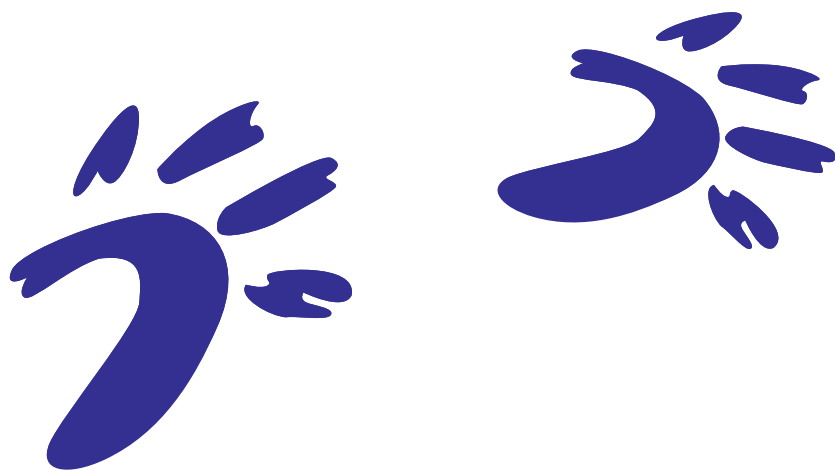




DESIGN OF DAPAI

一路随行，达派箱包

DAPAI INTERNATIONAL
HOLDINGS CO. LTD.
Annual Report 2015

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Corporate Profile

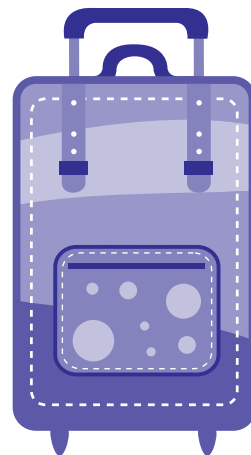
Dapai International Holdings Co. Ltd. (达派国际控股有限公司) (“Dapai” or “the Group”), is one of the largest branded backpack company in the People’s Republic of China (PRC). The Group designs, develops, manufactures and sells backpacks under the DAPAI (“达派”) brand. It was listed on the Mainboard of SGX-ST on 18 April 2008 as China Zaino International Ltd.

Since its conceptualisation in 2001, DAPAI was named “2006 Top 12 Bag Brands in China” by the China Leather Industry Association and “Top 500 Asia Valuable Brand Award” by the Supervision and Management Centre of Asia International Brand Certification in 2007. The Group had previously engaged Tian Liang, an Olympic gold medallist-turned celebrity, as its official brand ambassador.

The Group’s products are targeted at the mid-range mass market consumer segment and are sold through distributor-own concessionary retail outlets in different provinces, autonomous regions and municipalities across China located within department stores, supermarkets and hypermarkets in PRC. The Group’s product collections are suited for different occasions, namely the sports, fashion, business and leisure. Our products suits

different consumers’ tastes and needs and are retailed at an affordable price range.

The Group is the exclusive backpack sponsor for the 2007-2008 China Women’s National Basketball Tournament, the China gymnastic team in the 2008 Beijing Olympic Games and 2010 “Tour of Hainan” international cycling event held in Hainan Province. Dapai is headquartered in Quanzhou City, Fujian Province, PRC.



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors and Management, I hereby present to you our audited financial results for the financial year ended 31 December 2015 ("FY2015").

Year in review

In FY2015, the Group was able to generate a profit of RMB4.9 million, although underpinned by a decline in revenue which fell 23.9% to RMB217.3 million. This was mainly due to an overall decline in domestic consumption of our Dapai brand of products as consumer preference had swung towards more renowned international brand names. In addition, stiffer competition from small unknown local brand names had also undercut prices to remain competitive and to maintain their market share. However the Group was able to secure more OEM sales, which partially mitigated the general decline in sales performance in FY2015.

Amidst lower consumer demands, the Group had to adapt and make changes to the product mix in order to maintain a comparable gross profit margin, when compared to last financial year (FY2015: 22.9%; FY2014: 23.2%).

Dapai Group delivered a decent set of financial results for FY2015 to reiterate the steadfast attitude of the Management to maintain profitability for the past few consecutive years. This commendable performance was achieved in a year marked by economic challenges exacerbated by slowing growth in China.

According to the National Bureau of Statistics of China, China's gross domestic product ("GDP") only expanded by 6.9 percent in 2015, lower than 7.3 percent in 2014 and the weakest since 1990. The Chinese economy grew 6.8 percent in the fourth quarter compared to the same period in 2014, slightly down from 6.9 percent in the previous period and the weakest since the first quarter of 2009. Compared to the previous quarter, the

GDP expanded by 1.6 percent in Q4 FY2015, slowing from a 1.8 percent expansion in the September quarter of FY2015. It is the weakest growth since the first quarter of 2014.

Although we are encouraged by the Management's commitment to endeavour profitability in the Group's sales and operational performance, the Group still recognizes the challenges, that domestic demand volatility will potentially bring about, and the Management will focus sales efforts to secure orders in this area and also our OEM sector.

Looking forward

The weakness in the manufacturing industry is expected to continue in 2016 and the overall economic landscape is likely to still remain challenging. Specifically, the manufacturing industry tends to be highly susceptible to shocks in the global economy.

Given intense competition, cost pressures and a slowing Chinese economy, Management will continue to enforce stringent cost controls to soften the Group's impact from these challenges. The Group has also been maintaining and renewing its short term borrowings when they fall due and the Management is not aware of any adverse circumstances that might cause the financial institutions to withdraw the credit facilities granted to the Group. As at the date of this report, the Group still has unutilised credit facilities with its principal bankers and the Group believes that it will be able to meet its short term obligations and to continue to operate as a going concern.

With references to announcements made on the SGX-ST, the Group had also entered into a proposed placement ("Placement") and memorandum of understanding ("MOU"). The Placement is to issue 198,450,000 new ordinary shares at S\$0.008, to five (5) private investors. An aggregate placement consideration amounting to S\$1,587,600.00 will be raised and

the proceeds will be used for the purposes of paying for the costs and expenses (including professional fees) to be incurred in connection with the proposed transaction in the MOU.

The Group had entered into a MOU with the controlling shareholder of Smart Traffic Co. Ltd. ("Smart Traffic"), in connection with the potential reverse takeover of the Company and will subsequently seek to transfer the listing of and quotation for the shares from the SGX-ST Main Board to the SGX-ST Catalist.

Through this proposed transaction, the Company envisages it will be able to acquire a profitable business with a credible operating track record and capitalise on the growth opportunities of the exciting industry in which Smart Traffic is engaged in, which will go towards enhancing long term shareholder value.

Please refer to the Company's announcement dated 16 February 2016, entitled "Proposed Placement and Memorandum of Understanding" for more information.

A Word of Appreciation

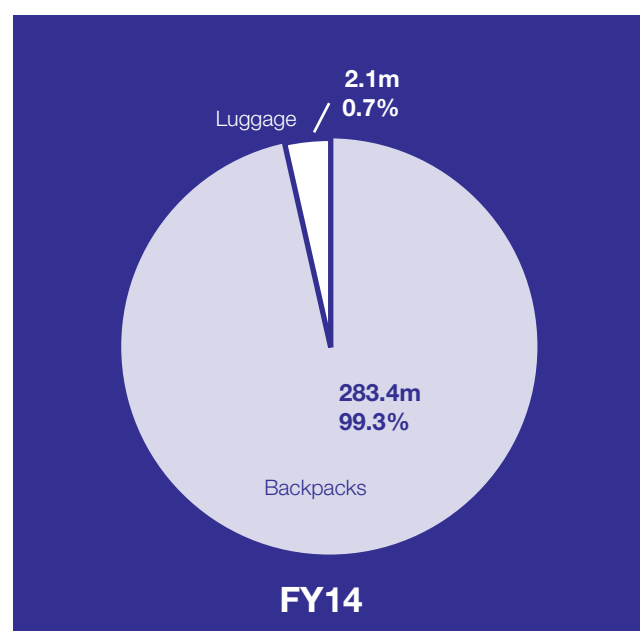
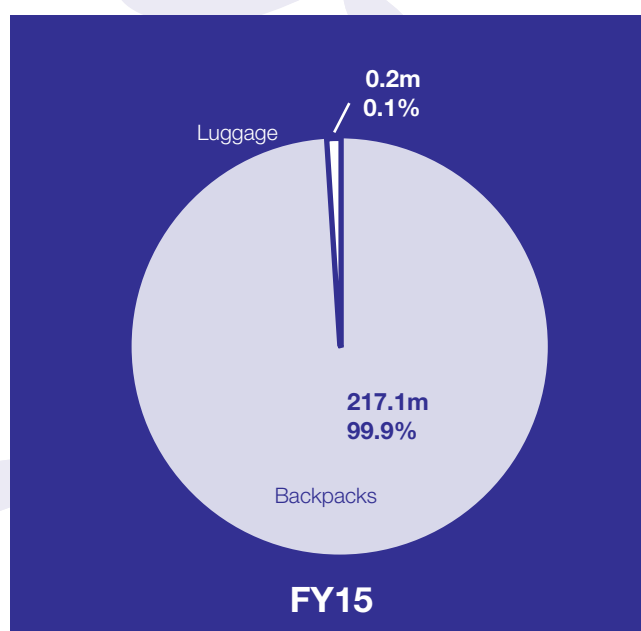
Having experienced another profitable fiscal year in FY2015, I wish to express my sincere thanks to all our shareholders, customers and business associates for their patience and continued support throughout the years. I would like to express my deepest appreciation to our Management and staff for their dedication, commitment and perseverance in all they have done, to strengthen the foundation of the Group as we move forward.

Last but not least, I would like to thank the Board of Directors for their invaluable advice and contribution over the course of the year. Together with the trust and support from all our stakeholders, I am confident that the Group will continue to do its best in the year ahead.

Financial and Operations Review

FINANCIAL REVIEW

Consolidated Income Statement Revenue, Cost of Sales and Gross Profit



	Revenue (RMB' million)	
	FY15	FY14
Backpacks	217.1	283.4
Luggage	0.2	2.1
Overall	217.3	285.5

For the financial year ended 31 December 2015 ("FY 15"), the Group recorded a revenue of RMB217.3 million, a decrease of RMB68.2 million or 23.9%, from RMB285.5 million for the financial year ended 31 December 2014 ("FY 14"). The backpack segment formed almost the entire revenue for FY 15, with insignificant contributions from the luggage segment as the Group continues to focus on backpacks segment.

The decline in overall revenue for FY 15 was due to a reduction in the consumption of our backpacks products within the domestic market. Domestic revenue constituted approximately RMB103.2 million, which was 47.5% of the total revenue for FY 15, as compared to RMB218.1 million (76.4%) of total revenue for FY 14. OEM revenue performed relatively better as contribution was RMB114.1 million, which was 52.5% of FY 15 revenue, as compared to RMB67.4 million (23.6%) for FY 14.

This decline in overall domestic revenue and sales volume was due largely to the swing in consumer preferences towards more renowned international brand named products, when comparing to domestic brand named products in the PRC. In addition, smaller unknown brand named competitors had also undercut prices to remain competitive, resulting in consumers switching to their products. Therefore, Dapai's brand of products, being positioned in the middle segment of these two tiers of competitors, experienced a slow down in demand.

However, as the Group was able to secure more OEM sales in FY 15, this partially offset the decline in overall sales revenue for the financial year under review.

Comparing FY 15 to FY 14, the overall average selling price ("ASP") for backpacks was RMB28.8 in FY 15, as compared to RMB30.7 in FY 14, which declined marginally by RMB1.9 or 6.2%. This decline in overall ASP was due to lower price ranges of backpacks being pushed to the mass market in 4Q 15 as compared to the immediate preceeding periods. In 4Q 15, the Group had pushed more of the lower priced tier backpacks to the market, which its volume was significantly

Financial and Operations Review

higher than the preceeding periods and thus, weighting down the overall ASP in FY 15.

For FY 15, overall cost of sales decreased by RMB51.7 million or 23.6% to RMB167.6 million, and this was directly correspondent to the decline in overall sales volume. In addition, with the utilisation of the raw materials built up in the earlier part of FY 15, the Group was able to realise some costs savings and thus, managed to contribute to the overall decrease in costs of sales for FY 15.

The Group continued to generate a gross profit for the financial year ended FY 15, which amounted to RMB49.8 million in FY 15, as compared to RMB66.2 million in FY 14. In FY 15, the overall gross profit margin remained comparable at 22.9%, as compared to 23.2% in FY 14.

Other operating income

For the year FY 15, the Group recorded other operating income of RMB 3.7 million, an increase of RMB 0.8 million or 27.6% from RMB 2.9 million in FY 14. The increase was mainly due to the increased rental income of RMB1.1 million due to a full year of rental income received in FY 15, as compared to seven months in FY 14. However, the absence of RMB 0.2 million of awards, incentives and subsidies and RMB 0.3 million of gains on disposal of property, plant and equipment partially offset the increase in rental income.

Operating expenses

(a) Selling and distribution expenses

Our selling and distribution expenses decreased marginally by RMB0.3 million or 5.3% from RMB5.1 million in FY 14 to RMB4.8 million in FY 15. The decrease was due mainly to the decrease in:

- advertising and promotional expenses of RMB0.7 million;
- staff costs and related expenses of RMB0.3 million; and
- other expenses of RMB0.7 million.

The above decline was partially offset by increase in delivery and related expenses of RMB1.4 million. This increase relates to the increase in port charges, as a result of the higher export activities of our products in FY 15.

