



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

UNAUDITED FULL YEAR FINANCIAL STATEMENTS  
AND DIVIDEND ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                                                    | Full Year |           |        |
|--------------------------------------------------------------------|-----------|-----------|--------|
|                                                                    | 2016      | 2015      | %      |
|                                                                    | RMB'000   | RMB'000   | Change |
|                                                                    | Unaudited | Audited   |        |
| Revenue                                                            | 146,189   | 217,318   | (32.7) |
| Cost of sales                                                      | (138,607) | (167,553) | (17.3) |
| Gross profit                                                       | 7,582     | 49,765    | (84.8) |
| Other operating income                                             | 3,863     | 3,686     | 4.8    |
| Selling and distribution expenses                                  | (6,580)   | (4,840)   | 36.0   |
| Administrative expenses                                            | (46,448)  | (29,467)  | 57.6   |
| Other operating expenses<br>- exceptional expenses                 | (54,319)  | -         | NM     |
| Finance costs                                                      | (11,170)  | (13,127)  | (14.9) |
| (Loss)/ profit before taxation                                     | (107,072) | 6,017     | NM     |
| Income tax                                                         | (666)     | (1,160)   | (42.6) |
| (Loss)/ profit attributable to shareholders                        | (107,738) | 4,857     | NM     |
| Other comprehensive income                                         | -         | -         | -      |
| Total comprehensive (loss)/ income<br>attributable to shareholders | (107,738) | 4,857     | NM     |
| Gross profit margin                                                | 5.2%      | 22.9%     |        |
| (Loss)/ profit before tax margin                                   | (73.2%)   | 2.8%      |        |
| Net (loss)/ profit after tax margin                                | (73.7%)   | 2.2%      |        |
| Basic and fully diluted EPS (RMB cents)                            | (9.54)    | 0.49      |        |



1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

Notes to statement of comprehensive income:

|                                                    | Full Year |         |        |
|----------------------------------------------------|-----------|---------|--------|
|                                                    | 2016      | 2015    | %      |
|                                                    | RMB'000   | RMB'000 | Change |
|                                                    | Unaudited | Audited |        |
| (a) Income statement includes the following:       |           |         |        |
| Amortisation of land use rights                    | 594       | 594     | -      |
| Amortisation of intangible assets                  | 28        | 28      | -      |
| Depreciation of property, plant and equipment      | 13,047    | 13,529  | (3.6)  |
| Depreciation of investment properties              | 1,692     | 1,692   | -      |
| Impairment of property, plant and equipment        | 24,697    | -       | NM     |
| Impairment of investment properties                | 29,622    | -       | NM     |
| Interest expenses                                  | 11,170    | 13,127  | (14.9) |
| Exchange gains                                     | (764)     | (2,039) | (62.5) |
| Loss on disposal of plant and equipment            | 157       | -       | NM     |
| Provision for doubtful debts                       | 15,116    | -       | NM     |
| (b) Other operating income includes the following: |           |         |        |
| Interest income                                    | 469       | 302     | 55.3   |
| Awards, incentives and subsidies                   | 246       | 79      | 211.4  |
| Rental lease income                                | 2,744     | 2,744   | -      |
| Commissions                                        | -         | 170     | NM     |
| Other sundry income                                | 405       | 391     | 3.6    |

NM - *Not meaningful*



**1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|                                        | The Group                                          |                                                  | The Company                                        |                                                  |
|----------------------------------------|----------------------------------------------------|--------------------------------------------------|----------------------------------------------------|--------------------------------------------------|
|                                        | As at 31<br>December 2016<br>RMB '000<br>Unaudited | As at 31<br>December 2015<br>RMB '000<br>Audited | As at 31<br>December 2016<br>RMB '000<br>Unaudited | As at 31<br>December 2015<br>RMB '000<br>Audited |
| <b>Non-Current assets</b>              |                                                    |                                                  |                                                    |                                                  |
| Land use rights                        | 25,124                                             | 25,718                                           | -                                                  | -                                                |
| Intangible assets                      | 31                                                 | 59                                               | -                                                  | -                                                |
| Property, plant and equipment          | 65,984                                             | 159,183                                          | -                                                  | -                                                |
| Investment properties                  | 52,801                                             | 30,321                                           | -                                                  | -                                                |
| Investment in subsidiaries             | -                                                  | -                                                | 46,229                                             | 100,506                                          |
|                                        | <b>143,940</b>                                     | <b>215,281</b>                                   | <b>46,229</b>                                      | <b>100,506</b>                                   |
| <b>Current assets</b>                  |                                                    |                                                  |                                                    |                                                  |
| Inventories                            | 28,106                                             | 65,636                                           | -                                                  | -                                                |
| Trade receivables                      | 59,129                                             | 45,590                                           | -                                                  | -                                                |
| Prepayment and other receivables       | 18,239                                             | 18,438                                           | -                                                  | -                                                |
| Cash and bank balances                 | 16,062                                             | 6,161                                            | 6,447                                              | 153                                              |
|                                        | <b>121,536</b>                                     | <b>135,825</b>                                   | <b>6,447</b>                                       | <b>153</b>                                       |
| <b>Less: Current Liabilities</b>       |                                                    |                                                  |                                                    |                                                  |
| Trade and bills payables               | 4,736                                              | 10,066                                           | -                                                  | -                                                |
| Accrued liabilities and other payables | 9,685                                              | 6,256                                            | 5,711                                              | 3,456                                            |
| Loan from a director                   | 6,025                                              | 3,813                                            | 6,025                                              | 3,813                                            |
| Interest-bearing bank borrowings       | 204,090                                            | 189,341                                          | -                                                  | -                                                |
| Income tax payables                    | -                                                  | 284                                              | -                                                  | -                                                |
|                                        | <b>224,536</b>                                     | <b>209,760</b>                                   | <b>11,736</b>                                      | <b>7,269</b>                                     |
| <b>Net current liabilities</b>         | <b>(103,000)</b>                                   | <b>(73,935)</b>                                  | <b>(5,289)</b>                                     | <b>(7,116)</b>                                   |
| <b>Net assets</b>                      | <b>40,940</b>                                      | <b>141,346</b>                                   | <b>40,940</b>                                      | <b>93,390</b>                                    |
| <b>Share capital and reserves</b>      |                                                    |                                                  |                                                    |                                                  |
| Share capital                          | 5,998                                              | 5,042                                            | 5,998                                              | 5,042                                            |
| Share premium                          | 481,903                                            | 475,527                                          | 481,903                                            | 475,527                                          |
| Merger reserve                         | 65,939                                             | 65,939                                           | 65,939                                             | 65,939                                           |
| Statutory reserves                     | 166,883                                            | 166,883                                          | -                                                  | -                                                |
| Accumulated losses                     | (679,783)                                          | (572,045)                                        | (512,900)                                          | (453,118)                                        |
| <b>Total equity</b>                    | <b>40,940</b>                                      | <b>141,346</b>                                   | <b>40,940</b>                                      | <b>93,390</b>                                    |



