Jan 2010	00398324		N1
19.	泉州市奇皇星五金制品有限公司	05 Jan 2010	00398322		N1
20.	泉州市奇皇星五金制品有限公司	05 Jan 2010	00398323		N1
21.	福建省晋江市名扬家私有限公司	05 Feb 2010	00265240		N1
22.	福建省晋江市名扬家私有限公司	05 Feb 2010	00265241		N1
23.	福建省晋江市名扬家私有限公司	05 Feb 2010	00265242		N1
24.	福建省晋江市名扬家私有限公司	07 Feb 2010	00265243		N1
25.	福建省晋江市名扬家私有限公司	08 Feb 2010	00265244		N1
26.	福建省晋江市名扬家私有限公司	08 Feb 2010	00265245		Y1
27.	福建省晋江市名扬家私有限公司	08 Feb 2010	00265246		N1
28.	福建省晋江市名扬家私有限公司	08 Feb 2010	00265247		Y1
29.	福建省晋江市名扬家私有限公司	11 Feb 2010	00265248		Y1
30.	福建省晋江市名扬家私有限公司	20 Feb 2010	00265256		Y1
31.	福建省晋江市名扬家私有限公司	22 Feb 2010	00265257		N1
32.	福建省晋江市名扬家私有限公司	23 Feb 2010	00265258		N1
33.	福建省晋江市名扬家私有限公司	23 Feb 2010	00265259		N1
34.	福建省晋江市名扬家私有限公司	01 Mar 2010	00288418		N1

No	Contractor Name	Tax Invoice Date	Tax Invoice Reference	Amount (With VAT)	1
35.	福建省晋江市名扬家私有限公司	02 Mar 2010	00288419		N1
36.	福建省晋江市名扬家私有限公司	09 Mar 2010	00288425		N1
37.	福建省晋江市名扬家私有限公司	09 Mar 2010	00288426		N1
38.	福建省晋江市名扬家私有限公司	14 Mar 2010	00288433		N1
39.	福建省晋江市名扬家私有限公司	15 Mar 2010	00288434		N1
40.	石狮市日鑫鞋装道具有限公司	14 Dec 2009	00185471		Y1
41.	石狮市日鑫鞋装道具有限公司	14 Dec 2009	00185472		Y1
42.	石狮市日鑫鞋装道具有限公司	24 Dec 2009	00185490		Y1
43.	石狮市日鑫鞋装道具有限公司	25 Dec 2009	00185491		Y1
44.	石狮市日鑫鞋装道具有限公司	25 Dec 2009	00185492		Y1
45.	石狮市日鑫鞋装道具有限公司	25 Dec 2009	00185493		Y1
46.	石狮市日鑫鞋装道具有限公司	04 Feb 2010	00447549		N1
47.	石狮市日鑫鞋装道具有限公司	04 Feb 2010	00447550		N1
48.	石狮市日鑫鞋装道具有限公司	22 Feb 2010	00447564		N1
49.	石狮市日鑫鞋装道具有限公司	03 Mar 2010	00287521		N1
50.	石狮市日鑫鞋装道具有限公司	06 Mar 2010	00287522		N1
51.	石狮市日鑫鞋装道具有限公司	06 Mar 2010	00287523		N1
52.	石狮市日鑫鞋装道具有限公司	07 Mar 2010	00287524		N1
53.	石狮市日鑫鞋装道具有限公司	08 Mar 2010	00287525		N1
54.	石狮市日鑫鞋装道具有限公司	09 Mar 2010	00287526		N1
55.	石狮市日鑫鞋装道具有限公司	12 Mar 2010	00287531		N1
56.	石狮市日鑫鞋装道具有限公司	21 Mar 2010	00287540		N1
57.	石狮市日鑫鞋装道具有限公司	21 Mar 2010	00287541		N1
58.	福建金帝装饰工程发展有限公司	12 Nov 2009	03253029		N1
59.	福建金帝装饰工程发展有限公司	12 Nov 2009	03253030		N1
60.	福建金帝装饰工程发展有限公司	13 Nov 2009	03253233		N1
61.	福建金帝装饰工程发展有限公司	13 Nov 2009	03253234		N1
62.	福建金帝装饰工程发展有限公司	13 Nov 2009	03253235		N1
63.	福建金帝装饰工程发展有限公司	12 Nov 2009	03253026		N1
64.	福建金帝装饰工程发展有限公司	12 Nov 2009	03253027		N1
65.	福建金帝装饰工程发展有限公司	12 Nov 2009	03253028		N1