(b) Administrative expenses

Our administrative expenses decreased by approximately RMB7.4

million, or 20.2% from RMB36.9 million in FY 14, to RMB29.5 million in FY 15. This was due mainly to a decrease in:

- salaries and related expenses of RMB2.0 million;
- reduction in property taxes of RMB1.7 million, as a portion of these expenses were passed onto the current tenant of the Anhui facility; and
- other miscellaneous expenses (i.e. travelling, depreciation, office, bank charges, etc.) of RMB2.4 million.

In-addition, contributing to the overall decrease in administrative expenses was an increase in foreign exchange gain of RMB1.3 million arising from the appreciation of US dollars against the RMB and increasing proportion of OEM revenue from overseas sales.

(c) Finance costs

In FY 15, our finance costs had decreased by RMB1.7 million. The decrease in interest expense was due mainly to the repayment of bank borrowings outstanding for the year.

(d) Taxation

Taxation in FY 15 was due to the local tax authorities initially assessing the profits for respective quarters, which amounted to RMB1.0 million. In addition, upon the finalisation of the previous financial year's tax assessments for a certain subsidiary in 2Q 15, an underprovision of tax of RMB0.2 million was charged by the tax authorities.

FINANCIAL POSITION

Non-current assets

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

Land use rights amounted to RMB25.7 million and RMB26.3 million as at 31 December 2015 and 31 December 2014, 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 RMB159.2 million and RMB171.9 million as at 31 December 2015 and 31 December 2014, respectively. Property, plant and equipment comprised mainly buildings, plant and machinery, furniture, fixtures, office equipment and motor vehicles. The



Financial and Operations Review

decrease was due mainly to the depreciation charged during the financial year, amounting to RMB13.5 million, which was partially offset by additions of RMB0.8 million. This relates to replacement of sewing and stitching and related equipment.

The net book value of investment property amounted to RMB30.3 million and RMB32.0 million as at 31 December 2015 and 31 December 2014, respectively. The decrease was due to the depreciation charged during the financial year.

Current Assets

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

The increase in inventories was due mainly to the Group utilizing the previously built up raw materials in 2Q 15, which had been converted to work in progress as at 31 December 2015. This increase in work in progress was in anticipation of 2016's sales.

Trade receivables amounted to RMB45.6 million and RMB60.0 million as at 31 December 2015 and 31 December 2014, respectively. The lower trade receivables as at 31 December 2015 was due to receipts, coupled with the contraction in sales for financial year, thus, lesser revenue and trade receivables were recognized. Based on the aging of the trade receivables, 36.9% are 30 days past due and not provided for.

These receivables relates to mainly to three debtors whom had been appointed distributors for our Group for at least 2 years and have had very good repayment records. They had previously requested for an extension of credit period, and had committed to settle all over due debts by FY 2015. However, due to certain financial difficulties and also slower receipts on their end, these debtors were unable to fulfil their commitment to settle all outstanding debts as at year end FY 15.

The Group had reached an agreement with these debtors to repay the debts over instalment period, ranging from nine months to twelve months in FY 2016 and all debts are to be settled by the expiry of the instalment agreement. As at date of this report, the first instalments from these debtors had been collected. Therefore, the management is of the opinion that no additional provision for doubtful debts is required for these debtors.

Prepayments and other receivables amounted to RMB18.4 million and RMB21.3 million as at 31 December 2015 and 31 December 2014, respectively. The decrease of RMB2.9 million during the year was due mainly to lesser deposits placed with suppliers, for the purchase of raw materials and the utilisation of VAT recoverable during the year.

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 RMB10.1 million and RMB15.2 million as at 31 December 2015 and 31 December 2014, respectively. The decrease was due mainly to the Group making payments to suppliers and to clear the bills payables.

Accrued liabilities and other payables amounted to RMB6.3 million and RMB8.2 million as at 31 December 2015 and 31 December 2014, 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 decrease was due to the utilisation of certain customers' deposits (against trade debts), coupled with a reduction in customers' deposits received during 4Q 15.

The reduction in amounts due to a director was due to the continual repayments made during the financial year. Notwithstanding the repayments made to a director, the Board is of the reasonable opinion that, after having made due and careful enquiry and after taking into account our Group's positive cash flows generated from our operating activities, together with the credit facilities available to us and our existing cash and cash equivalents, the working capital available to us as at 31 December 2015 is sufficient for our present requirements and for the next 12 months.

Interest-bearing bank borrowings amounted to RMB189.3 million and RMB226.4 million as at 31 December 2015 and 31 December 2014, respectively. The decrease was due mainly to the repayment of bank borrowings during the year, particularly in 4Q 15.

Financial and Operations Review

The reduction of income tax payables was due largely to the payment of last year's income tax payables.

Cash Flow

Cash and cash equivalents amounted to RMB6.2 million and RMB33.8 million as at 31 December 2015 and 31 December 2014, respectively.

For FY 15, net cash generated from operating activities amounted to approximately RMB27.3 million.

Cash used in investing activities amounted to approximately RMB0.5 million, which relates to the purchase of property, plant and equipment of RMB0.8 million, which was partially offset by interest income received of RMB0.3 million.

Net proceeds of RMB6.0 million was realised upon the maturity and disposal of the short term investment, that was purchased in 2Q 15.

The net cash used in financing activities was mainly resultant of the net repayment of bank borrowings, amounting to approximately RMB37.0 million. In addition, interest payments of RMB13.1 million and the repayment of RMB7.4 million to a Director, during the year, further contributed to the overall cash used in financing activities. Therefore, resulting in the overall net cash used in financing activities of RMB54.5 million for the year.

As a result, the net decrease in cash and cash equivalents for FY 15 amounted to approximately RMB27.7 million.

OPERATIONS REVIEW

With the earnest and conscientious efforts of the Management, the Group had in FY 15 remained profitable and had generated positive cashflows for yet another financial year. The Group had, and will continuously be working closely with the existing distributors to continue its marketing efforts to push affordable products to the markets, yet yielding decent margins for the Group. In addition, the Group will continue to control both manufacturing costs and overheads via the right sizing of its operations, barring any unforeseen circumstances.

The industry still remains competitive and domestic customers, being exposed to international options have a greater choice to choose from. The management team will continue to closely monitor market developments and adjust its strategy accordingly.

The Board of Directors, together with the management, would like to highlight that the trend of demand contraction might continue to affect domestic sales as consumers continue to choose from more renowned international brands, when compared to domestic brands. In addition, price competition continue to affect the industry as smaller unknown brand names/ players are cutting prices just to remain competitive.

The Group will continue to work closely with our distributors, to its best endeavours, to maintain the current positive trend.

As at 31 December 2015, 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 RMB74.7 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 announcement entitled, "The Placement and Memorandum of Understanding", dated 16 February 2016, the Company had on 4 April 2016 received the approval in principle from the SGX-ST for the listing of and quotation for the placement shares on the Mainboard of the SGX-ST.

In-addition, the Company 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.

On 5 April 2016, the Company received the approval for its extension of time till 5 September 2016 to meet the requirements of Listing Rule 1314 for exit from the Watch-List based on the Financial Entry criteria.

In the meantime, shareholders of the Company and potential investors should continue to 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.

Board of Directors

Chen Xizhong *Executive Chairman*

Chen Xizhong was appointed to our Board on 26 December 2007. He is the founder of our Group and is responsible for the strategic development of our Group. Chen Xizhong has over 20 years of experience in the backpack industry. He joined the Huian Leather Company, a state owned enterprise engaged in the manufacturing of backpacks in 1982 as an apprentice and was eventually promoted to the head of the sales department of Huian Leather Company. He left Huian Leather Company in December 1994 and went on to work in Dabao in 1995 and was subsequently made the executive director. After gaining much expertise, Chen Xizhong incorporated Dapai in April 2003. He has been in charge and responsible for Dapai's daily operations and was eventually made the executive director of Dapai, a position which he still holds today. Chen Xizhong graduated from Fujian Huian Province Number One Secondary School in 1980 with a certificate in Business. Throughout his years in the backpack industry, he has won many awards such as "Chinese Entrepreneur Figures of the year 2000". He has also assumed leadership positions in a number of various organisations in China such as the Vice-Chairman of Quanzhou Fengze North Street Federation of Overseas Chinese Citizens since 2004, and Vice-Chairman of Quanzhou Sino-Foreign Enterprise Society since 2007. Chen Xizhong is also a member of various other associations in China such as being a committee member of the 12th Chinese People's Political Consultative Conference of Huian County in 2006.

Chua Meng Hing *Lead Independent Director*

Chua Meng Hing was appointed to our Board on 2 April 2012. Currently, he is the Managing Director (PRC) for Transaction Origination of Stirling Coleman Capital Limited. Prior to the current appointment, he was the Vice President and Director of Finance of Xylem China and India (a Company resulting from the spin-off of ITT Corporation).

He started his career since 1991 in various big auditing firms, namely, KPMG, PricewaterhouseCoopers and Arthur Andersen. He was also the Financial Controller of Compart Asia Pte Ltd from October 1995 to September 1997 and the Operations Director of Edgematrix Pte. Ltd in 2000.

Chua Meng Hing obtained his Bachelor of Accountancy from the National University of Singapore in 1991 and is also a Certified Public Accountant, Institute of Singapore Chartered Accountants.

Hu Jirong *Independent Director*

Hu Jirong, aged 57, is an independent non-executive Director of the Company. Mr Hu graduated from Jiangxi University of Finance and Economics in 1983 and obtained a master degree in Business Administration from the Open University of Hong Kong in 2000. He holds a Certified Public Accountant license in the PRC. Mr Hu has been the deputy head of Accounting Department in the College of Management of Fuzhou University. Mr Hu has taken up a number of public service positions including a specially contracted auditor of the Fujian Provincial Audit Office and a committee member of the Professional Conduct Committee of Fujian Institute of Certified Public Accountants. Mr Hu has published numerous articles and research reports in the PRC. He is also a member of each of the Audit Committee, the Compensation Committee and the Nomination Committee of the Company.

Board of Directors

Richard Tan Kheng Swee *Independent Director*

Richard Tan Kheng Swee was appointed to our Board as our Independent Director on 30 April 2012.

He has more than a decade of experience in legal practice as a corporate lawyer and is currently the managing director of LegalNexus LLC, a Singapore law firm. His practice includes advising and representing companies in a wide range of commercial transactions such as asset acquisitions, initial public offerings and other fund raising exercises, mergers and acquisitions, corporate advisory and compliance involving both listed and private companies. Prior to his current appointment, he previously practised in a mid-sized Singapore Law Practice as well as a mid-sized law firm in Victoria, Australia, where he advised on a range of matters in relation to corporate advisory, mergers and acquisitions, cross-border refinancing and intellectual property.

He currently serves as an Independent Director of Mirach Energy Limited, Hu An Cable Holdings Ltd. and Jumbo Group Limited, which are companies listed on the SGX-ST.

He obtained a Bachelor of Laws (Honours) from the National University of Singapore in 2003, and a Bachelor of Science (Honours) from the University of Melbourne, Australia, in 2000. He is an Advocate & Solicitor of the Supreme Court of Singapore, and a Barrister & Solicitor of the Supreme Court of Victoria, Australia.

Tan Chade Phang *Independent Director*

Tan Chade Phang is the CEO and founder of Voyage Research since 2009 till present. Prior to setting up Voyage Research, he was an Investment analyst with Standard Charter Bank Singapore from 2007 to 2008, and was also the lead Investment Analyst in SIAS Research from 2005 to 2006.

He is currently also the President of the Small and Middle Capitalisation Association (SMCCA) where he actively tries to gather small and middle capitalisation companies within a single entity to work closely with the authorities and professionals to improve the visibility and governance standards of its members.

Fong Pin Jan *Non-executive Director*

Fong Pin Jan is an Executive Director for Business Development in Nico Steel Holdings Limited since May 2015. He is also the Director of True Corporate Advisors Pte Ltd, a company he founded in 2009, which involved in providing general advisory work and private equity investments to high net worth clients. In 2014, he co-founded and is also the Director of The Art Fellas Pte Ltd, dealing on contemporary art gallery focusing on Singaporean and South East Asian art. He graduated from the Nanyang Technological University with a Bachelor of Accountancy (Honours) in 1998. He is a Chartered Accountant with the Institute of Singapore Chartered Accountants.



Key Management

Ng Kiat Peen *Chief Financial Officer*

Ng Kiat Peen joined our Group as Chief Financial Officer in July 2011. He oversees and coordinates the operation of our Group's finance department as well as manages all the financial and accounting functions of our Group.

Prior to joining our Group, Mr Ng was the Chief Financial Officer of China Angel Food Limited from 2009 to 2011. Preceding this appointment, he was the Chief Financial Officer of China Oilfield Energy Co. Ltd from 2008 to 2009, and the Financial Controller of China Xiangge Land Pte Ltd from 2007 to 2008. Between 2006 and 2007, he was the Finance Manager of Federal Trust (Singapore) Pte Ltd. He had also worked in professional audit firm Ernst & Young from 1999 to 2006.

Mr Ng graduated with a Bachelor degree in Accounting and Finance from Curtin University of Technology in 1998. He is a member of the Institute of Singapore Chartered Accountants.

Zhuang Jian Cheng *Vice President*

Zhuang Jian Cheng graduated from Hunan University in Changsha, China. From 2005 to 2008, he was working in a local government agency as a purchasing assistance. He later joined the Group in 2008 as a Purchasing Assistant, and was promoted to Purchasing Manager in 2010. In 2012, he was again promoted to head the sales department in one of the Group's subsidiary company. In 2014, he was promoted to the position of Assistant Vice President, working alongside the then Vice President. With his working experience and knowledge of the industry, he was promoted to Vice President, to assist the Executive Chairman, in overseeing the daily operating matters and is in charge of formulating the Group's marketing and sales strategies.

Lin Min Pei *Production director*

Lin Min Pei joined our Group in 2001 and had risen through the ranks to be promoted to Assistant Production Manager in 2008. He was again promoted in 2010 to Production Manager. With his vast production knowledge and experience, he was promoted to Production Director in 2015.