**1(b)(ii) Aggregate amount of Group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

|                                  | As at 31 December 2016 |                       | As at 31 December 2015 |                       |
|----------------------------------|------------------------|-----------------------|------------------------|-----------------------|
|                                  | Secured<br>RMB '000    | Unsecured<br>RMB '000 | Secured<br>RMB '000    | Unsecured<br>RMB '000 |
| Interest-bearing bank borrowings | 204,090                | -                     | 189,341                | -                     |

**Amount repayable after one year**

Not applicable.

**Details of any collateral**

Certain Group's assets were pledged against interest bearing bank borrowings of the Group. The aggregate carrying amount were:

|                               | As at 31<br>December 2016<br>RMB '000 | As at 31<br>December 2015<br>RMB '000 |
|-------------------------------|---------------------------------------|---------------------------------------|
| Land Use Right                | 14,738                                | 15,097                                |
| Property, Plant and Equipment | 50,920                                | 97,019                                |
| Investment properties         | 21,198                                | -                                     |



1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

|                                                                | Full Year     |                 |
|----------------------------------------------------------------|---------------|-----------------|
|                                                                | 2016          | 2015            |
|                                                                | RMB'000       | RMB'000         |
|                                                                | Unaudited     | Audited         |
| <b>Cash flows from operating activities</b>                    |               |                 |
| (Loss)/ profit before taxation                                 | (107,072)     | 6,017           |
| Adjustments for:                                               |               |                 |
| Depreciation of property, plant and equipment                  | 13,047        | 13,529          |
| Depreciation of investment properties                          | 1,692         | 1,692           |
| Amortization of land use rights                                | 594           | 594             |
| Amortization of intangible assets                              | 28            | 28              |
| Loss on disposal of property, plant and equipment              | 157           | -               |
| Impairment of property, plant and equipment                    | 24,697        | -               |
| Impairment of investment properties                            | 29,622        | -               |
| Provision for doubtful debts                                   | 15,116        | -               |
| Interest income                                                | (469)         | (302)           |
| Interest expenses                                              | 11,170        | 13,127          |
| Operating (losses)/ profits before working capital changes     | (11,418)      | 34,685          |
| (Decrease)/ Increase in inventories                            | 37,530        | (16,105)        |
| (Increase)/ decrease in trade receivables                      | (28,656)      | 14,450          |
| (Increase)/ decrease in prepayments and other receivables      | 199           | 2,908           |
| Decrease in trade and bills payables                           | (5,330)       | (5,162)         |
| Increase/ (decrease) in accrued liabilities and other payables | 3,429         | (1,929)         |
| Net cash (used in)/ generated from operations                  | (4,246)       | 28,847          |
| Income taxes paid                                              | (950)         | (1,531)         |
| Net cash (used in)/ generated from operating activities        | (5,196)       | 27,316          |
| <b>Cash flows from investing activities</b>                    |               |                 |
| Acquisition of plant and equipment                             | (84)          | (797)           |
| Acquisition of short term investment                           | -             | (6,000)         |
| Proceeds from disposal of short term investment                | -             | 6,000           |
| Proceeds from disposal of plant and equipment                  | 1,588         | -               |
| Advances to third party                                        | (22,000)      | -               |
| Repayments from third party                                    | 22,000        | -               |
| Interest received                                              | 469           | 302             |
| Net cash generated from / (used in) investing activities       | 1,973         | (495)           |
| <b>Cash flows from financing activities</b>                    |               |                 |
| Proceeds from issuance of new shares                           | 7,647         | -               |
| Share issuance expenses                                        | (315)         | -               |
| Repayment of loan to director                                  | -             | (11,229)        |
| Loan from director                                             | 2,212         | 3,813           |
| Proceeds from bank borrowings                                  | 247,645       | 211,437         |
| Repayment of bank borrowings                                   | (232,895)     | (248,474)       |
| Decrease in bank deposits pledged                              | -             | 3,100           |
| Interest paid                                                  | (11,170)      | (13,127)        |
| Net cash generated from/ (used in) financing activities        | 13,124        | (54,480)        |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>   | <b>9,901</b>  | <b>(27,659)</b> |
| <b>Cash and cash equivalents at beginning of the year</b>      | <b>6,161</b>  | <b>33,820</b>   |
| <b>Cash and cash equivalents at end of the year</b>            | <b>16,062</b> | <b>6,161</b>    |
| Cash and bank balances at end of the year                      | 16,062        | 6,161           |
| Less: fixed deposits pledged                                   | -             | -               |
| <b>Cash and cash equivalents at end of the year</b>            | <b>16,062</b> | <b>6,161</b>    |