No	Contractor Name	Tax Invoice Date	Tax Invoice Reference	Amount (With VAT)	1
66.	福建金帝装饰工程发展有限公司	29 Dec 2009	03253438		Y1
67.	福建金帝装饰工程发展有限公司	29 Dec 2009	03253437		Y1
68.	福建金帝装饰工程发展有限公司	29 Dec 2009	03253439		Y1
69.	福建金帝装饰工程发展有限公司	08 Jan 2010	03253642		N1
70.	福建金帝装饰工程发展有限公司	15 Jan 2010	03253848		N1
71.	福建金帝装饰工程发展有限公司	27 Jan 2010	03254028		N1
72.	福建金帝装饰工程发展有限公司	02 Feb 2010	03254231		N1
73.	福建金帝装饰工程发展有限公司	11 Feb 2010	03254437		N1
74.	福建金帝装饰工程发展有限公司	24 Feb 2010	03254641		N1
75.	福建金帝装饰工程发展有限公司	02 Mar 2010	03254846		N1
76.	福建金帝装饰工程发展有限公司	10 Mar 2010	03274773		N1
77.	福建金帝装饰工程发展有限公司	19 Mar 2010	03274907		N1
78.	福建金帝装饰工程发展有限公司	31 Mar 2010	03275042		N1
					N1: 65 Y1:13

The following legend explain the results of the review:

Y1: Scanned copies of invoices were sighted

N1: No document was provided

The following were further exceptions based on our review of the copies of supporting documents provided to us.

- i. We were unable to review Purchase Orders and Purchase Requisition forms issued to the Contractors as we were informed that these were not issued for all 38 samples payments selected.
- ii. We were able review 22 out of 38 payments to the scanned copy bank transfer forms and noted no exceptions. The bank transfer forms for the remaining 16 payments to the Contractors were not available for our review.
- iii. We were able to review 13 out of 78 scanned copy supplier invoices. The physical hardcopy invoices of the remaining 65 invoices were not available for our review

25. Check based on the selected samples that the Contractors in the named document have been appointed and managed in accordance with the documented operating procedures for appointment of suppliers or contractors

We were informed that there were no documented policies and procedures relating to the appointment and management of the Highlighted Contractors.

The following were the tests performed and the outcome are indicated in the following table:

1. Match the delivery report from the Contractor to the opening of the retail outlets to check that the delivery of the furniture and fittings before the opening of the outlets

No	Shopping Mall	Address	Opening month	Date of Delivery	Contractor	1
1.	北京永外街达派零售店	北京市广安门永外大街168号	Jul 2010	-	-	N1
2.	北京东城区达派零售店	北京市东城区王府井大街	Aug 2010	-	-	N1
3.	北京广安门达派零售店	北京市宣武区广安门大街	Sep 2010	-	-	N1
4.	北京百荣达派零售店	北京市永外大街100号	Oct 2010	-	-	N1
5.	北京庄盛达派零售店	北京市昌平区回龙观	Nov 2010	-	-	N1
6.	北京廊坊明珠商厦	北京市廊坊市光明西道	Dec 2010	-	-	N1
7.	北京通州永乐宫商城	北京市通州区永乐店镇227号	Jan 2011	-	-	N1
8.	北京延庆双信商城	北京市延庆市东外大街2号	Feb 2011	-	-	N1
9.	山东德州柴市达派零售店	山东省德州市柴市街56号	Jan 2011	25 Dec 2010	石狮市日鑫鞋装道具有限公司	Y1
10.	山东沂南达派零售店	山东省沂南县城关镇	Jan 2011	-	-	N1
11.	山东新甫银座商城	山东省新泰市新甫路222号	Feb 2011	-	-	N1
12.	山东昌乐百货大楼	山东省昌乐县新昌路56号	Mar 2011	-	-	N1