Wang Bin *Administration director*

Wang Bin joined our Group in 2004 as our human resources and administration manager. Previously, he held managerial positions in various companies such as Liuan Transportation Company, Anhui Province, where he was responsible for the Company's general administrative and human resource matters from 1991 to 1995 before establishing his own human resource company in 1995. He graduated from Anhui Radio & TV University in 1991 with a degree in Business Administration.

Corporate Information

Directors

Chen Xizhong (Executive Chairman)
Fong Pin Jan (Non- Executive Director)
Chua Meng Hing (Lead Independent Director)
Hu Jirong (Independent Director)
Richard Tan Kheng Swee (Independent Director)
Tan Chade Phang (Independent Director)

Joint Company Secretaries

Lim Heng Chong Benny
Chin Su Xian
Codan Services Limited
(Assistant Company Secretary)

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

High Technology Zone of Fengze District
Quanzhou City
Fujian Province
The People's Republic of China

Legal Advisers to the Company as to Singapore law

Rajah & Tann LLP
9 Battery Road #25-01
Straits Trading Building
Singapore 049910

Legal Advisers to the Company as to Bermuda law

Conyers Dill & Pearman Pte. Ltd.
9 Battery Road #20-01
Straits Trading Building
Singapore 049910

Auditors

Moore Stephens LLP
10 Anson Road, #29-15
International Plaza
Singapore 079903

Partner-in-charge: Ng Chiou Gee Willy
(Appointed since financial year ended 31 December 2012)

Singapore Share Transfer Agent

B.A.C.S. Private Limited
8 Robinson Road
#03-00
ASO Building
Singapore 048544

Bermuda Share Registrar

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers

Industrial Bank Co., Ltd., Huian Branch
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Donghua Island, Luocheng Town, Huian County
Quanzhou City
Fujian Province
The People's Republic of China

Bank of China Co.,Ltd.,
Huian Branch
No.1, Shi Ling Street, Luocheng Town, Huian County
Quanzhou City
Fujian Province
The People's Republic of China

Huishang Bank
Block A, Tianhui Building
79, Anqing Road
Hefei, Anhui Province
The People's Republic of China



Corporate Governance Report

Dapai International Holdings Co. Ltd. (the “**Company**”) is committed to ensuring and maintaining a high standard of corporate governance within the Company and its subsidiaries (the “**Group**”). Good corporate governance establishes and maintains a legal and ethical environment for the Group, which helps to preserve and enhance the interests of all shareholders.

This report describes the corporate governance framework and practices of the Company with specific reference to the principles of the Singapore Code of Corporate Governance introduced in 2012 (the “**2012 Code**”).

This Report should be read as a whole, instead of being read separately under the different principles of the 2012 Code.

(A) BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1 : Every company should be headed by an effective board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

Role of the Board of Directors (the “Board”)

The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It supervises the Management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

- a. approve the business strategies including significant acquisition and disposal of subsidiaries or assets and liabilities;
- b. approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;
- c. approve the release of the Group’s quarterly and full year’s financial results and interested person transactions;
- d. oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls, as may be recommended by the Audit Committee;
- e. review the performance of the management, approve the nominees to the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee;
- f. review and endorse the framework of remuneration for the Board and key executives, as may be recommended by the Remuneration Committee; and
- g. renew and endorse corporate policies in keeping with good corporate governance and business practice.

The Board provides shareholders with a balanced and understandable assessment of the Group’s performance, position and prospects on a quarterly basis.

To assist in the execution of its responsibilities, the Board has established a number of Board committees which include an Audit Committee (“**AC**”), a Nominating Committee (“**NC**”) and a Remuneration Committee (“**RC**”), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

Corporate Governance Report

Board Meetings and Meetings of Board Committees

The Board meets on a quarterly basis and whenever necessary for the discharge of their duties. Dates of the Board meetings are normally set by the Directors well in advance. Meetings of the Board and Board Committees may be conducted by way of telephone and video conferencing, if necessary.

The schedule of all the Board Committee meetings for the calendar year is usually given to all the Directors well in advance during each quarter. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances.

The number of meetings held by the Board and Board committees and attendance held in the financial year ended 31 December 2015 are as follows:

Directors	Board		AC		NC		RC	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Chen Xizhong	6	6	N/A	N/A	1	1	N/A	N/A
Chua Meng Hing	6	5	4	3	1	0	1	0
Hu Jirong	6	4	4	3	1	1	1	1
Richard Tan Kheng Swee	6	6	4	4	1	1	1	1
*Tan Chade Phang	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
**Fong Pin Jan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Appointed as an Independent Director on 1 March 2016 and had been appointed as Chairman of the Audit Committee and member of the Nomination and Remuneration Committee on 4 April 2016.

** Appointed as a Non-Executive Director on 1 March 2016.

Introduction and Training

The Board constantly examines its size and, with a view to determining the impact of its number upon effectiveness, decides on what it considers an appropriate size for itself. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. Upon appointment, each Director will receive a letter of appointment from the Board Chairman explaining his statutory duties and obligations as a member of the Board. In addition, newly appointed Directors will be given briefings by the Board Chairman and/or top Management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors. The Directors are also briefed by professionals either during Board meetings or at separate meetings on regulatory changes which have an important bearing on the Company and the Directors' obligations to the Company. Apart from keeping the Directors informed of all relevant new laws and regulations, the Directors are encouraged to attend training programmes conducted by the Singapore Institute of Directors in connection with their duties as Directors.

The Company welcomes Directors to seek explanations or clarifications from and/or convene informal discussions with the Management on any aspect of the Group's operations or business. Necessary arrangements will be made for the informal discussions or explanations as and when required.

The Company is responsible for arranging and funding the training for new and existing directors. The directors are provided with continuing briefings and updates in areas such as relevant new laws and regulations, directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties as Board or Board committee members. The scope of such continuous briefings and updates includes overview of industry trends and developments, governance practices and developing trends, and changes in trends in governance practices and regulatory requirements pertaining to the business. Where necessary, a first-time director who has no prior experience as a director of a listed company will be provided training in areas such as accounting, legal and industry-specific knowledge as appropriate.



Corporate Governance Report

Board Composition and Balance

Principle 2 : There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board consists of six (6) Directors of whom four (4) are non-executive and independent and one (1) is non-executive. The list of Directors are as follows:

Executive Director

Chen Xizhong (Executive Chairman)

Non-Executive Directors

Fong Pin Jan	(Non-Executive Director)
Chua Meng Hing	(Lead Independent Director)
Hu Jirong	(Independent Director)
Richard Tan Kheng Swee	(Independent Director)
Tan Chade Phang	(Independent Director)

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision-making. The NC is of the view that the current Board size of six (6) Directors, of which one (1) is a Non-executive Director and four (4) are Independent Directors, is appropriate and effective, taking into account the nature and scope of the Company's operations.

The current Board comprises persons with diverse expertise and experience in accounting, legal, business and management, finance and risk management, who as a group provide core competencies necessary to meet the Company's requirements. The Directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

Independence of Directors

The NC reviews the independence of each Director on an annual basis based on the Code's definition of what constitutes an independent Director. The NC is of the view that the four (4) independent Directors (who represent more than half of the Board) are independent and the Board is thus able to exercise objective judgement on corporate matters independently, in particular, from the management. The Board, through its independent Directors, also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its shareholders. No individual or small group of individuals dominate the Board's decision-making process.

None of the Independent Directors has served on the Board of the Company beyond nine years from the date of his first appointment.

The NC is responsible for examining the size and composition of the Board and Board Committees. Taking into account the nature of the Group's businesses, the Board considers a board size of between 5 to 6 members as appropriate. The Board believes that its current board size and composition effectively serves the Group. It provides sufficient diversity without interfering with efficient decision-making.

The NC is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategy and the performance of its business.

Corporate Governance Report

The independent Directors communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Director.

Where necessary, the Company co-ordinates informal meeting sessions for Independent Directors to meet without the presence of the Management to discuss matters such as Board effectiveness and Management's performance.

Chairman and Chief Executive Officer

Principle 3 : There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman of the Board is Mr Chen Xizhong. As the Executive Chairman, Mr Chen Xizhong, is responsible for, among others, the exercise of control over quantity, quality and timeliness of the flow of information between the Management of the Company and the Board.

Mr Chen Xizhong has taken over the duties of the Chief Executive Officer ("CEO") since 20 October 2011. He, together with the Management comprising each subsidiary's general managers and key senior managers, are responsible for the day-to-day management of the Group.

All major decisions made by the Executive Chairman are reviewed by the AC. His performance and appointment are reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As such, the Board believes that there are adequate safeguards in place to ensure a balance of power and authority such that no one individual represents a considerable concentration of power.

As the Executive Chairman, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness and timeliness of information flow between the Board, the Management and shareholders of the Company. He encourages constructive relations between the Board and the Management and between the executive Directors and the Independent Directors. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices.

The Board has appointed Mr Chua Meng Hing as the Lead Independent Non-Executive Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman or the Chief Financial Officer ("CFO") has failed to resolve or for which such contact is inappropriate.

Board Membership

Principle 4 : There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC is chaired by Mr Richard Tan Kheng Swee (an Independent Director) with the following Directors as members:

Chen Xizhong	(Executive Director)
Chua Meng Hing	(Lead Independent Director)
Hu Jirong	(Independent Director)
Tan Chade Phang	(Independent Director)



Corporate Governance Report

The primary functions of the NC in accordance with the Terms of Reference (“**TORs**”) are as follows:

- to identify candidates and review all nominations for the appointment or re-appointment of members of the Board, the CEO, and to determine the selection criteria;
- to ensure that all Board appointees undergo an appropriate induction programme;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly where the Director has multiple board representations;
- to review the independence of each Independent Director annually;
- to decide how the Board’s performance may be evaluated and propose objective performance criteria for the Board’s approval; and
- to evaluate the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board.

For the year under review, the NC held one (1) meeting.

Under the Company’s existing Bye-Laws, each Director shall retire from office at least once every three years. The NC has adopted the procedure that at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not lesser than one-third) shall retire from office by rotation at each annual general meeting. The Directors will thus submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) year. In reviewing and recommending to the Board the re-nomination and re-election of existing Directors, the NC takes into consideration the Directors’ contribution and performance at Board meetings, including attendance, preparedness, participation and candour.

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a Director.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company and the Group, notwithstanding that some of the Directors have multiple board representations and that each Director’s directorships was in line with the Company’s guideline of a maximum of five (5) listed company board representations and that each Director has discharged his duties adequately.

In its search and nomination process for new Directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

For the re-appointment of a retiring director, the NC takes into consideration the director’s contribution and performance which are determined by factors such as attendance, preparedness, participation and candour (as well as contribution to the effectiveness of the Board) before making its recommendation to the Board. The NC is of the view that each individual Director has contributed to the effectiveness of the Board as a whole and has recommended the re-election of Mr Chua Meng Hing and Mr Hu Jirong pursuant to Bye-Law 86 of the Company’s Bye-Laws, Mr Tan Chade Phang and Mr. Fong Pin Jan, pursuant to Bye-Law 85(6) of the Company’s Bye-Laws.

The NC conducts an annual review of Directors’ independence and is of the view that Mr Chua Meng Hing, Mr Richard Tan Kheng Swee, Mr Hu Jirong, Mr Tan Chade Phang are independent and that, no individual or small group of individual dominates the Board’s decision-making process.

Corporate Governance Report

When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new Director. The NC then meets with the shortlisted potential candidates with the appropriate profile before nominating the most suitable candidate to the Board for appointment as Director.

Key information on the directors is set out below:-

Name of Directors	Position	Date of first appointment as a Director	Date of last re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-appointment at the AGM
Chen Xizhong	Executive Chairman	26 December 2007	29 April 2015	None	None	None	N.A.
Fong Pin Jan	Non-Executive	1 March 2016	N.A.	Nico Steel Holdings Limited	1. Daqing Dairy Limited 2. Global Milk Products Limited 3. Sino Construction Limited	None	Retirement by rotation (Bye-Law 85(6))
Chua Meng Hing	Lead Independent Director	2 April 2012	29 April 2014	China Auto Electronics Group Limited	None	None	Retirement by rotation (Bye-Law 86)
Hu Jirong	Independent Director	15 July 2011	30 April 2013	1. China Green Agriculture, Inc. 2. Fujian Cement Inc. 3. Fujian Tengxin Food Co.,Ltd.	1. China Green Agriculture, Inc. 2. Fujian Cement Inc. 3. Fujian Tengxin Food Co.,Ltd.	None	Retirement by rotation (Bye-Law 86)
Richard Tan Kheng Swee	Independent Director	30 April 2012	29 April 2015	1. Mirach Energy Limited 2. Hu An Cable Holdings Ltd. 3. Jumbo Group Limited	1. Mirach Energy Limited 2. Medtecs International Corporation Limited	None	N.A.
Tan Chade Phang	Independent Director	1 March 2016	N.A.	Starland Holdings Limited	Starland Holdings Limited	None	Retirement by rotation (Bye-Law 85(6))

Board Performance

Principle 5 : There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board, the Board Committees and each individual Director.



Corporate Governance Report

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board and Board Committees, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with the Management and standards of conduct of the Directors. Replacement of a Director, when it happens, does not necessarily reflect the Directors' performance or contribution to the Board, but may be driven by the need to align the Board with the medium or long term needs of the Group.

In the course of the year, the NC has conducted the assessment by preparing a questionnaire to be completed by each Director, of which were then collated and the findings were analyzed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board.

Access to Information

Principle 6 : In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To assist the Board in fulfilling its responsibilities, the Management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. All Directors have separated and independent access to the Management, including the Company Secretary at all times.

The Joint Company Secretaries and/or their representative attends all scheduled meetings of the Company and prepares minutes of meetings. They are responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

Changes to regulations are closely monitored by the Management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during Board meetings.