**1(d)(i) A statement (for the Group and Company) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

|                                         | Share<br>capital<br>RMB'000 | Share<br>premium<br>RMB'000 | Merger<br>reserve<br>RMB'000 | Statutory<br>reserves<br>RMB'000 | Accumulated<br>losses<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------------|----------------------------------|------------------|
| <b>Group</b>                            |                             |                             |                              |                                  |                                  |                  |
| At 1 January 2015 (Audited)             | 5,042                       | 475,527                     | 65,939                       | 166,883                          | (576,902)                        | 136,489          |
| Total comprehensive income for the year | -                           | -                           | -                            | -                                | 4,857                            | 4,857            |
| <b>At 31 December 2015 (Audited)</b>    | <b>5,042</b>                | <b>475,527</b>              | <b>65,939</b>                | <b>166,883</b>                   | <b>(572,045)</b>                 | <b>141,346</b>   |
| Issuance of new shares                  | 956                         | 6,691                       | -                            | -                                | -                                | 7,647            |
| Share issue expenses                    | -                           | (315)                       | -                            | -                                | -                                | (315)            |
| Total comprehensive loss for the period | -                           | -                           | -                            | -                                | (107,738)                        | (107,738)        |
| <b>At 31 December 2016 (Unaudited)</b>  | <b>5,998</b>                | <b>481,903</b>              | <b>65,939</b>                | <b>166,883</b>                   | <b>(679,783)</b>                 | <b>40,940</b>    |

|                                         | Share<br>capital<br>RMB'000 | Share<br>premium<br>RMB'000 | Merger<br>reserve<br>RMB'000 | Statutory<br>reserves<br>RMB'000 | Accumulated<br>losses<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------------|----------------------------------|------------------|
| <b>Company</b>                          |                             |                             |                              |                                  |                                  |                  |
| At 1 January 2015 (Audited)             | 5,042                       | 475,527                     | 65,939                       | -                                | (448,687)                        | 97,821           |
| Total comprehensive income for the year | -                           | -                           | -                            | -                                | (4,431)                          | (4,431)          |
| <b>At 31 December 2015 (Audited)</b>    | <b>5,042</b>                | <b>475,527</b>              | <b>65,939</b>                | <b>-</b>                         | <b>(453,118)</b>                 | <b>93,390</b>    |
| Issuance of new shares                  | 956                         | 6,691                       | -                            | -                                | -                                | 7,647            |
| Share issue expenses                    | -                           | (315)                       | -                            | -                                | -                                | (315)            |
| Total comprehensive loss for the period | -                           | -                           | -                            | -                                | (59,782)                         | (59,782)         |
| <b>At 31 December 2016 (Unaudited)</b>  | <b>5,998</b>                | <b>481,903</b>              | <b>65,939</b>                | <b>-</b>                         | <b>(512,900)</b>                 | <b>40,940</b>    |



- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

On 22 April 2016, the Company completed a private placement in which the Company issued and allotted 198,450,000 new ordinary shares in the capital of the Company at S\$0.008 for each new share.

Consequent to the completion of the private placement, the issued share capital of the Company had increased from 992,250,000 ordinary shares to 1,190,700,000 ordinary shares, which can be summarized in the table below:

|                                                        | Number of shares     | Share Capital<br>S\$ |
|--------------------------------------------------------|----------------------|----------------------|
| As at 1 April 2016                                     | 992,250,000          | 992,250              |
| Issuance of new shares pursuant to a private placement | 198,450,000          | 198,450              |
| As at 31 December 2016                                 | <u>1,190,700,000</u> | <u>1,190,700</u>     |

There were no outstanding convertibles or treasury shares held as at 31 December 2016 and 31 December 2015.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

|                               | As at 31<br>December 2016 | As at 31<br>December 2015 |
|-------------------------------|---------------------------|---------------------------|
| Total number of issued shares | <u>1,190,700,000</u>      | <u>992,250,000</u>        |

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have not been audited or reviewed by the Company's auditors.



3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

There were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2015.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

|                                                   | 2016      | 2015    |
|---------------------------------------------------|-----------|---------|
| Basic (losses)/ earnings per share (RMB cents)    | (9.54)    | 0.49    |
| Weighted average number of ordinary shares ('000) | 1,129,511 | 992,250 |

The basic earnings per share has been calculated based on net profit attributable to shareholders divided by the weighted average number of ordinary shares of 1,129,511,000 ordinary shares for the financial year ended 31 December 2016 (31 December 2015: 992,250,000).

The basic and diluted earnings per share is the same as there were no dilutive ordinary shares in issue as at 31 December 2016 and 31 December 2015.



7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

|                                                                                                     | The Group     |               | The Company   |               |
|-----------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                                     | As at 31      | As at 31      | As at 31      | As at 31      |
|                                                                                                     | December 2016 | December 2015 | December 2016 | December 2015 |
|                                                                                                     | Unaudited     | Audited       | Unaudited     | Audited       |
| Net assets value per share based on existing issued capital as at the respective period (RMB cents) | 3.44          | 14.24         | 3.44          | 9.41          |
| Number of ordinary shares in issue at the end of financial period/year ('000)                       | 1,190,700     | 992,250       | 1,190,700     | 992,250       |

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**  
**(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

#### **Commentary on Financial Results**

##### **Revenue, Cost of Sales and Gross Profit**

For the financial year ended 31 December 2016 ("FY 16"), the Group recorded a revenue of RMB146.2 million, a decrease of RMB71.1 million or 32.7%, from RMB217.3 million for the financial year ended 31 December 2015 ("FY 15"). The backpack segment formed almost the entire revenue for FY 16, with insignificant contributions from the luggage segment as the Group continues to focus on backpacks segment.