No	Shopping Mall	Address	Opening month	Date of Delivery	Contractor	1
13.	山东武城好又来购物中心	山东省武城县古贝北路2号	Mar 2011			N1
14.	山东招远人民路达派零售店	山东省招远市人民路	Sep 2010			N1
15.	山东滨州达派零售店	山东省滨州市渤海路500号	Jul 2010			N1
16.	山东高密友谊商场	山东省高密市立新街139号	Mar 2011			N1
17.	江苏连云港宝利达派零售店	江苏省连云港市海州宝利商业街	Dec 2010	1 Dec 2010	石狮市日鑫鞋装道具有限公司	Y1
18.	江苏盐城新业百货商场	江苏省大丰市人民南路1号	Jan 2011	3 Jan 2011	石狮市日鑫鞋装道具有限公司	Y1
19.	江苏靖江阳光百货公司	江苏省靖江市新西北路61号	Feb 2011	2 Feb 2011	石狮市日鑫鞋装道具有限公司	Y1
20.	江苏南京栖霞达派零售店	江苏省南京市栖霞区仙林路	Aug 2010			N1
21.	江苏南京江东达派零售店	江苏省南京市建邺区江东路	Sep 2010			N1
22.	江苏常州和平路达派零售店	江苏省常州市和平路	Oct 2010			N1
23.	江苏江都大观园商城	江苏省江都市江淮路12号	Feb 2011			N1
24.	江苏江都迎春商场	江苏省江都市引江路36号	Mar 2011			N1
25.	浙江金华达派零售店	浙江省金华市解放路	Aug 2010			N1
26.	浙江绍兴达派零售店	浙江省绍兴市人民路	Sep 2010			N1
27.	浙江杭州解放路达派零售店	浙江省杭州市解放路	Oct 2010	21 Sep 2010	石狮市日鑫鞋装道具有限公司	Y1
28.	浙江宁波波达派零售店	浙江省宁波市振兴路36号	Nov 2010			N1
29.	浙江海盐利时百货	浙江省海盐市中心城区	Dec 2010	5 Dec 2010	石狮市日鑫鞋装道具有限公司	Y1
30.	浙江余姚永安商场	浙江省余姚市新建路63号	Dec 2010	23 Nov 2010	石狮市日鑫鞋装道具有限公司	Y1

No	Shopping Mall	Address	Opening month	Date of Delivery	Contractor	1
31.	浙江临海兴汇百货商场	浙江省临海市东湖路 1 号	Feb 2011			N1
32.	浙江金华大丰购物中心	浙江省金华市劳动路 68 号	Mar 2011			N1
33.	福建福鼎乐群购物商场	福建省福鼎市华福安居大厦	Jan 2011	15 Dec 2010	石狮市日鑫鞋装道具有限公司	Y1
34.	福建连城县百货大楼	福建省连城县跪峰镇绮离路 7 号	Jan 2011	18 Dec 2010	石狮市日鑫鞋装道具有限公司	Y1
35.	福建永定百货大楼	福建省永定县凤城镇环城路 42 号	Jan 2011	6 Jan 2011	石狮市日鑫鞋装道具有限公司	Y1
36.	福建泉州打西街达派专卖店	福建省泉州市中山路 150 号	Oct 2010			N1
37.	福建龙岩达派零售店	福建省龙岩市闽西交易城	Jul 2010			N1
38.	福建漳平达派零售店	福建省漳平市人民路 126 号	Nov 2010			N1
39.	福建建阳百货公司宏利商场	福建省建阳市人民路 8 号	Dec 2010			N1
40.	福建闽侯百货大楼	福建省闽侯县城关镇街心路 105 号	Mar 2011			N1
SUMMARY						N1: 30 Y1: 10

The following legend explain the results of the review:

Y1: Scanned copies were sighted

N1: No document was provided

Additional observations:

- Delivery reports (furniture and fittings for each outlet) were supposed to be submitted by the Highlighted Contractors but we were only able to obtain 10 scanned delivery reports out of 40 samples requested.
- There was no detailed fixed register for leasehold improvement to record all the furniture and fittings supplied by the Contractors. The delivery report from the Contractors was supposed to indicate details of what furniture and fittings for

each outlet. However, this had not been used as the basis to prepare the fixed asset registers.