The Directors and the Chairmen of the respective committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7 : There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises of entirely Non-Executive and Independent Directors:

Chua Meng Hing	(Chairman)
Hu Jirong	
Richard Tan Kheng Swee	
Tan Chade Phang	

The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

Corporate Governance Report

The responsibilities of the RC in accordance with the TORs include the following:

- to review Directors' fees to ensure that they are at sufficiently competitive levels;
- to review and advise the Board on the terms of appointment and remuneration of its members, CEO, key executive officers, senior management of the Group and all managerial staff who are related to any of the Directors or the CEO or substantial shareholders;
- to review the terms of the employment arrangements with the Management so as to develop consistent group wide employment practices subject to regional differences;
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme; and
- to review and approve any proposals or recommendations relating to senior management's remuneration.

The RC reviews all aspects of remuneration and compensation packages including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind.

No Director is involved in determining his own remuneration.

For the year under review, the RC held one (1) meeting.

Level and Mix of Remuneration

Principle 8 : The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key Management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC takes into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance-related elements of remuneration form a significant part of the total remuneration package of the Executive Director and is designed to align the Directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration commensurate with the contribution and responsibilities of the Directors. The Company submits the quantum of Directors' fees of each year to the shareholders for approval at each Annual General Meeting ("AGM").

Non-Executive Directors have no service contracts. The Executive Director has service contract with the Company and he did not receive Directors' fees for the year under review.

Disclosure on Remuneration

Principle 9 : Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key Management personnel, and performance.

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Director and senior management commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key executives) is reviewed periodically by the RC and the Board.

Corporate Governance Report

The Independent Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent, as well as the responsibilities and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive and thereby maximise shareholder value. Directors' fees are recommended by the Board for approval at the Company's AGM.

The Executive Director do not receive directors' fees but are remunerated as members of Management. Their remuneration package comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. Service contracts for Executive Director, are for a fixed appointment period and do not contain onerous removal clauses.

The Company has no employee share option scheme or any long-term scheme in place.

A breakdown (in percentage terms) of the remuneration of the Directors and the key management personnel (who are not also Directors) for the financial year ended 31 December 2015 is set out below:

Remuneration of the Directors

Name	Base/fixed salary ^(#) %	Variable or performance related income/bonus ^(#) %	Director's fee %	Benefits in Kind %	Total %
Executive Director					
Chen Xizhong ⁽¹⁾	94.2	1.0	–	4.8	100.0
Independent Directors					
Chua Meng Hing ⁽²⁾	–	–	100.0	–	100.0
Hu Jirong ⁽³⁾	–	–	100.0	–	100.0
Richard Tan Kheng Swee ⁽²⁾	–	–	100.0	–	100.0

⁽¹⁾ Between S\$250,000 and S\$260,000

⁽²⁾ S\$50,000 and below

⁽³⁾ Below S\$25,000

Remuneration of top 5 key management personnel (who are not also Directors or CEO)

Remuneration band and names of key management personnel (who are not also Directors or CEO)	Based/fixed salary %	Variable or performance related income/bonus %	Benefits in Kind %	Total %
Below S\$250,000				
Ng Kiat Peen	80.4	13.4	6.2	100.0
Wang Jin Zhong*	65.3	9.1	25.6	100.0
Wang Bin	71.3	4.9	23.8	100.0
Wang Xin Min**	65.3	9.1	25.6	100.0
Zhuang Jian Cheng***	67.8	5.5	26.7	100.0
Lin Min Pei****	67.8	5.5	26.7	100.0

This is under the service contract. Under the service contract, our Executive Director is also entitled to share a performance bonus (the "Performance Bonus Pool") in respect of each financial year commencing from FY2008, which is calculated based on the consolidated net profit after tax and extraordinary items ("NPAT") (before deducting for such Performance Bonus Pool) of our Group. Since the NPAT for FY2015 did not attain RMB420 million, no performance bonus was paid in FY2015.

* Resigned as Production Director on 31 December 2015.

** Resigned as Vice President on 31 December 2015.

*** Appointed as Vice President on 1 January 2016.

**** Appointed as Production Director on 1 January 2016.

Corporate Governance Report

The Company has not disclosed exact details of the remunerations of its Executive Director, Independent Directors and key management personnel as it is not in the best interest of the Company and the employees to disclose such details due to the sensitive nature of such information and as our industry is highly competitive in respect of the recruitment of experienced executives. The Company has only four key management personnel (who are not also a Directors nor the CEO of the Company). The aggregate of total remuneration paid to or accrued to the top key management personnel (including Executive and Independent Directors) is approximately S\$730,000.00.

There are no employees of the Group who are immediate family members of a Director or the CEO and whose remuneration exceeds S\$50,000 during the financial year ended 31 December 2015.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10 : The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board endeavors to ensure that the annual audited financial statements and quarterly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through announcements via SGXNET.

The Management currently provides the Board with management accounts of the Group's performance, position and prospect on a regular basis.

Risk Management and Internal Controls

Principle 11 : The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk Management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management reviews regularly the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. In addition, the external auditors have reviewed the Group's internal controls that are relevant to the audit and any control weaknesses and improvements noted had been reported to the AC, together with their recommendation. The Management will follow-up on the auditors' recommendations so as to strengthen the Group's internal control systems.

The Board ensures that the Management maintains a sound system of internal controls and effective risk Management policies to safeguard the shareholders' investment and the Company's assets and in this regard, is assisted by the AC which conducts the reviews.

The Company's internal and external auditors conduct annual reviews of the effectiveness of the Company's material internal controls and risk assessment at least annually to ensure the adequacy thereof. In addition, annual review to ensure that safeguards, check and balances are put in place to prevent any conflict of interest or any weakening of internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.

In respect of the internal audits conducted in FY2014, the internal auditors had recommended improvement points over certain controls which have been accepted in its entirety and fully implemented by Management in FY2015. The Management had reported to the AC during the meetings held in FY2015 that the internal control recommendations proposed by the internal auditors have been implemented and will be monitored regularly for its effectiveness.



Corporate Governance Report

Based on the internal controls established and maintained by the Group, work performed by the external auditors, the on-going review and continuing efforts at enhancing controls and processes, the Board, with the concurrence of the AC, is of the opinion that internal controls addressing the Group's material financial, operational, compliance and information technology risks and the risk management systems to meet the needs of the Group in its current business environment, is adequate as of 31 December 2015.

The Board has received written assurance from the CEO and the CFO that:

- (a) The financial records of the Group have been properly maintained and financial statements for the financial year ended 31 December 2015 give a true and fair view of the Group's operations and finances; and
- (b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

The Company has complied with Rule 712 and Rule 715 of the Listing Manual in the relation to auditing firms.

The Group has done up a documentation on its risk profile which summarizes the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the AC and the Board annually. The documentation provides an overview of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type and the various assurance mechanism in place. It allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process. This documentation on the Group's risk profile had been updated in FY2015 and had been reviewed by the AC and the Board. No significant change in the risk profile of the Group had been noted in FY2015.

Risks arising from the Group's financial operations are separately discussed in Notes to the Financial Statements on pages 68 to 74.

Audit Committee

Principle 12 : The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises of entirely non-executive Independent Directors:-

Tan Chade Phang	(Appointed as Chairman on 4 April 2016)
Chua Meng Hing	
Hu Jirong	
Richard Tan Kheng Swee	

It, inter alia, oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group.

All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having recent and relevant accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

For the year under review, the AC held four (4) meetings with the Management and the external auditors to discuss and review the following matters in accordance with the TORs:-

- the audit plans of the external auditors of the Company, and their reports arising from their audit;
- the adequacy of the assistance and cooperation given by the Company's Management to the external auditors;
- the financial statements of the Company and the consolidated financial statements of the Group;

Corporate Governance Report

- the quarterly and annual announcement of the results of the Group before submission to the Board for approval;
- the adequacy of the Group's internal controls addressing financial, operational, compliance and information technology risks and in respect of the management, business and service systems and practices;
- the cost effectiveness, independence and objectivity of the external auditors;
- the approval of compensation to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;
- the recommendation to the Board for the appointment or re-appointment of the internal and external auditors of the Company;
- to report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with.

In performing its functions, the AC :

- met once with the external auditors and internal auditors, without the presence of the Company's Management, and reviewed the overall scope of the external and internal audit and the assistance given by the Management to the auditors;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function properly; and
- has full access to and cooperation of the Management and full discretion to invite any Director or executive officer to attend its meetings.

The external auditors and internal auditors have unrestricted access to the AC.

The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.

The AC meets on a quarterly basis to review the quarterly and audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the AC reviews the key areas of the Management's judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the financials.

The AC evaluates the adequacy and effectiveness of the internal control and regulatory compliance of the Company through discussion with the Management and its auditors.

The AC discusses with the Management the significant internal audit observations, together with the Management's responses and actions to correct any deficiencies. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.

The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.

The AC meets with the internal auditor and the external auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.



Corporate Governance Report

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with training conducted by professionals or external consultants.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. No non-audit fees were paid to the external auditors. Details of the fees paid to the external auditors for the year ended 31 December 2015 are disclosed under Notes to the Financial Statements in page 53 of the Annual Report. The AC recommends to the Board the re-appointment of Moore Stephens LLP as the external auditors of the Company at the forthcoming Annual General Meeting.

The Company has put in place a whistle-blowing policy endorsed by the AC, by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the AC. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group had appointed Messrs BDO LLP as its outsourced internal auditor since 2012 to 2014. Messrs BDO LLP assists the Group in reviewing the adequacy and effectiveness of the Group's internal controls based on an annual internal audit plan that covers applicable financial, operational, compliance and information technology controls. As part of the internal audits, they also provide recommendations to the AC and the Board to address any weaknesses in its internal controls.

Messrs BDO LLP will perform annual internal audit planning in consultation with, but independent of the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the internal auditor may be involved in ad hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns. Messrs BDO LLP is provided with access to the Company's properties, information and records and performs their reviews in accordance with the BDO Global IA methodology which is consistent with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. As the Group's outsourced internal auditors, Messrs BDO LLP is required to provide staff of adequate expertise and experience to conduct the internal audits.

Messrs BDO LLP reports to the AC on internal audit matters and reports administratively to the Executive Director. The AC also reviews and approves the annual internal audit plans and resources to ensure that Messrs BDO LLP has the necessary resources to adequately perform its functions.

In FY2015, the AC had considered the following factors in their assessment of whether it was necessary to commission a separate internal audit: (a) a complete internal audit review cycle had been completed in the past two (2) years, (b) there were no significant change in the Group's business and operating environment in FY2015, (c) an update on the Group's material risk profile was performed by the management, (d) the management had on a regular basis updated the Board on the Group's business activities, and such updates were consistent with the AC's understanding of the overall business risks, and (e) the AC had tasked the Management to conduct an overview on the overall internal control environment, which included the general accounting process, sales and receipts process and the purchases and payment process, which no significant changes in these internal control environment were noted, and had been highlighted to the Board and AC. In addition, the Board and AC had also considered the external auditor's management letter points, which did not highlight any major areas of concern requiring immediate actions by the Board and AC. Having considered these factors, the AC is of the view that an internal audit for FY2015 to be not cost effective. However, the AC will be commissioning an internal audit review for FY2016.

Corporate Governance Report

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14 : Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company recognizes the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Company strongly encourages shareholder participation during the AGM which will be held in a convenient location in Singapore. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business related matters.

Communication with Shareholders

Principle 15 : Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Quarterly results are published through the SGXNET and news releases. All information of the Company's new initiatives is disseminated via SGXNET.

The Company does not practise selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period. All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also advertised in the newspapers.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to Shareholders via announcements released on SGXNET. No dividends shall be paid to the shareholders for the financial year ended 31 December 2015, as the Company would like to preserve cash flow to improve its general financial position.

Conduct of Shareholder Meetings

Principle 16 : Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at the AGM. The chairmen of the AC, the NC and the RC of the Company will be present at the general meetings to answer questions from the shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. To have greater transparency in the voting process, the Company has adopted the voting of all its resolutions by poll at its general meetings. The detailed voting results of each of the resolutions tabled will be announced immediately at the meeting. The total numbers of votes cast for or against the resolutions will be also announced after the meeting via SGXNET.

The Company Secretary, with the assistance of his representative, prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and the Management. These minutes are available to shareholders upon request.

Corporate Governance Report

(E) DEALINGS IN SECURITIES

The Company has issued a guideline on share dealings to all Directors and officers of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings, to be in line with Listing Rule 1207(19) issued by the SGX-ST.

The Company's code provides that the Company and its Directors and officers are prohibited from dealing in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for the financial year ended 31 December 2015, the Company has complied with Listing Rule 1207(19).

(F) INTERESTED PERSON TRANSACTIONS

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual of the SGX-ST on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:

- The Board meets to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9.
- The AC has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

For the financial year ended 31 December 2015, the following interested person transaction had been carried out:-

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	597,000*	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. The aggregate amount of lease rental collected by the Group to-date had been rounded up to the nearest thousand.

Loan from a Director, Mr. Chen Xizhong, amounting to RMB3.8 million was still outstanding as at 31 December 2015. 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 AC 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.

(G) MATERIAL CONTRACTS

To the best of the Board's knowledge, there were no material contracts involving the interest of the Group Directors, controlling shareholders nor their subsidiaries either as at 31 December 2015 or since the end of the previous financial year.

Directors' Statement

For the financial year ended 31 December 2015

The directors of the Company present their statement to the members together with the audited consolidated financial statements of Dapai International Holdings Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2015 and the audited statement of financial position of the Company as at 31 December 2015.

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon, as set out on pages 31 to 74, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group for the year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due as discussed in Note 2(b) to the financial statements.

