



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

EMPHASIS OF MATTER IN THE INDEPENDENT AUDITORS' REPORT

The Board of Directors wishes to announce that the Company's Independent Auditors, Messrs Moore Stephens LLP, had issued an emphasis of matter in the Independent Auditors' Report on the financial statements of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2014 ("**Financial Statements**").

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

Submitted by Mr Chen Xizhong, Executive Chairman, on 1 April 2015 to the SGX-ST.

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Dapai International Holdings Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 33 to 73, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a fair presentation of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the year ended on that date.

Independent Auditors' Report

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

Emphasis of Matter

We draw attention to Note 2(b) to the financial statements which states that as at 31 December 2014, the Group's current liabilities exceeded its current assets by RMB93,838,000 (2013: RMB121,239,000) and the Company's current liabilities exceeded its current assets by RMB2,688,000 (2013: RMB1,485,000). Further, the Group has short-term borrowings amounting to RMB226,378,000 (2013: RMB208,881,000) (Note 24) as at 31 December 2014.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2014 is appropriate after taking into consideration the following factors:

- (i) The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve profitability and generate positive cash flows from operations. In this regard, management has prepared a cash flow projection, which shows the Group will have adequate working capital for its operations and will be able to meet its obligations as and when they fall due.
- (ii) The Group continues to maintain its credit facilities with the financial institutions and, subject to the financial institutions' approval, to renew or roll over its short-term borrowings when they fall due and/or the extension of additional credit facilities, as assumed in the cash flow projection mentioned above. In this regard, the Group has been maintaining and renewing the short-term bank borrowings when they fall due and management is not aware of any adverse circumstances that might cause the financial institutions to withdraw their credit facilities granted to the Group. As at 31 December 2014, the Group has unutilised credit facilities amounting to approximately RMB84,622,000 with its principal bankers.

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

Other Matters

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

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2015

Notes to the Financial Statements

31 December 2014

2 Basis of Preparation (cont'd)

(b) Going Concern Assumption

As at 31 December 2014, the Group's current liabilities exceeded its current assets by RMB93,838,000 (2013: RMB121,239,000) and the Company's current liabilities exceeded its current assets by RMB2,688,000 (2013: RMB1,485,000). Further, the Group has short-term borrowings amounting to RMB226,378,000 (2013: RMB208,881,000) (Note 24) as at 31 December 2014.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2014 is appropriate after taking into consideration the following factors:

- (i) The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve profitability and generate positive cash flows from operations. In this regard, management has prepared a cash flow projection, which shows the Group will have adequate working capital for its operations and will be able to meet its obligations as and when they fall due.
- (ii) The Group continues to maintain its credit facilities with the financial institutions and, subject to the financial institutions' approval, to renew or roll over its short-term borrowings when they fall due and/or the extension of additional credit facilities, as assumed in the cash flow projection mentioned above. In this regard, the Group has been maintaining and renewing the short-term bank borrowings when they fall due and management is not aware of any adverse circumstances that might cause the financial institutions to withdraw their credit facilities granted to the Group. As at 31 December 2014, the Group has unutilised credit facilities amounting to approximately RMB84,622,000 with its principal bankers.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.

3 Significant Accounting Policies

(a) Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.