- iii. We selected 40 out of 500 retail outlets to check whether there were delivery and installation of furniture and fittings by the Contractors by checking against the scanned copy of the delivery reports. Only 10 scanned copies were provided to us for review. The remaining 30 samples were not available for our review.

26. Check the selected samples that the bank payment forms where available or cheque images were addressed to the correct Contractor name.

We selected 38 bank payment transactions and were only able to obtain 22 out of 38 scanned copy bank transfer forms to check that the payment were addressed to the correct Contractor name. (Please see section 24 for the samples and the detail of the results.)

27. Check the selected samples that purchase requisition, orders and payments have been duly approved in accordance with the Purchasing approving limits if any.

The Delegation of Authority (approving limits for purchases) for 2009 and 2010 was not available for review. However, an overall payment schedule to the Highlighted Contractors was prepared and the Executive Chairman had approved this payment schedule.

28. Check the selected samples that the payments were in accordance with the contracts.

The contracts with the Contractors stated that the payment of 50% of the contract sum should be made within three days after the contract was signed. The remaining 50% was supposed to be based on the completion of renovation of each outlet or the delivery of furniture and fittings for each outlet.

However, the actual payment was based on a payment schedule instead of completion reports provided by Highlighted Contractors and the payments to the Highlighted Contractors were completed by March 2010 in accordance with the schedule.

The following were details of payments to the Highlighted Contractors:

Name	Nature of work	Payment Schedule
Fujian Jindi Decoration Engineering Co. Ltd (福建金帝装饰工程发展有限公司)	Renovation of 500 outlets	REDACTED
Quanzhou Qihuangxing Hardware Co. Ltd (泉州市奇皇星五金制品有限公司)	Supply and installation of furniture and fittings to 200 outlets	REDACTED
Fujian Jinjiang Mingyang Furniture Co. Ltd (福建省晋江市名扬家私有限公司)	Supply and installation of furniture and fittings to 150 outlets	REDACTED
Shishi Rixin Xiezhuang Daoju Co. Ltd (石狮市日鑫鞋服道具有限公司)	Supply and installation of furniture and fittings to 150 outlets	REDACTED

The SGX announcement dated 22 November 2011 indicated that the payment was supposed to have been made progressively to the suppliers based on completion of the outlets which was not in line with the above payment schedule which was based on lump sum amounts completed by February 2010 which was before completion of the 500 outlets.

29. Check the selected samples that expenses for the Contractors named in the Document that they did not exceed the respective budgeted amounts.

We checked the payment to the Highlighted Contractors through the GL records by matching the supplier's accounts to the GL bank accounts. The following table summarises the GL payment to the suppliers.

Customer Name	Total Bank Payment Amount as per bank ledger	Signed contract amount
Quanzhou Qihuangxing Hardware Co. Ltd (泉州市奇皇星五金制品有限公司)	REDACTED	REDACTED
Fujian Jinjiang Mingyang Furniture Co. Ltd (福建省晋江市名扬家私有限公司)	REDACTED	REDACTED
Shishi Rixin Xiezhuang Daoju Co. Ltd (石狮市日鑫鞋服道具有限公司)	REDACTED	REDACTED
Fujian Jindi Decoration Engineering Co. Ltd (福建金帝装饰工程发展有限公司)	REDACTED	REDACTED

We note that various SGX announcements such as the one on 19 August 2011 indicated the amount of furniture, fittings and renovation costs to be RMB230m which omitted the tax portion for the furniture and fittings costs which if included, would be RMB250m as above.

30. Check based on the selected samples that the Contractors' invoice details were correctly and timely updated in the accounting records.

We were only able to obtain 13 out of 78 invoices from Contractors and the renovator.

SECTION D: OTHER AUDIT PROCEDURES

- 31. Obtain the contact number of the Distributor and Contractors mentioned in the Document and check if the person mentioned in the document still exist and if they can confirm the information provided in the Document. *(this will be subject to availability of the contact no and the person mentioned in the document as well as their willingness to provide responses to our queries)***

We called the Highlighted Distributors and Contractors mentioned in the Document based on contacted numbers provided by Management. The following were the questions that we asked during each call:

- Is this the company name?
- What is your main business?
- Do you have an Account Manager for Dapai?
- Do you remember the volume of transactions?