1 Directors

The directors of the Company in office at the date of this statement are:

Chen Xizhong	(Executive Director)
Fong Pin Jan	(Non-executive Director appointed on 1 March 2016)
Chua Meng Hing	(Lead Independent Director)
Hu Jirong	(Independent Director)
Richard Tan Kheng Swee	(Independent Director)
Tan Chade Phang	(Independent Director appointed on 1 March 2016)

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Statement

For the financial year ended 31 December 2015

3 Directors' Interests in Shares or Debentures

The directors of the Company holding office at the beginning and the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the register of directors' shareholdings kept by the Company, except as follows:

Name of director and company in which interests are held	Shareholdings registered in name of director		Shareholdings in which director is deemed to have an interest	
	As at 1.1.15	As at 31.12.15	As at 1.1.15	As at 31.12.15
Ordinary shares of S\$0.001 each				
Company:				
Dapai International Holdings Co. Ltd.				
Mr Chen Xizhong	14,100,000	14,100,000	507,000,000*	507,000,000*
Mr Richard Tan Kheng Swee	–	200,000	200,000	–

* Capital Line Investment Limited is an investment holding company incorporated in the British Virgin Islands and is wholly beneficially owned by Mr Chen Xizhong. As such, Mr Chen Xizhong is deemed to have an interest in the shares held by Capital Line Investment Limited in the Company.

There was no change in the above mentioned directors' interests in the shares or debentures of the Company and its related corporations as at 31 December 2015 and 21 January 2016.

4 Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm in which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements. Certain directors also received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 Share Options

Options Granted

During the financial year, there were no share options granted by the Company or its subsidiaries.

Options Exercised

During the financial year, there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Directors' Statement

For the financial year ended 31 December 2015

6 Audit Committee

The Audit Committee ("AC") comprises all independent directors. The members of the AC at the date of this report are as follows:

Tan Chade Phang	(Appointed as Chairman on 4 April 2016)
Chua Meng Hing	
Hu Jirong	
Richard Tan Kheng Swee	

The AC has performed the functions set out in the SGX Listing Manual and the Code of Corporate Governance, including reviewing the following:

- Overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. The AC also met with the Company's external auditors to discuss the results of their examinations and their evaluations of the Company's system of internal accounting controls relevant to the entity's preparation and fair presentation of financial statements;
- The quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 as well as the auditor's report thereon; and
- Interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The AC has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The AC also recommends the re-appointment of the external auditors and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors the nomination of Moore Stephens LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

7 Independent Auditors

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

.....
CHEN XIZHONG
Director

.....
CHUA MENG HING
Director

6 April 2016



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 31 to 74, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, 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 financial position of the Group and of the Company as at 31 December 2015, and the financial performance, 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 2015, the Group's current liabilities exceeded its current assets by RMB73,935,000 (2014: RMB93,838,000) and the Company's current liabilities exceeded its current assets by RMB7,116,000 (2014: RMB2,688,000). Further, the Group has short-term borrowings amounting to RMB189,341,000 (2014: RMB226,378,000) (Note 24) as at 31 December 2015.

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 2015 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 2015, the Group has unutilised credit facilities amounting to approximately RMB74,659,000 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
6 April 2016

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2015

	Note	Group	
		2015 RMB'000	2014 RMB'000
Revenue	5	217,318	285,452
Cost of sales		(167,553)	(219,241)
Gross profit		49,765	66,211
Other income	6	3,686	2,857
Selling and distribution expenses		(4,840)	(5,110)
Administrative expenses		(29,467)	(36,910)
Finance costs	7	(13,127)	(14,833)
Profit before income tax	8	6,017	12,215
Income tax	10	(1,160)	(2,888)
Profit for the year		4,857	9,327
Other comprehensive income		–	–
Total comprehensive income for the year attributable to owners of the Company		4,857	9,327
Earnings per share (RMB cents)			
Basic and diluted	11	0.49	0.94

The accompanying notes form an integral part of these financial statements

Statements of Financial Position

As at 31 December 2015

		Group		Company	
	Note	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
ASSETS					
Non-current assets					
Land use rights	12	25,718	26,312	–	–
Intangible assets	13	59	87	–	–
Property, plant and equipment	14	159,183	171,915	–	–
Investment property	15	30,321	32,013	–	–
Investments in subsidiaries	16	–	–	100,506	100,509
Total Non-current Assets		215,281	230,327	100,506	100,509
Current assets					
Inventories	17	65,636	49,531	–	–
Trade and other receivables	18	64,028	81,386	–	43
Cash and bank balances	19	6,161	36,920	153	101
Total Current Assets		135,825	167,837	153	144
Total Assets		351,106	398,164	100,659	100,653
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	20	5,042	5,042	5,042	5,042
Reserves	21	136,304	131,447	88,348	92,779
Total Equity		141,346	136,489	93,390	97,821
Current liabilities					
Trade and other payables	22	16,322	23,413	3,456	2,832
Loans from a director	23	3,813	11,229	3,813	–
Bank borrowings	24	189,341	226,378	–	–
Income tax payable		284	655	–	–
Total Current Liabilities		209,760	261,675	7,269	2,832
Total Liabilities		209,760	261,675	7,269	2,832
Total Equity and Liabilities		351,106	398,164	100,659	100,653

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2015

Group	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2015	5,042	475,527	65,939	166,883	(576,902)	136,489
Profit for the year	–	–	–	–	4,857	4,857
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	4,857	4,857
Balance as at 31 December 2015	<u>5,042</u>	<u>475,527</u>	<u>65,939</u>	<u>166,883</u>	<u>(572,045)</u>	<u>141,346</u>
Balance as at 1 January 2014	5,042	475,527	65,939	166,883	(586,229)	127,162
Profit for the year	–	–	–	–	9,327	9,327
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	9,327	9,327
Balance as at 31 December 2014	<u>5,042</u>	<u>475,527</u>	<u>65,939</u>	<u>166,883</u>	<u>(576,902)</u>	<u>136,489</u>

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Group	
	2015 RMB'000	2014 RMB'000
Cash Flows from Operating Activities		
Profit before income tax	6,017	12,215
Adjustments for:		
Depreciation of property, plant and equipment	13,529	14,905
Depreciation of investment property	1,692	1,550
Amortisation of land use rights	594	594
Amortisation of intangible assets	28	28
Gain on disposal of property, plant and equipment	–	(333)
Interest income	(302)	(236)
Interest expense	13,127	14,833
Operating cash flows before working capital changes	34,685	43,556
Changes in working capital:		
Inventories	(16,105)	(1,054)
Trade and other receivables	17,358	(18,469)
Trade and other payables	(7,091)	(600)
Cash generated from operating activities	28,847	23,433
Income tax paid	(1,531)	(2,233)
Net cash generated from operating activities	27,316	21,200
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(797)	(1,357)
Acquisition of short term investment	(6,000)	–
Proceeds from disposal of short term investment	6,000	–
Proceeds from disposal of property, plant and equipment	–	2,687
Interest received	302	236
Net cash (used in)/generated from investing activities	(495)	1,566
Cash Flows from Financing Activities		
Proceeds from bank borrowings	211,437	271,243
Repayment of bank borrowings	(248,474)	(253,746)
Increase in loans from a director	3,813	–
Decrease in loans from a director	(11,229)	(3,771)
Decrease in bank deposit pledged	3,100	4,900
Interest paid	(13,127)	(14,833)
Net cash (used in)/generated from financing activities	(54,480)	3,793
Net (decrease)/increase in cash and cash equivalents	(27,659)	26,559
Cash and cash equivalents at the beginning of the year	33,820	7,261
Cash and cash equivalents at the end of the year (Note 19)	6,161	33,820

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the financial year ended 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1 General

Dapai International Holdings Co. Ltd. (the “Company”) is incorporated in Bermuda as an exempt company with limited liability and is listed on the Mainboard of the Singapore Exchange Securities Limited (“SGX-ST”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business is at High Technology Zone of Fengze District, Quanzhou City, Fujian Province, the People’s Republic of China (“PRC”).

The immediate and ultimate holding company of the Company is Capital Line Investment Limited, incorporated in the British Virgin Islands. Capital Line Investment Limited is wholly beneficially owned by Mr Chen Xizhong, the Executive Director of the Company.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 16.

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Directors’ Statement.

2 Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”). These financial statements have been prepared under the historical cost convention, except as disclosed in the significant accounting policies set out in Note 3.

(a) Adoption of New/Revised FRS

Adoption of New/Revised FRS which are effective

The accounting policies adopted are consistent with those of the previous financial year except that, for the financial year ended 31 December 2015, the Group has adopted the following new/revised FRS that are mandatorily effective for the said year and relevant to the Group:

Amendment to FRS 24 *Related Party Disclosures*

This amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendments require the amounts incurred by an entity for such services to be included in the related party disclosures. However, this amount need not be split into components required for other key management personnel compensation (e.g. short-term employee benefits, post-employment benefits, etc.).

As this is a disclosure standard, it did not have any impact on the financial performance of the Group or the financial positions of the Group and the Company when implemented.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2 Basis of Preparation (cont'd)

(a) Adoption of New/Revised FRS (cont'd)

Adoption of New/Revised FRS which are effective (cont'd)

Amendment to FRS 40 *Investment Property*

The amendment clarifies that FRS 40 and FRS 103 are not mutually exclusive. The guidance in FRS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in FRS 103 to determine whether the business acquisition of an investment property is a business combination. The standard is effective for annual periods beginning on or after 1 July 2014.

The amendment did not have any impact on the financial performance of the Group or the financial positions of the Group and of the Company on initial application.

Amendment to FRS 108 *Operating Segments*

The amendment requires the disclosure of judgements made by management in deciding whether to combine operating segments for segment reporting purposes, including the economic indicators that have been assessed in determining whether the aggregated operating segments have similar economic characteristics.

The reconciliation of the total reportable segments' assets to the entity's total assets is required to be disclosed only if segment assets are regularly reported to the chief operating decision maker.

As this is a disclosure standard, it did not have any impact on the financial performance of the Group or the financial positions of the Group and the Company when implemented.

Amendment to FRS 113 *Fair Value Measurement*

The amendment clarifies that the references to financial assets and financial liabilities in FRS 113 should be read as applying to all contracts within the scope of, and accounted for, in accordance with, FRS 39, regardless of whether they meet the definitions of financial assets or financial liabilities in FRS 32 *Financial Instruments: Presentation*.

The adoption of this amendment did not have any material impact on the financial performance of the Group or financial positions of the Group and the Company when implemented.

Amendment to FRS 103 *Business Combinations*

The amendment clarifies that the formation of all types of joint arrangements (and not just joint ventures) are outside the scope of FRS 103. This scope exception applies only to the accounting in the financial statements of the joint arrangements itself.

Amendment to FRS 103 *Business Combinations* is effective prospectively for annual periods beginning on or after 1 July 2015.

The adoption of this amendment did not have any material impact on the financial performance of the Group or financial positions of the Group and the Company when implemented.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2 Basis of Preparation (cont'd)

(a) Adoption of New/Revised FRS (cont'd)

New/Revised FRS which are issued but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group were issued but not yet effective:

		Effective for annual financial periods beginning on or after
Amendment to FRS 1	<i>Disclosure Initiative</i>	1 January 2016
Amendment to FRS 27	<i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendment to FRS 110, FRS 112 and FRS 28	<i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendment to FRS 7	<i>Statement of Cash Flows</i>	1 January 2017
Amendment to FRS 12	<i>Income taxes – Recognition of deferred tax assets for unrealised losses</i>	1 January 2017
FRS 109	<i>Financial Instruments</i>	1 January 2018
FRS 115	<i>Revenue from Contracts with Customers</i>	1 January 2018

Amendment to FRS 1 *Disclosure Initiative*

The amendment to FRS 1 is designed to further encourage entities to apply professional judgement in determining what information to disclose in their financial statements. The amendment also clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The amendment to FRS 1 is effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company when implemented.

Amendment to FRS 27 *Equity Method in Separate Financial Statements*

The amendment to FRS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39 or FRS 109), which currently exists and will continue to be available.

The Group is in the process of assessing the potential impact that will result from the application of Amendment to FRS 27.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2 Basis of Preparation (cont'd)

(a) Adoption of New/Revised FRS (cont'd)

New/Revised FRS which are issued but not yet effective (cont'd)

Amendments to FRS 110, *Investment Entities: Applying the Consolidation Exception*
FRS 112 and FRS 28

The amendments to FRS 110, FRS 112 and FRS 28 regarding consolidation exception are listed below:

- An intermediate parent that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements, even if its investment entity parent measures all of its subsidiaries at fair value.
- A parent company should not consolidate a subsidiary that provides services related to the investment activities of the parent if that subsidiary is an investment entity.
- A non-investment entity investor that applies the equity method to an associate/joint venture investment entity may retain the fair value measurement applied to the subsidiaries of the associate/joint venture investment entity.

An investment entity that measures all of its subsidiaries at fair value should disclose the information that is required by FRS 112 *Disclosure of Interests in Other Entities*.

The Group is of the view that the amendments will not have any impact on the financial performance of the Group or the financial positions of the Group and of the Company on initial application.

Amendments to FRS 7 *Statement of Cash Flows*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities. The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Comparative information for earlier periods is not required.

The Group is of the view that the amendments will not have any impact on the financial performance of the Group or the financial positions of the Group and of the Company on initial application.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2 Basis of Preparation (cont'd)

(a) Adoption of New/Revised FRS (cont'd)

New/Revised FRS which are issued but not yet effective (cont'd)

Amendments to FRS 12 *Income taxes – Recognition of deferred tax assets for unrealised losses*

The amendments clarify the application of FRS 12 to unrealised losses on debt investments, and the assessment of future taxable profits against which deferred tax assets can be recognised. Specifically:

- Deductible temporary differences will result from unrealised losses on debt investments measured at fair value in financial statements, but measured at cost for tax purposes. This is regardless of how the entity intends to realise the investment.
- Estimates of future taxable profits used to assess recoverability of deferred tax assets resulting from deductible temporary differences:
 - includes profits on the recovery of assets for more than their carrying amount if such recovery is probable;
 - includes only income types against which those temporary differences qualify to be deducted under tax legislation; and
 - excludes tax deductions resulting from the reversal of those temporary differences.