The decline in overall revenue for FY 16 was due to a continued reduction in the consumption of our backpacks products within the lacklustre domestic market. Domestic revenue constituted approximately RMB69.6 million, which was 49.4% of the total revenue for FY 16, as compared to RMB103.2 million (47.5%) of total revenue for FY 15. OEM revenue had also decreased to RMB73.5 million, which was 50.6% of FY 16 revenue, as compared to RMB114.1 million (52.5%) for FY 15. In FY 16, the Group also managed to dispose off certain raw materials, through a bulk discount sale, which contributed RMB3.3 million (FY 15: nil) in overall revenue.

Overall volume had also fallen from 7.5 million units in FY 15, to 5.2 million units in FY 16.

This decline in overall revenue and sales volume was due to the particularly difficult domestic and global economic conditions and our distributors were facing the heavy



pressure of slow and sluggish sales whereby consumers' preferences are growing more sophisticated and prefers renowned international brand names.

Comparing FY 16 to FY 15, the overall average selling price ("ASP") for backpacks was RMB27.3 in FY 16, as compared to RMB28.8 in FY 15, which declined marginally by RMB1.5 or 5.2%. This decline in overall ASP was due to a special promotional 50% discount scheme ("Special Promotion") marketing strategy adopted in 4Q 16 and was offered to our distributors to encourage them to push more products to the market (both domestic and OEM) to take advantage of the festive periods (Thanksgiving Day, Bachelor Day and Christmas Day, etc) of November and December in 4Q 16 to encourage better sales performance. In Q4 16, the Group had strategised to push the better quality and higher priced tier backpacks to the market, which the Special Promotion, however, this did not take off and the volume sold was not significantly higher than the preceeding periods and thus, did not bring about much impact to the overall ASP in FY 16.

For FY 16, overall cost of sales decreased by RMB28.9 million or 17.3% to RMB138.6 million, and this was correspondent to the decline in overall sales volume and manufacturing activities. However, as mentioned above, the products pushed to the market in 4Q 16 was of better quality and higher price tier, this brought about an increase in the cost of raw material used, therefore, the decrease in overall cost of sales was not directly proportional to the decrease in overall sales volume.

The Group was able to generate a gross profit for the financial year ended FY 16, which amounted to RMB7.6 million in FY 16, as compared to RMB49.7 million in FY 15. This decline was due largely to the following:

- higher fixed manufacturing overheads being allocated to the units produced and sold during the year due to lesser overall sales volume during the year;
- in 4Q 16, the Group marketed and sold better quality products which resulted in more expensive raw materials used, which contributed to the higher costs in 4Q 16 and dragged down the overall gross profit margins of the previous quarters; and
- in 4Q 16, a particular batch of raw materials were sold at a bulk discount as part of the Group's strategy to minimise inventory levels and to free up cashflow, thereby resulted in a gross loss of approximately RMB2.9 million.

In FY 16, the overall gross profit margin had dropped from 22.9% in FY 15, to 5.2% in FY 16. The gross profit margin for 9M 16 was 21.6%, which was comparable with FY 15's margin of 22.9%, however, due to the above factors, including the marketing strategy of the Special Promotion scheme given out in 4Q 16 to our distributors, and also the bulk discount on the sale of raw materials, all the above mentioned factors brought about the lowering of the overall gross profit margin in FY 16.

#### **Other operating income**

For the year FY 16, the Group recorded other operating income of RMB 3.9 million, a marginal increase of RMB0.2 million or 4.8% from RMB 3.7 million in FY 15. The increase was mainly due to the increase in interest and awards, incentives and subsidies and RMB 0.2 million and RMB0.2 million, respectively, while partially offset a decrease in commission income of RMB0.2 million.



## Operating expenses

### (a) Selling and distribution expenses

Our selling and distribution expenses had increased by RMB1.7 million or 36.0% from RMB4.8 million in FY 15 to RMB6.6 million in FY 16. The increase was due mainly to the increase in:

- advertising and promotional expenses of RMB0.8 million due to increase in participation in exhibitions and trade fairs to promote our OEM segment and to reach out to potential distributors and customers; and
- a reduction in terms of reimbursements from customers of RMB1.4 million for certain logistical arrangements and also product samples made for them, and other expenses, when compared to FY 15.

However, the above increase was partially offset by a reduction of salaries and related costs of RMB0.5 million, which was due to a reduction in head count, as sales activities had significantly slowed down in FY 16.

### (b) Administrative expenses

Our administrative expenses had increased by approximately RMB17.0 million, or 57.6% from RMB29.5 million in FY 15, to RMB46.4 million in FY 16. This was due mainly to:

- an increase in the provision for doubtful debts of RMB15.1 million for three of the Group's customers whom had defaulted on their repayment of trade debts. Legal letters of demand had been issued to them, however, till to-date, there are no formal replies from them. Management's assessment is that these particular customers are in financial difficulties and the possibility of recovery is remote, as such a full provision for these trade debts had been made. The Group is still in consultation with its legal counsel to explore the most expedient way to recoup the trade debts and further updates will be provided as and when there are new developments in this area;
- an increase in professional fees of approximately RMB0.8 million, due to potential reverse takeover exercise undertaken by the Company during the year, which was subsequently terminated and the professional fees incurred had been charged to the profit and loss for FY 16;
- an increase in depreciation expenses of RMB0.6 million, whereby additional allocation of depreciation charges of the production equipment for the period of August to December due to idle excess capacity;
- a reduction in foreign exchange gains of RMB1.3 million; and

However, the above increase was partially offset by a decrease in:

- travelling and business related expenses of RMB0.3 million;
- other expenses of RMB0.5 million.