Please refer to the table below for details of the calls.

S/N	Highlighted Distributor/Contractor	Contact Number	Date and Time	Remarks
1	Xiamen Yizhong Trading Company (厦门宜众贸易有限公司)	REDACTED	3 May 2016 2.17pm (two times) 9 May 2016 3:41pm (two times) 26 May 2016 (two times)	No one picked up the calls.
2	Fuzhou Yipai Trading Company (福州伊派贸易有限公司)	REDACTED	3 May 2016 2.20pm (two times) 9 May 2016 3:43pm (two times) 26 May 2015 10:27am	No one picked up the calls. The auto reply in telephone stated another company name. Also, the area code indicated is for Quanzhou instead of Fuzhou.
3	Shishi Rixin Xiezhuang Daoju Co. Ltd (石狮市日鑫鞋服道具有限公司)	REDACTED	3 May 2016 2.23pm	We have confirmed with the person who answered the call that the company is Shishi Rixin Xiezhuang Daoju Co. Ltd (石狮市日鑫鞋服道具有限公司). We have asked if they provide furniture and fitting service and the person responded "Yes". We asked if they had transactions with Dapai previously. The person who answered responded that they had transactions with Dapai. However,

S/N	Highlighted Distributor/Contactor	Contact Number	Date and Time	Remarks
				the person managing Dapai account had left the company. They did not keep record of the transactions. We did not call the phone number indicated in the SGX “86-595-88753535” as we managed to get response from the phone number provided by Management.
4	Quanzhou Qihuangxing Hardware Co. Ltd (泉州市奇皇星五金制品有限公司)	REDACTED	3 May 2016 2.25pm. 2.27pm and 2.34pm 9 May 2016 3:55pm	We have confirmed with the person who answered the call that the company is Quanzhou Qihuangxing Hardware Co. Ltd (泉州市奇皇星五金制品有限公司). When we asked about the nature of business, the person who picked up the call was not sure and provided us with the cell phone number (13559370596) of sales manager. We have called the cell phone number and confirmed that the person was sales manager of 泉州 has 市奇皇星五金制品有限公司. He has confirmed that they provide furniture and fitting service. However, he was not sure if the company had any transactions with Dapai as he joined the company in 2011.
5	Fujian Jinjiang Mingyang Furniture Co. Ltd (福建省晋江市名扬家私有限公司)	REDACTED	3 May 2016 2.28pm	We have confirmed with the person who answered the call that the company is 福建省晋江市名扬家私有限公司. We have asked if they provide furniture and fitting service. The person responded “Yes”. We have asked if they had any transactions with Dapai previously. The person answered that they had transactions with Dapai but the person did not want to provide more information. We did not call the phone number indicated in the SGX “86-595-85999088” as we managed to get response from the phone number provided by Management
6	Fujian Jindi Decoration Engineering Co. Ltd (福建金帝装饰工程发展有限公司)	REDACTED	3 May 2016 2.32pm and 2.33pm 9 May 2016 3:58pm 26 May 2016 10:36	The ringing tone sounds like a fax machine number We have confirmed with the person who answered the call that the company is 福建金帝装饰工程发展有限公司. We have asked if they provide decoration engineering service. The person responded “Yes”. We have asked if they had any transactions with Dapai previously. The person answered that she was not sure if the company had any transactions with Dapai. We also asked if she could provide contact of relevant person in charge, she said she also did not know.

32. Prepare confirmation notes to be sent to the Distributors and Contractors on the transaction values for the period 2009 to 2012

We have sent confirmation notes to the two Highlighted Distributors and four Highlighted Contractors. We had received the confirmation note from one of the Highlighted Distributors, Xiamen Yizhong Trading Company. It was indicated on the confirmation note that the company did not have any transaction with Dapai. All the sales and prepaid rental transactions listed on the confirmation note were fake. We are pending for the confirmation notes from the remaining Highlighted Distributor and Contractors.