Amendments to FRS 12 is effective for annual periods beginning on or after 1 January 2017, with early application permitted.

The Group is of the view that the amendments will not have any impact on the financial performance of the Group or the financial positions of the Group and of the Company on initial application.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 39 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 109 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is in the process of assessing the potential impact that will result from the application of FRS 109.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2 Basis of Preparation (cont'd)

(a) Adoption of New/Revised FRS (cont'd)

New/Revised FRS which are issued but not yet effective (cont'd)

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue standards, FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers*, and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

(b) Going Concern Assumption

As at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB73,935,000 (2014: RMB93,838,000) and the Company's current liabilities exceeded its current assets by RMB7,116,000 (2014: RMB2,688,000). Further, the Group has short-term borrowings amounting to RMB189,341,000 (2014: RMB226,378,000) (Note 24) as at 31 December 2015.

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 2015 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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2 Basis of Preparation (cont'd)

(b) Going Concern Assumption (cont'd)

- (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 2015, the Group has unutilised credit facilities amounting to approximately RMB74,659,000 (2014: 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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(a) Consolidation (cont'd)

Subsidiaries (cont'd)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(b) Land Use Rights

Land use rights measured initially at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line method to profit and loss over the respective lease period of the land use rights, which is 50 years. The amortisation period and amortisation methods are reviewed at each year end. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Intangible Assets

Trademark

Trademarks acquired are measured initially at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line method to profit or loss over 10 years, whichever is the shorter of their estimated useful lives and periods of contractual rights. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the trademarks are accounted for by changing the amortisation period or method, as appropriate. The effects of any revision are recognised in profit or loss when the changes arise.

Computer software

Acquired computer software, which is not an integral part of related hardware, is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line method to profit or loss over their estimated useful lives of 10 years. The amortisation period and amortisation methods are reviewed at each year end. The effects of any revision are recognised in profit or loss when the changes arise.

(d) Property, Plant and Equipment

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is recognised so as to write off the cost of assets less their residual values (if any) over their useful lives, using the straight-line method as follows:

Buildings	10 to 30 years
Plant and machinery	3 to 10 years
Furniture, fixtures and office equipment	3 to 10 years
Motor vehicles	4 to 10 years

No depreciation is provided on properties under construction.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(d) Property, Plant and Equipment (cont'd)

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Investment Property

Investment property held for long-term rental yields and/or for capital appreciation, is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method over the estimated useful life of 30 years. The estimated useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in accounting policies for Property, Plant and Equipment up to the date of change in use.

(f) Investments in Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(g) Impairment of Non-Financial Assets

Non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets have been impaired.

At the statement of financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the amount of impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods and work-in-progress includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal operating capacity.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Allowance for stock obsolescence is made for obsolete or slow moving inventories.

(i) Financial Assets

The Group classifies its financial assets as loans and receivables based on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” and “cash and bank balances” on the statement of financial position.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset has expired, or has been transferred and transferred substantially all the risks and rewards of ownership of the financial asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Impairment (cont'd)

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(j) Cash and Cash Equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, less restricted deposit balances that are pledged to secure banking facilities.

(k) Financial Liabilities

The Group shall recognise a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Interest-bearing loans and borrowings

Borrowings are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(l) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(m) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rental income

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term as set out in specific rental agreements.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(n) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to that and the grants will be received. Government grants that are received for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they are received.

(o) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions to state-managed retirement benefit schemes on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(p) Leases

When the Group is the lessor – operating leases

Leases of investment property where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Contingent rents are recognised as income in profit or loss when earned.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period using the effective interest method in which they are incurred.

(r) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(r) Income Tax (cont'd)

Deferred tax (cont'd)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the statement of financial position date, to recover or settle the carrying amount of its tax assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition when a business combination is initially accounted for but is subsequently realised, the acquirer shall recognise the resulting deferred tax income in profit or loss or a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period.

Current and deferred tax for the year

Current and deferred tax are recognised as an income or an expense in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current and deferred tax arises from the initial accounting for a business combination, the tax effect is taken into account in the accounting for the business combination.

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive personnel who are responsible for allocating resources and assessing performance of the operating segments.

(t) Foreign Currencies

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Renminbi, and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Notes to the Financial Statements

For the financial year ended 31 December 2015

3 Significant Accounting Policies (cont'd)

(t) Foreign Currencies (cont'd)

Transactions and balances (cont'd)

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the statement of financial position date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

Those currency translation differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements that the management has made in the process of applying the Group's accounting policies during the financial year that have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Impairment of Trade and Other Receivables

The Group assesses at each statement of financial position date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

An allowance is made for trade and other receivables, for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for impairment of receivables.

The carrying amount of the Group's trade and other receivables as at 31 December 2015 amounted to RMB64,028,000 (2014: RMB81,344,000) as disclosed in Note 18. For the financial year ended 31 December 2015, no additional allowance for impairment loss of trade and other receivables has been recognised (2014: Nil).

Notes to the Financial Statements

For the financial year ended 31 December 2015

4 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (cont'd)

(b) Income Taxes

The Group has exposure to income taxes in the PRC. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

The carrying amount of the Group's current income tax payable as at 31 December 2015 amounted to RMB284,000 (2014: RMB655,000). For the financial year ended 31 December 2015, the Group has recognised income tax expense of RMB1,160,000 (2014: income tax expense of RMB2,888,000) (Note 10).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Useful Lives of Property, Plant and Equipment, and Investment Property

The costs of property, plant and equipment and investment property are depreciated on a straight-line basis over the assets' estimated useful lives.

Management estimates the useful lives of these property, plant and equipment, and investment property to be within 3 to 30 years. These are common life expectancies applied in these industries. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets. Hence, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment and investment property as at 31 December 2015 are disclosed in Notes 14 and 15, respectively.

A 10% difference in the expected useful lives of these assets from management's estimate would result in the Group's profit before income tax to decrease/increase by approximately RMB1,522,000 (2014: RMB1,646,000).

(b) Impairment of Investments in Subsidiaries

The Company assesses at each statement of financial position date whether there is objective evidence that its investments in subsidiaries is impaired. If any such indication exists, the Company shall estimate the recoverable amount of the investment based on value in use calculations which requires the Company to estimate the future cash flows expected from the relevant cash-generating units and an appropriate discount rate to calculate the present value of these future cash flows. Further details are disclosed in Note 16.

The carrying amount of the Company's investments in subsidiaries as at 31 December 2015 are disclosed in Note 16. For the financial year ended 31 December 2015, no additional allowance for impairment of investments in subsidiaries has been recognised (2014: Nil) to write down the carrying amount of the investments.

5 Revenue

Revenue represents invoiced value of goods delivered less applicable value-added tax and after eliminating sales within the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2015

6 Other Income

	Group	
	2015 RMB'000	2014 RMB'000
Rental income - investment property	2,744	1,601
Interest income on bank deposits	302	236
Government awards and subsidies	79	249
Gain on disposal of property, plant and equipment	–	333
Commissions	170	155
Sundry income	391	283
	3,686	2,857

7 Finance Costs

	Group	
	2015 RMB'000	2014 RMB'000
Interest expense on bank loans	13,127	14,833

8 Profit before Income Tax

		Group	
	Note	2015 RMB'000	2014 RMB'000
Profit before income tax has been arrived at after charging:			
Amortisation of land use rights			
- Recognised in administrative expenses	12	594	594
Amortisation of intangible assets			
- Recognised in administrative expenses	13	28	28
Audit fees paid/payable to			
- Company's auditors		650	874
- Other auditors		–	151
Depreciation of investment property			
- Recognised in administrative expenses	15	1,692	1,550
Depreciation of property, plant and equipment			
- Recognised in cost of sales		5,924	6,781
- Recognised in administrative expenses		7,605	8,124
	14	13,529	14,905
Employee benefits			
- cost of sales		22,630	27,543
- selling and distribution expenses		2,355	2,647
- administrative expenses		13,661	14,743
	9	38,646	44,933

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 31 December 2015 (2014: Nil).

Notes to the Financial Statements

For the financial year ended 31 December 2015

9 Employee Benefits

	Group	
	2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	28,345	33,751
Defined contribution plans	7,516	9,065
Other social expenses	2,785	2,117
	38,646	44,933

10 Income Tax

	Group	
	2015 RMB'000	2014 RMB'000
Current income tax:		
- Current year	615	2,123
- Under provision in prior years	545	765
	1,160	2,888

A reconciliation of income tax expense and profit before income tax multiplied by the applicable tax rate is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Profit before income tax	6,017	12,215
Tax at the applicable tax rate	1,504	3,054
Non-deductible expenses	1,735	2,011
Non-taxable income	(183)	—
Utilisation of deferred tax benefits previously not recognised	(2,441)	(2,942)
Under provision in prior years	545	765
	1,160	2,888

The applicable tax rate used for the reconciliation above is the PRC income tax rate of 25% (2014: 25%) as the Group's principal operations are conducted in the PRC. The remaining entities of the Group operating in other jurisdictions have either no taxable profits or are exempted.

During the financial year, unutilised deferred tax assets arising from temporary differences of property, plant and equipment brought forward from the previous financial years amounting to RMB2,441,000 has been utilised.

As at 31 December 2015, the Group has unutilised deferred tax assets of approximately RMB29,169,000 (2014: RMB30,842,000) arising from temporary differences of property, plant and equipment available for offset against future taxable profits, subject to agreement by the tax authorities of the relevant tax jurisdiction. The deferred tax assets have not been recognised in accordance with the Group's accounting policy in Note 3(r).

As at 31 December 2015 and 2014, no deferred tax liability has been recognised for withholding taxes that would be payable on the undistributed earnings of the Group's subsidiaries in the PRC in accordance with the relevant tax regulation, as these subsidiaries either have no distributable earnings owing to their accumulated losses or are not material.

Notes to the Financial Statements

For the financial year ended 31 December 2015

11 Earnings Per Share

The earnings per share is calculated on the Group's profit for the year of approximately RMB4,857,000 (2014: RMB9,327,000) divided by the weighted average number of ordinary shares of approximately 992,250,000 (2014: 992,250,000) in issue during the financial year.

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding as at 31 December 2015 and 2014.

12 Land Use Rights

	Group	
	2015 RMB'000	2014 RMB'000
<u>Cost</u>		
At 1 January and 31 December	159,880	159,880
<u>Accumulated amortisation and impairment losses</u>		
At 1 January	(133,568)	(132,974)
Amortisation for the year (Note 8)	(594)	(594)
At 31 December	(134,162)	(133,568)
<u>Net book value</u>		
At 31 December	25,718	26,312

Land use rights represent leasehold interests in land, of which two are located in Fujian province and one in Anhui province in the PRC.

The Group's land use rights with an aggregate carrying amount of approximately RMB15,097,000 (2014: RMB26,312,000) are pledged as security for the Group's banking facilities as disclosed in Note 24.

Notes to the Financial Statements

For the financial year ended 31 December 2015

13 Intangible Assets

	Trademark RMB'000	Computer software RMB'000	Total RMB'000
Group			
2015			
<u>Cost</u>			
At 1 January and 31 December	268	11	279
<u>Accumulated amortisation</u>			
At 1 January	(182)	(10)	(192)
Amortisation for the year	(27)	(1)	(28)
At 31 December	(209)	(11)	(220)
<u>Net book value</u>			
At 31 December	59	–	59
2014			
<u>Cost</u>			
At 1 January and 31 December	268	11	279
<u>Accumulated amortisation</u>			
At 1 January	(155)	(9)	(164)
Amortisation for the year	(27)	(1)	(28)
At 31 December	(182)	(10)	(192)
<u>Net book value</u>			
At 31 December	86	1	87

Notes to the Financial Statements

For the financial year ended 31 December 2015

14 Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Group					
2015					
<u>Cost</u>					
At 1 January	342,656	43,650	34,586	1,937	422,829
Additions	–	766	31	–	797
Written off	–	(9,913)	(859)	(140)	(10,912)
At 31 December	342,656	34,503	33,758	1,797	412,714
<u>Accumulated depreciation and impairment losses</u>					
At 1 January	(196,240)	(31,439)	(22,052)	(1,183)	(250,914)
Depreciation for the year	(9,742)	(2,230)	(1,287)	(270)	(13,529)
Written off	–	9,913	859	140	10,912
At 31 December	(205,982)	(23,756)	(22,480)	(1,313)	(253,531)
<u>Net book value</u>					
At 31 December	136,674	10,747	11,278	484	159,183

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
Group						
2014						
<u>Cost</u>						
At 1 January	550,408	52,098	34,758	4,314	63,018	704,596
Additions	213	1,070	74	–	–	1,357
Disposals	–	(9,422)	(241)	(2,250)	–	(11,913)
Written off	–	–	(5)	(127)	(63,018)	(63,150)
Transfer to investment property (Note 15)	(207,965)	(96)	–	–	–	(208,061)
At 31 December	342,656	43,650	34,586	1,937	–	422,829
<u>Accumulated depreciation and impairment losses</u>						
At 1 January	(360,857)	(36,224)	(20,924)	(2,193)	(63,018)	(483,216)
Depreciation for the year	(9,880)	(3,094)	(1,374)	(557)	–	(14,905)
Disposals	–	7,878	241	1,440	–	9,559
Written off	–	–	5	127	63,018	63,150
Transfer to investment property (Note 15)	174,497	1	–	–	–	174,498
At 31 December	(196,240)	(31,439)	(22,052)	(1,183)	–	(250,914)
<u>Net book value</u>						
At 31 December	146,416	12,211	12,534	754	–	171,915

Notes to the Financial Statements

For the financial year ended 31 December 2015

14 Property, Plant and Equipment (cont'd)

Certain property, plant and equipment with an aggregate carrying amount of approximately RMB97,019,000 (2014: RMB104,296,000) are pledged as security for the banking facilities granted to the Group as disclosed in Note 24.