(c) Other operating expenses- exceptional expenses

Other operating expenses relate to the impairment charges on the property, plant and equipment and also the investment properties, which amounted to RMB24.7 million (FY 15: nil) and RMB29.6 million (FY 15: nil), respectively. This was the result of the annual assessment exercise carried out by the Group to identify if there are any indications of impairment on the carrying value of the assets.

The Group's assessment was carried out in accordance with FRS 36- Impairment of Assets, and had identified that there is an indication of change in the future operating and economic environment, that will bring about adverse effects, thus affecting the carrying value of the assets. During the annual assessment, the management noted the existence of internal and external impairment indicators and had thoroughly discussed these indicators:

Internal

- the continual weakness affecting the domestic and global economies, which had impacted negatively to the Group's products during the year;
- resulting in the drop in utilization rate of our property, plant and equipment;
- certain production facilities rendered idle, which resulted in leasing out its premises; and
- certain investment properties being vacant and not tenanted, which currently is not generating any value-in-use for the Group.

External

- sustained economic pressures and continued consumer sophistication; and
- potential decline in the Group's assets market value.

Therefore, in determining its recoverable amounts, a local independent third party valuation company had been engaged to conduct the assessments of the impairment. Based on initial assessments, the above impairment losses were recognized in the profit and loss. The valuation derived by the local valuation company was computed using the cost method, whereby the appraiser had grasped the current and comparable construction budget and cost of the similar projects in the surrounding area, to determine the fair market value.

(d) Finance costs

In FY 16, our finance costs had decreased by RMB2.0 million. The decrease in interest expenses were due mainly to the lower interest rates being charged during the year as compared to the corresponding year, despite the higher bank borrowings outstanding during the year.

(e) Taxation

Taxation in FY 16 was due to the local tax authorities' initial tax assessment of the profits for the first six months of FY 16 for one of the Company's profitable subsidiary then, which amounted to RMB0.6 million.



- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**Commentary on Financial Position**

**Non-current assets**

Our non-current assets comprised mainly land use rights, intangible assets, property, plant and equipment and investment properties.

Land use rights amounted to RMB25.1 million and RMB25.7 million as at 31 December 2016 and 31 December 2015, respectively. They comprised mainly the land use rights for Dapai (China) Bags Co., Ltd, Dapai (China) Co., Ltd and Dapai Anhui Co. Ltd (“Dapai Anhui”). The decrease was due mainly to the amortization of the land use rights during the financial year.

Net book value of property, plant and equipment amounted to RMB66.0 million and RMB159.2 million as at 31 December 2016 and 31 December 2015, respectively. Property, plant and equipment comprised mainly buildings, plant and machinery, furniture, fixtures, office equipment and motor vehicles. The decrease was due mainly to:

- the depreciation charged during the year of RMB13.0 million;
- the disposal of certain plant and equipment during the financial year, amounting to RMB1.6 million;
- the reclassification of investment property, from the property, plant and equipment category to investment properties category, of RMB53.8 million as a result of the leasing of the Huian facilities to a third party in December 2016; and
- the impairment of property, plant and equipment of RMB24.7 million.

This impairment was the direct result of the annual assessment on the carrying value of the property, plant and equipment, which was conducted in accordance with FRS36 to determine the recoverable amount of the property, plant and equipment. Based on the independent third party valuation company’s initial assessment, an impairment amounting to RMB24.7 million had been charged to profit and loss, therefore, resulting in the carrying value as at 31 December 2016.

The net book value of investment properties amounted to RMB53.8 million and RMB30.3 million as at 31 December 2016 and 31 December 2015, respectively. The increase was due to the reclassification to investment properties category from the property, plant and equipment category, due to the leasing of the Huian facilities in December 2016. However, the above increase was partially offset by an impairment charge of RMB29.6 million. This impairment was the direct result of the annual assessment on the carrying value of the property, plant and equipment, which was conducted in accordance with FRS36 to determine the recoverable amount of the property, plant and equipment. Based on the independent third party valuation company’s initial assessment, an impairment amounting to RMB29.6 million had been charged to profit and loss, therefore, resulting in the carrying value as at 31 December 2016.



## Current Assets

Our current assets comprised mainly inventories, trade receivables, prepayments and other receivables and cash and bank balances.

The decrease in inventories was due mainly to the Group utilizing the previously built up raw materials and work-in-progress in FY 15, which had been converted to finished goods and sold as at 31 December 2016. In addition, lesser purchases were made during the year as overall production activities had decline significantly due to the diminishing demand for our products during the year.

Trade receivables amounted to RMB59.1 million and RMB45.6 million as at 31 December 2016 and 31 December 2015, respectively. The trade receivables as at 31 December 2016 was stated after deducting the provision for doubtful debts, amounting to RMB15.1 million, which had been charged to profit and loss during the year. As previously disclosed, there were three particular customers whom went into financial difficulties and had been defaulting in their repayments of the trade debts in FY 16. They had, subsequently, also stopped communications with the Group. The Group had in mid-September 2016, sent legal demand letters to these customers and a deadline was set for end of September 2016 to allow them to make full repayment or to renegotiate their repayments.

As at date of this report, the three customers had not responded to the demand letters. As such, the Management's assessments of the possibilities of recovery of these trade debts will be remote, and therefore, a full provision had been made during the year. The Group had been consulting with its legal counsel to explore the most expedient way to recoup the trade debts.