Responses by Chairman Mr Chen during our 30 August 2016 telephone conference

The Chairman mentioned that this Highlighted Distributor might have wanted to avoid investigations by tax authority should they verify the sale amount and also that these were transactions done five to six years ago which might have been forgotten by the company

33. Visit the offices in Fujian of the Distributors and Contractors where possible and relevant to conduct interviews to confirm the relationship between Dapai and the counterparties

Work performed and findings

We had visited the offices in Fujian of the Highlighted Distributors and Contractors mentioned in the Document on 27 April 2016 and 28 April 2016. However, we did not approach any of the personnel at the premises as we were informed that those parties might be hostile towards Dapai related personnel.

Please refer to the table below for details of the site visits.

Highlighted Distributor/ Contractors	Registered company address	Date of site visit	Comp name matched to registration record	Comp add matched to registration record	Pictures in SGX Doc same as places visited	Remarks
Highlighted Distributors						
Xiamen Yizhong Trading Company (厦门宜众贸易 有限公司)	厦门市思明区塔 浦东路 171 号 18 跃 19 层 1801 单 元	28 Apr 2016	Y	Y	Y	
Fuzhou Yipai Trading Company (福州伊派贸易 有限公司)	福州市晋安区华 林路 338 号福城 楼 (2#楼) 8 层 212 号房间	28 Apr 2016	N	N	Y	Noted that the office is closed. We could not verify whether the office was still operating as

Highlighted Distributor/ Contractors	Registered company address	Date of site visit	Comp name matched to registration record	Comp add matched to registration record	Pictures in SGX Doc same as places visited	Remarks
						there was no company name at the location.
Highlighted Contractors						
Quanzhou Qihuangxing Hardware Co. Ltd (泉州 市奇皇星五金制品有限公 司)	泉州市洛江区双 阳华侨经济开发 区	27 Apr 2016	Y	Y	Y	
Fujian Jinjiang Mingyang Furniture Co. Ltd (福建省晋江市名扬 家私有限公司)	晋江市池店古福 工业区	27 Apr 2016	N	Y	Refer to remark	We sighted only a company signboard - “名 扬家具商场” in the industrial district.
Shishi Rixin Xiezhuang Daoju Co. Ltd (石狮市日 鑫鞋服道具有限公司)	石狮市石湖港工 业区	27 Apr 2016	Y	Y	Y	
Fujian Jindi Decoration Engineering Co. Ltd (福 建金帝装饰工程发展有限 公司)	泉州市丰泽区丰 泽街中银大厦十 九层	27 Apr 2016	Y	Y	Y	

APPENDIX 1: DISTRIBUTOR COMPANY DETAILS OBTAINED FROM NATIONAL COMPANY CREDIT INFORMATION PUBLICATION SYSTEM (FUJIAN) (全国企业信用信息公示系统 (福建))

The following table shows company search results of highlighted distributors obtained from National Company Credit Information Publication System (Fujian).

No	Company Name	Legal representative	Director Name	Shareholder Name	Address	Nature of Business
1.	Fuzhou Yipai Trading Company (福州伊派贸易有限公司)	郑剑君	郑剑君	郑剑君 蔡子思	福州市晋安区华林路 338 号福城楼 (2#楼) 8 层 212 号房间	Wholesale and consignment sale of daily necessities, textile, electronic product, ordinary equipment, art crafts (gold and silk products not included, apparels, and stone. 日用百货、针纺织品、电子产品、普通机械、工艺美术品 (不含金银制品)、服装、石材的批发、代购代销
2.	Xiamen Yizhong Trading Company (厦门宜众贸易有限公司)	陈志雄	陈志雄	马笃明 彭文学 陈志雄	厦门市思明区塔初东路 171 号 18 跃 19 层 1801 单元	Wholesale and retail of Auto-accessories and cleanser, textile, daily necessities, hardware and electronic products (批发零售: 汽车装饰品及清洗用品、纺织品、日用百货、五金交电、机械电子设备)

**APPENDIX 2: COMPANY DETAILS EXTRACTED FROM NATIONAL
COMPANY CREDIT INFORMATION PUBLICATION SYSTEM (FUJIAN)**
(全国企业信用信息公示系统 (福建))

The following table shows company search results of the Highlighted Contractors.

