



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

RESPONSE TO SGX-ST'S QUERIES ON UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

The Board of Directors of Dapai International Holdings Co. Ltd. (the "**Company**", and together with its subsidiaries, collectively the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the subject matter above, and wishes to provide its response as follows:-

Query:

1. *In the "Unaudited First Quarter Financial Statements and Dividend Announcement for the period ended 31 March 2016" ("Q1 FY2016 Results"), the Company disclosed on page 13 that "Advances to third party relates to a short term bridging loan, for operational cashflow and working capital purposes, amounting to RMB22.0 million, advanced to a supplier of the Group. This particular supplier has worked with the Group for several years and is of reliable and creditable financial standing".*

Please provide further disclosure on the following:

- a) Reasons why the Company is providing this loan.*
- b) Is this the norm for the Company to provide this loan?*
- c) Does the Company have amounts owing to this supplier?*

Company's response:

- 1a) The reason for the Company to provide this loan is for the Company to manage its operational cashflow and working capital position, while maintaining relationship with this particular supplier. In evaluating the credit risk related to the loan to this supplier, the Executive Chairman, together with the Management has noted that:
- the supplier has worked with the Group for several years and is of reliable and creditable financial standing;
 - this being a short term (3 months) loan; and
 - the loan bears higher interest (6.96% per annum), comparing to the average interest (approximately 6.0% per annum) that the Group is currently servicing for its bank borrowings;

Based on the above, the Executive Chairman, together with the Management, had assessed the above loan to be of acceptable risk. In addition, the interest income to be earned will assist in partially defraying the overall interest expenses for FY 2016.

- 1b) This loan is not part of the normal operating business of the Company. This is a single, non-recurring, loan which the Company charged interest upon advancing to the supplier. In light of the aforementioned, the Board is of the view that the loan is solely commercial in nature and will take the necessary steps to ensure the loan will be fully repaid (including interest) upon maturity.
- 1c) As at 31 March 2016, there are no amounts owing to this supplier.

Query:

2. *The Company is required to disclose a confirmation that the Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1). Please disclose the confirmation with regards to this matter.*

Company's response:

The Company confirms that the Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman

24 May 2016