The increase in trade receivables balance during the year was due to sales made to several customers during the last financial quarter of FY 16, which was still current and not due. This was approximately 74% of the total outstanding balance as at FY 16. In addition, slower repayments by a couple of other customers resulted in the higher balance as compared to FY 15.

Based on the aging of the trade debtors, approximately 2.5% is 30 days past due, 21.75% is 60-90 days past due and the remaining 1.8% is more than 90 days past due. Concentration of the past due debts of 21.75% (60-90 days past due), relates to a particular trade debtor which has a good track record of regular payments and had been one of the major customers of the Group since FY 15. The management is therefore of the opinion that the trade debts will be collected and there will not be any exposure to doubtful debts for this trade debtor.

In addition, to further mitigate the potential risk of any future defaults, the Group will be closely monitoring the current trade debt situation and will be very selective and stringent in further sales to our customers going forward. As such, this operational strategy had brought about a negative impact on the financial performance of the Group during the last financial quarter of FY 16.



Prepayments and other receivables amounted to RMB18.2 million and RMB18.4 million as at 31 December 2016 and 31 December 2015, respectively. The marginal increase of RMB0.2 million during the year was due mainly to an increased in security deposits placed with suppliers, amounting to RMB6.2 million, which was to secure the delivery and to obtain favorable prices for our raw materials. This increase was partially offset by a decrease in VAT recoverables and other receivables during the year of RMB6.0 million.

### **Current Liabilities**

Our current liabilities comprised mainly trade and bills payables, accrued liabilities and other payables, amount due to director, interest-bearing bank borrowings and income tax payables.

Trade and bills payables amounted to RMB4.8 million and RMB10.1 million as at 31 December 2016 and 31 December 2015, respectively. The decrease was due mainly to the Group making payments to trade payables.

Accrued liabilities and other payables amounted to RMB9.4 million and RMB6.3 million as at 31 December 2016 and 31 December 2015, respectively. Accrued liabilities and other payables comprised mainly accrued liabilities (mainly accrued wages, insurance and staff welfare), other payables and advance payments from customers (mainly deposits received from overseas customers). The increase was due to accrued liabilities for salaries and related expenses, professional fees and other miscellaneous liabilities.

The loans from a director was due to advances given to the Company for making payments for operating activities at the listed holding entity level.

Interest-bearing bank borrowings amounted to RMB204.1 million and RMB189.3 million as at 31 December 2016 and 31 December 2015, respectively. The increase was due mainly to the additional borrowings during the financial year.

The reduction of income tax payables was due largely to the payment of this financial year.

### **Commentary on Cash Flow**

Cash and cash equivalents amounted to RMB16.1 million and RMB6.2 million as at 31 December 2016 and 31 December 2015, respectively.

For FY 16, net cash used in operating activities amounted to approximately RMB5.2 million.

Net cash used in operating activities was RMB5.2 million. This was due largely to the operating losses from working capital of approximately RMB11.4 million. In addition, the increase in trade receivables of RMB28.7 million, and the payments of trade payables of RMB5.3 million during the year, further contributed to the cash used in operations. The payment of incomes taxes of approximately RMB1.0 million also further impacted the cash used in operating activities. However, the net cash used was partially offset by the decrease in inventories and increase in accrued liabilities amounting to approximately RMB37.5 million and RMB3.4 million, respectively.



For FY 16, cash generated from investing activities amounted to approximately RMB2.0 million, relates to the proceeds from the disposal of property, plant and equipment of RMB1.6 million and interest income received of RMB0.4 million.

For FY 16, the net cash generated from financing activities was due largely to:

- proceeds from issuance of new shares of RMB7.6 million;
- proceeds (net) from additional bank borrowings of RMB14.8 million; and
- additional loan from director of RMB2.2 million.

The above was partially offset by:

- share issue expenses of RMB0.3 million; and
- interest expenses payments for the bank borrowings of RMB11.2 million.

Therefore, resulting in the overall net cash generated from financing activities of RMB13.1 million for the FY 16. As a result, it led to a net increase in cash and cash equivalents for FY 16 amounting to approximately RMB9.9 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Based on the Company's discussion presented in Note 10 of the unaudited results announcement dated 11 November 2016, there were no variances when compared to the unaudited results presented herein. The Group continued to perform unsatisfactorily due to the lacklustre domestic and global economy.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

With the continued weakness of the domestic and global economy, the Group, together with the distributors had been facing an uphill challenge in pushing Dapai's products amidst the current weak domestic market. The OEM segment had also slow down in FY 16.

As seen in the FY 16's financial performance, the Group further encountered demand contraction and overall sales had not picked up as consumer sophistication continued to grow, whereby consumer preferences are toward the renowned international brand names.

The Management does not foresee any change in this consumer preference in the near future and anticipates that the economic environment will continue to be very challenging. The Group had extended a discount scheme to our distributors during the last financial quarter to encourage them to push for more sales, however, this did not bring about any positive impact and sales of Dapai's products did not pick up.

The Group will also be closely monitoring the current trade debt situation and will be particularly selective and stringent in future sales. This is to mitigate any further potential doubtful debts risks and exposure which might arise. By adopting such a strategy, this could potentially bring about a negative impact on the sales performances of the Group going forward. The Board of Directors and Management will be providing an update as and when new information arises.

In addition, the Management is also contemplating on exploring and implementing certain operational process consolidations so as to streamline operations, reduce costs and reposition itself to improve the ability of the Group to weather the current adverse operating conditions. This may result in a potential impairment charge in certain related asset classes, as excess idle capacity sets in.