S/N	Company	Legal represent ative	Director Name	Sharehold er Name	Address	Business scope in company search	Nature of Business	Matched to Complaint Letter
1.	Quanzhou Qihuangxing Hardware Co. Ltd (泉州市奇 皇星五金制品 有限公司)	杨聪奇	杨聪奇 (Executive Director) 杨丽雪 (Supervisor)	杨聪奇	泉州市洛江 区双阳华侨 经济开发区	Furniture and hardware manufacturin g (家具制品制 造、五金制品 制造)	Furniture and hardware manufacturing (家具制品制 造、五金制品 制造。))	Yes
2.	Fujian Jinjiang Mingyang Furniture Co. Ltd (福建省晋 江市名扬家私 有限公司)	杨志洪	杨志洪 (Executive Chairman) 雪娥 (Supervisor)	杨志洪	晋江市池店 古福工业区	Furniture manufacturin g and sales (家具制造、 销售)	Furniture manufacturing and sales (一般经营项 目: 家具制 造、销售。)	Yes
3.	Shishi Rixin Xiezhuang Daoju Co. Ltd (石狮市日鑫鞋 服道具有限公 司)	洪荣彻	洪荣彻 (Executive Director and General Manager) 洪荣团 (Supervisor)	洪荣团 洪荣彻	石狮市石湖 港工业区	Furniture and metallic goods manufacturin g (家具制造、 五金制品制 造、销售)	Furniture and metallic goods manufacturing (家具制造、五 金制品制造、 销售)	Yes
4.	Fujian Jindi Decoration Engineering Co. Ltd (福建 金帝装饰工程 发展有限公司)	康志强	康志强 (Executive Director) 连淑茹 (Supervisor)	康志强 连淑茹	泉州市丰泽 区丰泽街中 银大厦十九 层	Internal decoration, construction, engineering (室内装饰, 建筑, 工程设 计及施工)	Internal decoration design and engineering (室内装饰装修 设计及施工;)	Yes

APPENDIX 3: DOCUMENTS OBTAINED FOR OUR REVIEW

The following were the documents provided to us for our review:

No	Document requested	Original/ photocopy / scanned	Status			Remarks
			Received	Partially received	Not receiv ed	
1	List of bad debts 2009-2012	Electronic copy	✓			
2	List of credit notes 2009 - 2012				✓	No credit note issued
3	Sales returns listing for distributors 2009-2012				✓	No sales return
4	Listing of distributors and their transactions for the period January 2009 to December 2012	Electronic copy	✓			
5	Contracts with Distributors for the period	Original / Scanned		✓		Received original copy of Distributor agreements (500 outlets) with all six distributors. We did not received any Distribution agreements (sales) with Xiamen Yizhong (厦门宜众) and Fuzhou Yipai (福州伊派) Note: The Sales Distribution (Sales) Agreement was the standard one signed with distributors.
6	The following document for period 2009-2012 i. Distribution agreement	Original		✓		Received original copy of Distributor agreements (500 outlets) with all six distributors. We did not receive any Distribution agreements (sales) with Xiamen Yizhong (厦门宜众) and Fuzhou Yipai (福州伊派)

No	Document requested	Original/ photocopy / scanned	Status			Remarks
			Received	Partially received	Not receiv ed	
	ii. Customer Purchase order	Photocopy		✓		Received 10 photocopied CPOs (related to 9 Fuzhou Yipai (福州伊派) sample) out of 40 samples requested
	iii. Delivery orders for goods sent	Reprinted from system/ Electronic copy			✓	Received reprinted DOs from system for 31 selected samples for 2010 to 2012 We were not able to obtain any DOs pertaining to 2009. Received DO listing from 2010 to 2012.
	iv. Invoices to Distributor				✓	We were not able to obtain the original filed copy of the tax invoice for 40 requested sample.
	v. Collection records such as bank transfer forms	Re-print from bank		✓		Received Bank transfer forms for 36 out of 40 sample which was reprinted from respective banks with bank stamp
	vi. Prepaid rental contracts for outlets	Original	✓			Received Distributor Agreement (500 outlets) which included prepaid rental amount per outlet
	vii. Journal vouchers	Re-print from system	✓			We were not able to obtain the original JVs but were provided with system JVs that were reprinted. These reprinted JV indicate the preparer and receiver. However, there were no signed approval.
7	Policies and procedures for sales & receivables (appointment of distributor, opening outlets and closing outlets) and procurement & payments	Original		✓		Received the following policies in latest version • Receivable • Procurement • Fixed assets • Inventory Management