15 Investment Property

	Group	
	2015 RMB'000	2014 RMB'000
<u>Cost</u>		
At 1 January	208,061	–
Transferred from property, plant and equipment	–	208,061
At 31 December	208,061	208,061
<u>Accumulated depreciation and impairment losses</u>		
At 1 January	(176,048)	–
Transferred from property, plant and equipment	–	(174,498)
Depreciation for the year (Note 8)	(1,692)	(1,550)
At 31 December	(177,740)	(176,048)
<u>Net book value</u>		
At 31 December	30,321	32,013

Investment property relates to the factory premises held by a subsidiary under an operating lease to earn rental income. During the financial year ended 31 December 2014, the Group has entered into a factory lease agreement, with a related party (Note 25(a)) to lease the factory premises. Accordingly, the carrying amount of the factory premise was transferred to investment property at the date of commencement of the operating lease to the related party.

Rental income related to the investment property amounted to approximately RMB2,744,000 (2014: RMB1,601,000) (Note 6) for the financial year ended 31 December 2015. Direct operating expenses arising from the investment property that generated the rental income during the financial year were not material.

The estimated fair value of the investment property amounted to approximately RMB40,600,000 (2014: RMB32,300,000), classified under Level 3 of the fair value hierarchy as defined in Note 28(b), is determined on the basis of valuation performed by a firm of independent professional valuers, that have appropriate recognised professional qualifications and relevant experiences in the location and type of the investment property being valued. The estimates are largely consistent with the budgets and other financial projections developed internally by the Group based on management's experience and knowledge of market conditions.

Notes to the Financial Statements

For the financial year ended 31 December 2015

15 Investment Property (cont'd)

The following table shows the significant unobservable input used in the valuation model:

Year	Description	Valuation technique	Significant unobservable input
2015	Investment property	Cost approach method	Adopted duplicate cost per square meter ⁽¹⁾
2014	Investment property	Direct comparison method	Adopted value per square meter ⁽¹⁾

⁽¹⁾ Any significant isolated increases/(decreases) in the input would result in a significant higher/(lower) fair value measurement.

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

Description	Site Area (Sq. metre)	Tenure
Factory premises located at No. 30, Fei He Bei Road, Mohekou Industrial Park, Wuhe County Y, Benghu City, Anhui Province, People's Republic of China (including ancillary office, dormitory and factory space)	14,293	50-year lease

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<u>2015</u>				
Investment property	–	–	40,600	40,600
<u>2014</u>				
Investment property	–	–	32,300	32,300

16 Investments in Subsidiaries

	Company	
	2015 RMB'000	2014 RMB'000
Unquoted equity investment, at cost	70,000	70,000
Loans to subsidiary	436,732	436,735
	506,732	506,735
Less: Allowance for impairment losses	(406,226)	(406,226)
	100,506	100,509

Notes to the Financial Statements

For the financial year ended 31 December 2015

16 Investments in Subsidiaries (cont'd)

The loans to subsidiary, which are quasi-equity loan, form part of the Company's net investment in the subsidiaries. The loans are unsecured, interest-free and there are no repayments terms. In addition, the settlement is neither planned nor likely to be settled in the foreseeable future. As the loans are, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost.

The movement in the allowance for impairment loss during the financial year is as follows:

	Company	
	2015	2014
	RMB'000	RMB'000
At 1 January and 31 December	406,226	406,226

Impairment loss

As at 31 December 2015, management has assessed the recoverable amount of the Company's net investments in subsidiaries. The estimated recoverable amount of the investment was based on the value in use calculations of the relevant cash generating units, and determined using a discount rate of 6% (2014: 6%), derived from the cash flow projections of these cash-generating units. Assumptions used in projecting the cash flows include average growth rate in revenue of 10% (2014: 11%) and a gross margin of 24% - 25% (2014: 25%) based on the 5 year period budget approved by management, and zero growth (2014: zero growth) for the year thereafter up to the period which the Company expects to derive economic benefits from its investments in subsidiaries.

Based on management's assessment of the recoverable amount of the CGU, no additional impairment on the carrying amounts of the net investment in subsidiaries was required as at 31 December 2015.

Sensitivity analysis

Management has considered the possibility of an increase or decrease in the estimated growth rate and discount rate used in the foregoing value in use calculations. A 1% decrease in the estimated growth rate and increase in the estimated discount rate would not result in the recoverable amount lower than the carrying amount of the Company's net investments in subsidiaries.

Notes to the Financial Statements

For the financial year ended 31 December 2015

16 Investments in Subsidiaries (cont'd)

Sensitivity analysis (cont'd)

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest held by the Group		Cost of investment	
			2015 %	2014 %	2015 RMB'000	2014 RMB'000
<i>Held by the Company</i>						
Dapai Group (Hong Kong) Limited (“Dapai (HK)”)	Hong Kong	Investment holding	100	100	70,000	70,000
<i>Held by Dapai (HK)</i>						
Dapai (China) Bags Co., Ltd (“Dapai Bags”)	PRC	Manufacturing and sale of luggage and backpacks	100	100	50,000	50,000
QuanZhou Dabao Light Industry Products Co., Ltd (“Quanzhou Dabao”)	PRC	Manufacturing and sale of luggage and backpacks	100	100	20,000	20,000
Dapai (China) Co., Ltd (“Dapai China”)	PRC	Manufacturing and sale of luggage and backpacks	100	100	60,019	60,019
Dapai (Anhui) Co., Ltd (“Dapai Anhui”)	PRC	Dormant	100	100	22,409	22,409

All the subsidiaries are audited by Moore Stephens LLP, Singapore for the purposes of consolidation of the Group.

17 Inventories

	Group	
	2015 RMB'000	2014 RMB'000
At cost		
Raw materials	8,035	11,918
Work-in-progress	45,972	30,194
Finished goods	11,629	7,419
	65,636	49,531
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	128,413	177,081

Notes to the Financial Statements

For the financial year ended 31 December 2015

18 Trade and Other Receivables

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Trade receivables	68,948	83,398	–	–
Less: Allowance for impairment losses	(23,358)	(23,358)	–	–
	45,590	60,040	–	–
Other receivables and deposits:				
Other receivables	9,765	12,004	–	–
Deposits	8,673	9,300	–	–
	18,438	21,304	–	–
Prepayments	–	42	–	43
	64,028	81,386	–	43

The movement in the allowance for impairment loss of trade receivables during the financial year is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
At 1 January and 31 December	23,358	23,358

Trade receivables are non-interest bearing and are generally granted an average credit period of 90 days (2014: 90 days).

As at 31 December 2015, other receivables include value added tax ("VAT") receivables of RMB9,067,000 (2014: RMB11,339,000). These VAT receivables can be recovered through netting off VAT outputs from future sales.

As at 31 December 2015, the deposits amounting to approximately RMB8,673,000 (2014: RMB9,300,000) relate to deposits paid by a subsidiary of the Group to suppliers to secure the supply of raw materials at favourable prices for production during the current financial year.

19 Cash and Bank Balances

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash on hand and in banks	6,161	33,820	153	101
Fixed deposits with banks	–	3,100	–	–
Cash and bank balances	6,161	36,920	153	101
Less: Deposits pledged	–	(3,100)	–	–
Cash and cash equivalents per the consolidated statement of cash flows	6,161	33,820	–	–

Deposits pledged were in relation to the fixed deposits placed with banks as collateral for the Group's bill payables (Note 22) and earned an interest of 2.80% (2014: 2.80%) per annum. The fixed deposits had maturity period of less than twelve months. The fixed deposits were fully repaid to the Group during the current financial year ended 31 December 2015.

Notes to the Financial Statements

For the financial year ended 31 December 2015

20 Share Capital

	Group and Company			
	No. of ordinary shares of S\$0.001 each		Amount	
	2015	2014	2015 S\$'000	2014 S\$'000
<u>Authorised</u>				
Balance at the beginning and the end of the year	10,000,000,000	10,000,000,000	10,000	10,000
<u>Issued and fully paid</u>				
Balance at the beginning and the end of the year	992,250,000	992,250,000	992	992
			RMB'000	RMB'000
Equivalent to RMB			5,042	5,042

The ordinary shares carry one vote per share without restrictions and their holders are entitled to receive dividends when declared by the Company.

21 Reserves

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Share premium (a)	475,527	475,527	475,527	475,527
Merger reserve (b)	65,939	65,939	65,939	65,939
Statutory reserve (c)	166,883	166,883	–	–
Accumulated losses	(572,045)	(576,902)	(453,118)	(448,687)
	136,304	131,447	88,348	92,779

Movements in the Group's reserves during the financial year are set out in the consolidated statement of changes in equity.

(a) Share Premium

The share premium represents the excess of the issue price over the par value of the shares issued, net of share issue expenses.

(b) Merger Reserve

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of interest method of consolidation.

Notes to the Financial Statements

For the financial year ended 31 December 2015

21 Reserves (cont'd)

(c) Statutory Reserve

In accordance with the Foreign Enterprise Law applicable to the Group's subsidiaries in the PRC, the subsidiaries are required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

22 Trade and Other Payables

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Trade payables:				
- Trade payables (a)	10,066	12,128	-	-
- Bills payables (b)	-	3,100	-	-
	10,066	15,228	-	-
Advances from customers	637	1,898	-	-
Other payables and accruals	5,619	6,287	3,456	2,832
	16,322	23,413	3,456	2,832

(a) Trade payables are non-interest bearing and are generally settled within 90 days (2014: 90 days).

(b) Bill payables were interest-free and were secured on the Group's fixed deposits (Note 19). Bill payables were fully repaid by the Group during the current financial year ended 31 December 2015.

23 Loans from a Director

The loans from a director are unsecured, interest-free and repayable within six months from the notice of demand for repayment given by the lender.

24 Bank Borrowings

	Group	
	2015 RMB'000	2014 RMB'000
Unsecured	-	27,000
Secured	189,341	199,378
	189,341	226,378

(a) All the above bank loans are repayable within one year.

Notes to the Financial Statements

For the financial year ended 31 December 2015

24 Bank Borrowings (cont'd)

- (b) These bank borrowings are secured by:
- Corporate guarantees provided by fellow subsidiaries;
 - Personal guarantees provided by a director (2014: two directors) of the Company; and
 - Certain of the Group's land use rights (Note 12) and property, plant and equipment (Note 14).
- (c) Interest is charged between 4.8% and 7.2% (2014: 5.6% and 7.8%) per annum.
- (d) The weighted average effective interest rate of the Group's bank loans is 6.21% (2014: 6.97%) per annum.

25 Commitments

- (a) Operating Lease

The Group leases out its investment property held under an operating lease during the financial year. The future aggregate minimum lease payments under non-cancellable lease contracted for as at the statement of financial position date but not recognised as receivables in the financial statements are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Within one year	<u>1,143</u>	<u>1,100</u>
(b) Other Commitments		

As at 31 December 2015, the Group has unpaid capital contribution in Dapai Anhui amounting to approximately RMB18,635,000 (2014: RMB18,635,000).

26 Related Party Transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2015

26 Related Party Transactions (cont'd)

- (b) An entity is related to the Group and the Company if any of the following conditions apply:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint venture of the same third party.
 - (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entity entered into the following transactions with a related party at rates and terms agreed between the parties:

	Group	
	2015 RMB'000	2014 RMB'000
<u>Transactions with a related party</u>		
Rental income	2,744	1,601

A related party comprises mainly a company which is controlled by the close family member of the Group's key management personnel.

Key management compensation

The remuneration of directors and other members of key management personnel during the financial year was as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Salaries and related costs	2,552	2,469
Defined contribution plans	271	229
Fees to directors of the Company	515	542
	3,338	3,240
<u>Comprised amounts paid/payable to:</u>		
Directors of the Company	1,732	1,754
Key management personnel	1,606	1,486
	3,338	3,240

Notes to the Financial Statements

For the financial year ended 31 December 2015

27 Segment Information

(a) Business segments

The Group's primary format for reporting segment information is business segments, with each segment representing a product category. The Group's business segment is organised into two main business segments.

- Manufacturing and sales of backpack to distributors and retailers
- Manufacturing and sales of luggage to distributors and retailers

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

Group assets and liabilities that are not related to any of the operating segments are not allocated to operating segments. Investment property and the related income and expenses have not been separately reported as a business segment as management has viewed it as not material to the Group.

	Backpack		Luggage		Total	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	217,131	283,401	187	2,051	217,318	285,452
Results						
Segment results	44,886	60,662	39	439	44,925	61,101
Other income					3,686	2,857
Administrative expenses					(29,467)	(36,910)
Finance costs					(13,127)	(14,833)
Profit before income tax					6,017	12,215
Income tax expenses					(1,160)	(2,888)
Profit after income tax					4,857	9,327
Other information						
Segment assets	314,353	326,865	271	2,366	314,624	329,231
Unallocated assets						
- Investment property					30,321	32,013
- Cash and bank balances					6,161	36,920
Total assets					351,106	398,164
Segment liabilities	16,592	23,895	14	173	16,606	24,068
Unallocated liabilities						
- Bank borrowings					189,341	226,378
- Loans from a director					3,813	11,229
Total liabilities					209,760	261,675
Capital expenditure	796	1,346	1	11	797	1,357
Depreciation of property, plant and equipment	13,517	14,798	12	107	13,529	14,905
Amortisation of land use rights	593	590	1	4	594	594
Amortisation of intangible assets	28	28	-	-	28	28

Notes to the Financial Statements

For the financial year ended 31 December 2015

27 Segment Information (cont'd)

(b) Geographical segments

	Revenue from external customers		Non-current assets	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
PRC	103,247	218,096	215,281	230,327
USA	45,583	37,553	—	—
Europe	46,239	21,880	—	—
Others	22,249	7,923	—	—
	217,318	285,452	215,281	230,327

Revenue is based on the location of customers. Non-current assets are based on the location of these assets.