As at 31 December 2016, the Group had been maintaining and renewing its short term borrowings to manage its negative working capital position. As at the date of this announcement, the management and the Executive Chairman, are not aware of any adverse circumstances that might cause the financial institutions to withdraw credit facilities granted to the Group. The Group still has unutilised credit facilities amounting to approximately RMB69.0 million with its principal bankers. Therefore, the Group believes that it will be able to meet its short term obligations and to continue to operate as a going concern.

With reference to the Company's announcements from February to December 2016, the Company had made an application to the SGX-ST for the listing and quotation of the placement shares, and also announced that it had entered into a Memorandum of Understanding ("MOU") with the controlling shareholder of Smart Traffic Co., Ltd ("Smart Traffic"), in relation to the proposed acquisition by the Company of a substantial interest in Smart Traffic held by the controlling shareholder in connection with the potential reverse takeover of the Company, and the transfer of listing of and quotation for the shares from the SGX-ST Main Board to the SGX-ST Catalist ("Proposed Acquisition").

Pursuant to the MOU, the parties will negotiate in good faith the terms and conditions of the definitive agreements with the view to executing the same by no later than 31 March 2016 (or such date as may be agreed by the parties). Subsequently, on 1 April 2016, the Company announced that an extension of time till a further date, mutually agreeable by all parties, to enter into definitive agreement(s) in relation to the Proposed Acquisition.

On 5 April 2016, SGX- ST also approved the Company's application for extension of time ("EOT") till 5 September 2016 to meet the requirements of listing rule 1314 for exit from the Watch-list based on the financial entry criteria. Subsequently, a further application was made to SGX- ST on 1 September 2016, to seek a further EOT to complete the signing of the definitive agreements and also the potential reverse takeover with Smart Traffic. On 8 September 2016, SGX- ST approved the EOT and a further six (6) months extension till 5 March 2017 was granted. In the announcement dated 14 September 2016, Further Extension of Time to meet Requirements Under Rule 1314 of the Listing manual of the SGX- ST to exit from SGX- ST Watch- List – Supplemental Announcement, it was highlighted that the Propose Transaction remains ongoing and in connection therewith:

- the Company had appointed relevant professional advisers;
- the Company's professional advisers had made physical visits to Smart Traffic's premises, and are conducting ongoing due diligence on Smart Traffic;



- the Company is also engaging the SM Controlling Shareholder on its due diligence into the Company; and
- the Company and Smart Traffic are negotiating the definitive transaction agreements.

With the impending deadline (5 March 2017) approaching for the above second EOT, the Board of Directors are currently in the midst of consultation with its legal counsels for a subsequent application for further EOT to meet the requirements of listing rule 1314 for exit from the Watch-list based on the financial entry criteria.

On 22 April 2016, the Company completed the placement of 198,450,000 new ordinary shares and the net proceeds of approximately S\$1.5 million will be applied for the purpose of the Proposed Acquisition and related due diligence purposes.

On 7 December 2016, the MOU in relation to the Proposed Acquisition had been terminated and all negotiations had ceased.

Save as previously disclosed, no material development that may have a significant impact on the financial position of the Group has occurred since the last update.

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

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

## **11. Dividend**

### ***(a) Current Financial Period Reported On***

None.

### ***(b) Corresponding Period of the Immediately Preceding Financial Year***

None.

### ***(c) Date payable***

Not applicable.

### ***(d) Books closure date***

Not applicable.

## **12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been recommended or declared for the financial year ended 31 December 2016.



13. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

**For the year ended 31 December 2016**

|                                                | <b>Backpacks<br/>RMB'000</b> | <b>Luggage<br/>&amp; others<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|------------------------------------------------|------------------------------|---------------------------------------------|--------------------------|
| Revenue                                        | 142,816                      | 3,373                                       | <b>146,189</b>           |
| Segment result:                                | 979                          | 23                                          | <b>1,002</b>             |
| Corporate expenses                             |                              |                                             | <b>(46,448)</b>          |
| Other operating expenses- exceptional expenses |                              |                                             | <b>(54,319)</b>          |
| Other operating income                         |                              |                                             | <b>3,863</b>             |
| Finance costs                                  |                              |                                             | <b>(11,170)</b>          |
| Profit before taxation                         |                              |                                             | <b>(107,072)</b>         |
| Income tax expenses                            |                              |                                             | <b>(666)</b>             |
| Profit after taxation                          |                              |                                             | <b>(107,738)</b>         |
| <b>Other information</b>                       |                              |                                             |                          |
| Capital expenditure                            | 82                           | 2                                           | <b>84</b>                |
| Depreciation of property, plant and equipment  | 12,746                       | 301                                         | <b>13,047</b>            |
| Depreciation of investment properties          | 1,653                        | 39                                          | <b>1,692</b>             |
| Amortisation of land use rights                | 580                          | 14                                          | <b>594</b>               |
| Amortisation of intangible asset               | 27                           | 1                                           | <b>28</b>                |
| Impairment of property, plant and equipment    | 24,127                       | 570                                         | <b>24,697</b>            |
| Impairment of investment properties            | 28,939                       | 683                                         | <b>29,622</b>            |
| <b>Segment assets</b>                          | <b>192,077</b>               | <b>4,536</b>                                | <b>196,613</b>           |
| Unallocated corporated assets                  |                              |                                             | <b>68,863</b>            |
| <b>Consolidated total assets</b>               |                              |                                             | <b>265,476</b>           |
| <b>Segment liabilities</b>                     | <b>14,088</b>                | <b>333</b>                                  | <b>14,421</b>            |
| Unallocated corporate liabilities              |                              |                                             | <b>210,115</b>           |
| <b>Consolidated total liabilities</b>          |                              |                                             | <b>224,536</b>           |