No	Document requested	Original/ photocopy / scanned	Status			Remarks
			Received	Partially received	Not received	
8	Delegation of Authority Matrix	Original /Photocopy	✓			Received latest version in original, dated 1 Jan 2013. We also received an old version of DOA. However the effective date is also 1 Jan 2013.
9	Supporting documents for evaluation and approval of the appointment of distributors' assessment such as business registration certificates and assessment reports for distributor selection	Original /Scanned			✓	We were informed that evaluation and approval of the appointment of distributors' assessment were not documented. We received the original business registration certificates for Xiamen Yizhong (厦门宜众). However, we were not able to obtain the original business registration certificates for Fuzhou Yipai (福州伊派).
10	Email or documents to verify that lawyers have reviewed the agreement template 邮件证明律师有审查合约样本	Print screen	✓			
11	Director's approval for agreement template				✓	No documented approval
12	List of outlets location provided by distributors	Electronic copy	✓			
13	Lease agreements between distributors and landlord	scanned			✓	Received two scanned copies of bank advices for prepaid rental to Fuzhou Yipai (福州伊派). We were informed that company only performed sample checks for the lease contract between landlord and distributors but those checks were not documented
14	Payment requisition, invoice from distributor related to prepaid rental	Electronic copy	✓			

No	Document requested	Original/ photocopy / scanned	Status			Remarks
			Received	Partially received	Not receiv ed	
15	Payment transfer slip and invoice related to prepaid rental	Scanned		✓		Received two scanned copies of bank advices related to prepaid rental to Xiamen Yizhong (厦门宜众)
16	Debtors aging as at 31 December 2009, 2010, 2011, 2012 and Feb 2016	Electronic copy	✓			
17	One sample of quarterly statement account sent	Original	✓			
18	Balance sheet and financial statement from 2009 to 2012	Electronic copy	✓			
19	Bank ledger from 2009 to 2012	Electronic copy	✓			
20	Management meeting minutes for • Opening of 500 outlets • Payment for prepaid rental and renovation • Closure of outlets • Ammonization of the balance amount of all the outlets closed	Original	✓			
21	Board resolution for • Opening of 500 outlets • Payment for prepaid rental and renovation • Closure of outlets • Ammonization of the balance amount of all the outlets closed	NA			✓	
22	Bank statements from 2009 to 2012	Scanned		✓		Bank statement from Oct 2010 to Mar 2011, Jul to Dec 2011 and Feb 2012 to Sep 2012. For April 2012 we only have the 5th one (20120426 to 20120428) For May 2012 we only received the 6th one (20120530-20120531)

No	Document requested	Original/ photocopy / scanned	Status			Remarks
			Received	Partially received	Not receiv ed	
23	All CPOs for the two distributors	Photocopy		✓		Received some photocopied CPOs for Fuzhou Yipai (福州伊派) (not related to sample selected, for reference only)
	Contractors' invoices	Scanned		✓		Received 13 out of 78 scanned invoices.
23	Bank Transfer Forms	Scanned		✓		Received 22 out of 38 scanned bank transfer forms.
24	Contractor's monthly progress report	Scanned	✓			Received 3 scanned monthly progress report from Contractor who renovate the 500 outlets.
25	Contractor's delivery report	Scanned		✓		Received 10 out of 40 scanned delivery reports.
26	Listing of Contractors and their transactions for the period January 2009 to December 2012	Original and photocopy	✓			
27	Supporting documents for evaluation and approval of the appointment of Contractors' assessment such as business registration certificates and assessment reports for Contractor selection	Original		✓		Received the supporting documents for Fujian Jindi Decoration Engineering Co. Ltd (福建金帝装饰工程发展有限公司). The supporting documents for the three remaining Contractors were not available.
28	Contracts with Contractors for the period 2009 and 2010	Original	✓			
29	Payment schedule for Contractors and distributors	Original	✓			
30	Purchase requisition and purchase orders related to bank payment to Contractors				✓	Both Purchase requisition and purchase orders were not issued to the Contractors.