Information about major customers

Included in revenue arising from backpack segments of RMB104,644,000 (2014: RMB139,475,000) arose from sales to 4 (2014: 2) major customers of the Group and individually accounted for 10% or more of the Group's revenue during the current financial year.

28 Financial Instruments

(a) Financial Risk Management Policies and Objectives

The Group's and Company's activities expose it to credit risk, interest rate risk, currency risk and liquidity risk. The Group and the Company seeks to minimise the effects of these risks by continually monitoring the financial risk management process to ensure that an appropriate balance between risk and control is achieved. The Board of Directors is responsible for setting the objectives and policies implemented to mitigate the risk exposures. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The following section provide details regarding the Group's and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. For trade receivables, the Group performs ongoing credit evaluation of its customers' financial conditions and requires no collateral from its customers.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial assets presented on the statement of financial position.

Notes to the Financial Statements

For the financial year ended 31 December 2015

28 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

Significant concentration of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

At the statement of financial position date, the Group had no significant concentrations of credit risk except for trade receivables from 4 debtors (2014: 2 debtors), which individually constitutes more than 10% of the carrying amount of trade receivables. Further, the Group has outstanding advances paid to suppliers amounting to RMB8,673,000 (2014: RMB9,300,000) and VAT receivables of RMB9,067,000 (2014: RMB11,339,000) as at 31 December 2015, the details of which are disclosed in Note 18.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired at the statement of financial position date are substantially creditworthy companies with a good collection record with the Group. Cash and bank balances that are neither past due nor impaired are placed with reputable financial institutions.

As at statement of financial position date, the carrying amount of the Group's trade and other receivables that are neither past due nor impaired amounted to RMB38,160,000 (2014: RMB69,023,000).

Financial assets that are past due and/or impaired

There are no other classes of financial assets that are past due and/or impaired as at the statement of financial position date except as disclosed below.

The ageing analysis of the Group's trade receivables past due but not impaired as at the statement of financial position date is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Past due < 3 months	–	982
Past due >3 months	16,801	–
	16,801	982

The Group's trade receivables that are determined to be individually impaired as at the statement of financial position date and the allowance for impairment loss are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Past due >3 months	23,358	23,358
Less: Allowance for impairment losses*	(23,358)	(23,358)
	–	–

* The movement in the allowance for impairment losses of trade receivables during the financial year is set out in Note 18.

Notes to the Financial Statements

For the financial year ended 31 December 2015

28 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

The impaired trade receivables arose mainly from those distributors who had ceased their distribution agreements with the Group during the previous financial year. These trade receivables are not secured by any collateral.

The Company has not disclosed its exposure to credit risk as the Company's risk exposure is not significant.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from the Group's fixed deposits and interest-bearing borrowings.

A change of 100 basis points ("bp") in interest rates as at the statement of financial position date would increase/(decrease) the Group's profit before income tax by the amounts shown below. This analysis assumes that all other variables including tax rate being held constant.

	Group Profit before income tax	
	Increase 100bp RMB'000	Decrease 100bp RMB'000
<u>2015</u>		
Interest-bearing borrowings	<u>(1,420)</u>	<u>1,420</u>
<u>2014</u>		
Interest-bearing borrowings	<u>(1,698)</u>	<u>1,698</u>

The Company has not disclosed its exposure to interest rate risk as the Company's risk exposure is not significant.

Currency risk

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currency in which the Group's currency risk arises is mainly the United States Dollar ("USD").

Notes to the Financial Statements

For the financial year ended 31 December 2015

28 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

Currency risk (cont'd)

As at the statement of financial position date, the Group's foreign currency exposure based on the information provided by key management is as follows:

	USD	
	2015 RMB'000	2014 RMB'000
Group		
<u>Financial assets</u>		
Cash and bank balances	6	29
Trade and other receivables	10,902	5,716
<u>Financial liabilities</u>		
Trade and other payables	(542)	(1,898)
Net financial assets	10,366	3,847

If the USD has strengthened by 5% against RMB at the statement of financial position date, with all other variables including tax being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group Increase/(Decrease) profit before income tax	
	2015 RMB'000	2014 RMB'000
USD	389	144

A 5% weakening of the USD against RMB would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables including tax remain constant.

The Company has not disclosed its exposure to foreign currency risk as the Company's risk exposure is not significant.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting its obligations due to shortage of funds. The Group and the Company manages liquidity risk by maintaining adequate cash reserves in meeting its day to day operational needs, including having committed and/or stand-by credit facilities.

As at 31 December 2015, the Group has unutilised banking facilities amounting to approximately RMB74,659,000 (2014: RMB84,622,000) with its principal bankers and the Group will continue to negotiate for additional and new credit facilities, if required. Further discussion on the Group's liquidity risk is disclosed in Note 2(b).

Notes to the Financial Statements

For the financial year ended 31 December 2015

28 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

Liquidity risk (cont'd)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000
Group			
<u>2015</u>			
Trade payables	10,066	10,066	10,066
Other payables and accruals	6,256	6,256	6,256
Loans from a director	3,813	3,813	3,813
Borrowings	189,341	195,018	195,018
	209,476	215,153	215,153
<u>2014</u>			
Trade payables	15,228	15,228	15,228
Other payables and accruals	8,185	8,185	8,185
Loans from a director	11,229	11,229	11,229
Borrowings	226,378	233,547	233,547
	261,020	268,189	268,189
Company			
<u>2015</u>			
Other payables and accruals	3,456	3,456	3,456
Loans from a director	3,813	3,813	3,813
	7,269	7,269	7,269
<u>2014</u>			
Other payables and accruals	2,832	2,832	2,832
Loans from a director	–	–	–
	2,832	2,832	2,832

Notes to the Financial Statements

For the financial year ended 31 December 2015

28 Financial Instruments (cont'd)

(b) Fair Value

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from discounted cash flow models and option pricing models as appropriate.

The Group presents financial assets measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the Group's investment property is classified under Level 3 of the fair value measurement hierarchy and the details are disclosed in Note 15.

Fair value of the Group's/Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amount of the Group's and Company's financial assets and financial liabilities with a maturity of less than one year, which are primarily trade and other receivables, cash and bank balances and trade and other payables, and loans from a director is a reasonable approximation of fair value because of their relatively short term period of maturity.

Notes to the Financial Statements

For the financial year ended 31 December 2015

29 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of net debts (total liabilities excluding income tax payable, less cash and bank balances) and equity of the Group (comprising all components of shareholders' equity).

The Group is not subject to any externally imposed capital requirements for the financial years ended 31 December 2015 and 2014, other than the statutory reserve requirements of the Group's subsidiaries in the PRC as disclosed in Note 21.

The Group monitors capital with reference to a net debt-to-equity ratio, which as at the statement of financial position date is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Total debts	209,476	261,020
Less: Cash and bank balances	(6,161)	(36,920)
Net debt	203,315	224,100
Total equity	141,346	136,489
Net debt-to-equity ratio	1.44	1.64

Shareholding Statistics

As at 22 March 2016

Issued and fully paid-up capital	: S\$992,250
Number of shares issued	: 992,250,000 shares
Class of shares	: Ordinary share of S\$0.001 each
Voting rights	: One vote per share

The Company does not have any treasury shares.

Distribution of shareholdings as at 22 March 2016

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 99	2	0.15	100	0.00
100 - 1,000	72	5.26	69,163	0.01
1,001 - 10,000	320	23.37	2,086,933	0.21
10,001 - 1,000,000	908	66.33	119,637,632	12.06
1,000,001 and above	67	4.89	870,456,172	87.72
Total	1,369	100.00	992,250,000	100.00

Based on the information available to the Company as at 22 March 2016, approximately 47.48% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

Twenty largest shareholders as at 22 March 2016

No.	Name of shareholders	No. of shares	%
1	Capital Line Investments Limited	507,000,000	51.10
2	UOB Kay Hian Pte Ltd	116,145,000	11.71
3	HL Bank Nominees (S) Pte Ltd	17,605,000	1.77
4	He Quanjie	17,475,000	1.76
5	Chen Xizhong	14,100,000	1.42
6	Tay Ah Kee	12,839,520	1.29
7	Phillip Securities Pte Ltd	10,242,000	1.03
8	DBS Nominees Pte Ltd	9,807,500	0.99
9	OCBC Securities Private Ltd	8,643,000	0.87
10	Raffles Nominees (Pte) Ltd	8,109,000	0.82
11	Citibank Nominees Singapore Pte Ltd	7,974,000	0.80
12	Lim & Tan Securities Pte Ltd	7,124,900	0.72
13	Nelly Menon Mrs Nelly Rolles @ Yeo May Lian	7,000,000	0.71
14	HSBC (Singapore) Nominees Pte Ltd	6,620,000	0.67
15	Tng Kay Lim	6,250,000	0.63
16	Yew Kim Hong @ Joe Khim Hian	5,318,000	0.54
17	Jean Phoebe Ewe Gaik Ai (You Yu'ai)	5,002,800	0.50
18	Lin Tian Song	5,000,000	0.50
19	Daniel Tan Poon Kuan	4,800,000	0.48
20	Tan Chye Chin	4,516,800	0.46
Total:		781,572,520	78.77

Shareholding Statistics

As at 22 March 2016

Substantial shareholders	Direct Interest	%	Deemed Interest	%
Capital Line Investmens Limited #	507,000,000	51.10	–	–
Chen Xizhong #	14,100,000	1.42	507,000,000	51.10

Capital Line Investments Limited is an investment holding company incorporated in the British Virgin Islands and is wholly owned by Mr Chen Xizhong. By virtue of Section 4 of the Securities and Future Act, Mr Chen Xizhong is deemed to be interested in the shares held by Capital Line Investments Limited in the Company.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Dapai International Holdings Co. Ltd. will be held at RELC International Hotel, Tanglin Room 1, Level 1, 30 Orange Grove Road, Singapore 258352 on Wednesday, 27 April 2016 at 10.00 a.m., for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees of S\$213,000/- for the financial year ending 31 December 2016 to be paid quarterly in arrears. **(Resolution 2)**
3. To re-elect Mr Hu Jirong, being a Director who retires by rotation pursuant to Bye-Law 86 of the Company's Bye-Laws.
[Please see Explanatory Note (i)] **(Resolution 3)**
4. To re-elect Mr Chua Meng Hing, being a Director who retires by rotation pursuant to Bye-Law 86 of the Company's Bye-Laws.
[Please see Explanatory Note (ii)] **(Resolution 4)**
5. To re-elect Mr Tan Chade Phang, being a Director who retires by rotation pursuant to Bye-Law 85(6) of the Company's Bye-Laws.
[Please see Explanatory Note (iii)] **(Resolution 5)**
6. To re-elect Mr Fong Pin Jan, being a Director who retires by rotation pursuant to Bye-Law 85(6) of the Company's Bye-Laws.
[Please see Explanatory Note (iv)] **(Resolution 6)**
7. To re-appoint Messrs Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
8. To transact any other ordinary business which may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

9. Authority to issue shares

That pursuant to Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

- (a) (1) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (2) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

Notice of Annual General Meeting

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the “**Share Issue Mandate**”)

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of the Instruments;
 - (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with part VIII of the Chapter 8 of the Listing Manual of the SGX-ST; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
 - (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company; and
 - (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.
- [Please see Explanatory Note (v)]

(Resolution 8)

BY ORDER OF THE BOARD

LIM HENG CHONG BENNY
CHIN SU XIAN
Joint Company Secretaries

Singapore, 12 April 2016

Notice of Annual General Meeting

Explanatory Notes:

- (i) Mr Hu Jirong will, upon re-election as a Director of the Company, will remain as a member of the Audit Committee, the Remuneration Committee and the Nominating Committee and will be considered as independent. Save as disclosed herein, Mr Hu Jirong does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Key information of Mr Hu Jirong can be found on page 7 of the Annual Report.
- (ii) Mr Chua Meng Hing will, upon re-election as a Director of the Company, remain as the Lead Independent Director, the Chairman of Remuneration Committee and a member of the Audit Committee and the Nominating Committee and will be considered as independent. Save as disclosed herein, Mr Chua Meng Hing does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Key information of Mr Chua Meng Hing can be found on page 7 of the Annual Report.
- (iii) Mr Tan Chade Phang will, upon re-election as a Director of the Company, will remain as a chairman of the Audit Committee, and a member of the Remuneration Committee and the Nominating Committee and will be considered independent. Save as disclosed herein, Mr Tan Chade Phang does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Key information of Mr Tan Chade Phang can be found on page 8 of the Annual Report.
- (iv) Mr Fong Pin Jan will, upon re-election as a Director of the Company, remain as a Non-Executive Director. Save as disclosed herein, Mr Fong Pin Jan does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Key information of Mr Fong Pin Jan can be found on page 8 of the Annual Report.
- (v) The Ordinary Resolution 8, if passed, will authorise the Directors of the Company from the date of this Meeting until the date of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per cent. (50%) of the issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per cent. (20%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. Save as provided in the Bye-Laws, a member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. A Depositor who is a natural person need not to submit the Depository Proxy Form if he/she is attending the Annual General Meeting in person.
3. A Depositor may nominate not more than two (2) Appointees, who shall be natural persons, to attend and vote for in his/her/its place as proxy and should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



**DAPAI INTERNATIONAL
HOLDINGS CO. LTD.**