For the year ended 31 December 2015

|                                               | Backpacks<br>RMB'000 | Luggage &<br>others<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------------------|----------------------|--------------------------------|------------------|
| Revenue                                       | 217,131              | 187                            | 217,318          |
| Segment result:                               | 44,886               | 39                             | 44,925           |
| Corporate expenses                            |                      |                                | (29,467)         |
| Other operating income                        |                      |                                | 3,686            |
| Finance costs                                 |                      |                                | (13,127)         |
| Profit before taxation                        |                      |                                | 6,017            |
| Income tax expenses                           |                      |                                | (1,160)          |
| Profit after taxation                         |                      |                                | 4,857            |
| <b>Other information</b>                      |                      |                                |                  |
| Capital expenditure                           | 796                  | 1                              | 797              |
| Depreciation of property, plant and equipment | 13,517               | 12                             | 13,529           |
| Depreciation of investment properties         | 1,691                | 1                              | 1,692            |
| Amortisation of land use rights               | 593                  | 1                              | 594              |
| Amortisation of intangible asset              | 28                   | -                              | 28               |
| Impairment of property, plant and equipment   | -                    | -                              | -                |
| Impairment of investment properties           | -                    | -                              | -                |
| <b>Segment assets</b>                         | 314,353              | 271                            | 314,624          |
| Unallocated corporated assets                 |                      |                                | 36,482           |
| <b>Consolidated total assets</b>              |                      |                                | 351,106          |
| <b>Segment liabilities</b>                    | 16,592               | 14                             | 16,606           |
| Unallocated corporate liabilities             |                      |                                | 193,154          |
| <b>Consolidated total liabilities</b>         |                      |                                | 209,760          |

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

Our overall sales and financial performance had experienced a material decrease in FY 16. The decrease was mainly attributable to the following reasons:

- (i) lacklustre domestic and global economies;
- (ii) growing consumer sophistication and their preferences toward international brand named products;
- (iii) an increase in provision for doubtful debts for customers facing financial difficulties; and
- (iv) an increase in the impairment charges of property, plant and equipment and investment properties.



**16. A breakdown of sales.**

| Group                                                                                              | 2016<br>RMB'000 | 2015<br>RMB'000 | %<br>Change |
|----------------------------------------------------------------------------------------------------|-----------------|-----------------|-------------|
| Sales reported for the first half year                                                             | 100,334         | 125,655         | (20.2)      |
| Operating profits/ (losses) after tax before deducting minority interests for the first half year  | 2,919           | (984)           | NM          |
| Sales reported for the second half year                                                            | 45,855          | 91,663          | (50.0)      |
| Operating (losses)/ profits after tax before deducting minority interests for the second half year | (110,657)       | 5,841           | NM          |

**17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

No dividend has been recommended or declared for the year ended 31 December 2016 and 2015.

**18. Interested Person Transactions**

The Company does not have a shareholders' mandate for interested person transactions.

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chen Yi                   | S\$571,000*                                                                                                                                                                                                           | NIL                                                                                                                                                                                                  |

\* Ms Chen Yi, daughter of Mr. Chen Xizhong (our Company's Executive Chairman, Director and controlling shareholder), has 45% of the shareholding interest in Anhui Sanda Textile Technology Co. Ltd, which the Group had leased its Anhui facility to, since 1 June 2014 and had ceased on 31 December 2016. The aggregate amount of lease rental collected by the Group for FY 16 had been rounded up to the nearest thousand.

Loan from a director, Mr. Chen Xizhong, amounting to RMB6.0 million was still outstanding as at 31 December 2016. The loan is unsecured, interest-free, and it is for the benefit of the Group's operational cashflow. The loan is repayable within 6 months of any notice of demand for repayment from the lender.

The Audit Committee of the Company is of the view that the transaction which is interest free and other than that is on normal commercial terms, is not prejudicial to the interests of the Company and its minority shareholders.

## 19. Utilisation of the Placement Proceeds

The following table sets out the breakdown of the use of proceeds from the placement as at date of the announcement:

| Purpose of Proceeds (\$'000)                                                                     | Amount allocated | Amount transferred | Amount utilised | Balance      | % used     |
|--------------------------------------------------------------------------------------------------|------------------|--------------------|-----------------|--------------|------------|
| (1) Due Diligence for the Proposed Acquisition                                                   | 306              | -                  | (160)           | 146          | 52%        |
| (2) Costs and expenses (including professional fees) to be incurred for the Proposed Acquisition | 1,222            | (1,082)            | (140)           | -            | 100%       |
| (3) Listing (share issue) expenses *                                                             | 60               | 7                  | (67)            | -            | 100%       |
| (4) General working capital **                                                                   | -                | 1,075              | -               | 1,075        | 0%         |
|                                                                                                  | <u>1,588</u>     | <u>-</u>           | <u>(367)</u>    | <u>1,221</u> | <u>23%</u> |

\* S\$7,000.00 out of the amount allocated for costs and expenses to be incurred for the Proposed Acquisition has been re-allocated to listing (share issue) expenses.

\*\* S\$1,075,000.00 out of the amount allocated for costs and expenses to be incurred for the Proposed Acquisition has been re-allocated to general working capital on 14 December 2016, after termination of the Proposed Acquisition.

## 20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Listing Rule 704(13) of the Listing Manual, we confirm that there are no persons occupying managerial positions in the Company or any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.



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

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FOR THE YEAR ENDED 31 DECEMBER 2016

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**21. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company confirms that it had procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 of the listing manual.

**BY ORDER OF THE BOARD**

Chen Xizhong  
Executive Chairman

1 March 2017