

DAPAI INTERNATIONAL HOLDINGS CO. LTD.

(Incorporated in Bermuda)
Company Registration No.: 41211

MATERIAL VARIANCES BETWEEN THE AUDITED FINANCIAL STATEMENTS AND THE PRELIMINARY UNAUDITED FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016

The Board of Directors (the “**Board**”) of Dapai International Holdings Co. Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to (a) the Group’s unaudited financial statements for the financial year ended 31 December 2016 released via SGXNET on 1 March 2017 (the “**Unaudited Financial Statements**”) and (b) the audited financial statements of the Group for the financial year ended 31 December 2016 (the “**Audited Financial Statements**”).

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board wishes to announce and clarify the material variances between the Unaudited Financial Statements and Audited Financial Statements for the financial year ended 31 December 2016. The material variances and the reasons for the material variances are set out in the explanatory notes below.

The material variances are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Note</u>	Group <u>2016</u> RMB'000 Audited	<u>2016</u> RMB'000 Unaudited	<u>Variance</u> RMB'000
Revenue		146,189	146,189	
Cost of sales		(138,607)	(138,607)	
Gross profit		7,582	7,582	
Other income	1	3,864	3863	1
Selling and distribution expenses		(6,580)	(6,580)	
Administrative expenses	2	(61,533)	(46,448)	(15,085)
Other expenses – Exceptional expenses	3	(71,748)	(54,319)	(17,429)
Finance costs		(11,170)	(11,170)	
Loss before income tax		(139,585)	(107,072)	(32,513)
Income tax		(666)	(666)	
Loss for the year		(140,251)	(107,738)	(32,513)
Other comprehensive income		-	-	
Total comprehensive loss for the year attributable to owners of the Company		(140,251)	(107,738)	(32,513)
Loss per share (RMB cents)				
Basic and diluted		(12.41)	(9.54)	(2.87)

EXTRACT OF STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	<u>Note</u>	Group <u>2016</u> RMB'000 Audited	<u>2016</u> RMB'000 Unaudited	<u>Variance</u> RMB'000
ASSETS				
Non-current assets				
Intangible assets	1	33	31	2
Property, plant and equipment	4	66,047	65,984	63
Investment properties	3,4	35,309	52,801	(17,492)
Current assets				
Trade and other receivables	5	62,915	77,368	(14,453)
Cash and bank balances	1	16,061	16,062	(1)
Equity attributable to owners of the Company				
Reserves		2,429	34,942	(32,513)
Current liabilities				
Trade and other payables	5,6	15,053	14,421	632

EXTRACT OF STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	<u>Note</u>	Group <u>2016</u> RMB'000 Audited	<u>2016</u> RMB'000 Unaudited	<u>Variance</u> RMB'000
Net cash used in operating activities	7	(5,457)	(5,196)	(261)
Net cash generated from investing activities	7	2,234	1,973	261
Net cash generated from financing activities	8	6,681	13,124	(6,443)
Net increase in cash and cash equivalents	8	3,458	9,901	(6,443)
Cash and cash equivalents at the beginning of the year		6,161	6,161	
Cash and cash equivalents at the end of the year		9,619	16,062	(6,443)

Note

1. Rounding difference, not material.
2. Subsequent to the year, upon further review by the management and the finalization of the audit by the external auditors, additional impairment for Trade and other receivables, amounting to approximately RMB14.85 million had been identified as uncollectable and therefore, had been impaired and charged to the profit and loss during the year.

The breakdown of the above impairment of trade and other receivables are as disclosed below:-

Name	Amount	
<u>Trade receivables</u>	<u>(RMB' million)</u>	<u>Aging</u>
Samsonite LLC	0.5	> 3 months
Quanzhou Dalong Bags Co. Ltd	0.5	> 3 months
<u>Other receivables (mainly deposits placed with suppliers)</u>		
Quanzhou Yuan Yuan Shoe & Textile Co. Ltd	2.0	> 3 months
Liaocheng Shuoying Textile Co. Ltd	0.5	> 3 months
Hangzhou Haidelong Plastic New Material Co. Ltd	0.3	> 3 months
Ruian Liming Plastic Co. Ltd	0.2	> 3 months
Huizhou Arts & Video Tech Co. Ltd	0.3	> 3 months
Zhumadian Huafeng Leather Co. Ltd	0.2	> 3 months
Henan Xiangcheng Hongxing Leather Co. Ltd	1.5	> 3 months
Fujian Yongli New Materials Co. Ltd	6.5	> 3 months
Fujian Xinhua Textile Tech. Co. Ltd	0.7	> 3 months
Huian Fenghang Trading Co. Ltd	1.2	< 3 months
Others (amounts smaller than RMB0.2 million)	0.45	> 3 months
Total	<u>14.85</u>	

The above trade and other receivables were subsequently identified and impaired during the finalisation of the audit relates to OEM customers and distributors and suppliers that are in significant difficulties and unable to make refunds or repayments when demanded, and hence are assessed to be non-recoverable by the Group. All transactions had ceased with the above mentioned. For more information, please refer to note 19 of the Notes to the Financial Statements of the Annual Report.

Furthermore, additional other expenses had been adjusted, amounting to approximately RMB0.23 million, had been charged to the profit and loss.

- During subsequent reviews and the finalisation of the professional third party valuation reports on the Group's Property, plant and equipment, and Investment properties, additional impairment had been identified by the professional valuers, amounting to approximately RMB17.4 million, had been charged to the profit and loss during the year. The impairment charge relates to the investment property (buildings) in Anhui Province.

The above impairment charge was determined upon finalisation of its recoverable amounts after a local independent third party valuation company had been engaged to conduct the assessments of the impairment. Based on finalised assessment, the additional impairment loss of RMB17.4 million were recognized in the profit and loss. The valuation derived by the local independent valuation company was computed using the cost method, whereby the appraiser had grasped the current and comparable construction budget and cost of the similar assets in the surrounding area, to determine the fair market value. For more information, please refer to note 16 of the Notes to the Financial Statements of the Annual Report.

In addition, certain Investment properties had been reclassified to Property, plant and equipment (see note 4).

- Certain Property, plant and equipment had been reclassified from Investment properties.

5. Subsequent to the year, upon further review by the management and the finalization of the audit by the external auditors, additional impairment for Trade and other receivables, amounting to approximately RMB14.85 million had been identified as uncollectable and therefore, had been impaired and charged to the profit and loss during the year (see note 2).

Certain other receivables, amounting to RMB0.4 million were wrongly classified as other payables and therefore, had been reclassified to the respective balance sheet categories.

6. Certain other payables, amounting to RMB0.4 million were wrongly classified as other receivables and therefore, had been reclassified to the respective balance sheet categories (see note 5). In addition, other expenses amounting to RMB0.23 million had been adjusted to other creditors (see note 2).
7. Certain proceeds from disposal of plant and equipment were wrongly classified into Depreciation of property, plant and equipment and these proceeds had since been adjusted.
8. Certain cash and cash equivalents had restricted use and had been adjusted to increase in bank deposits pledged, thereby, reducing the net increase in the cash and cash equivalents for the year.

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman

10 April 2017