

**Issuer:** Dapai International Holdings Co. Ltd.

**Security:** Dapai International Holdings Co. Ltd.

**Meeting details:**

Date: 28 April 2017

Time: 10:00H

Venue: RELC International Hotel, Tanglin Room 506, Level 5, 30 Orange Grove Road, Singapore 258352

**Company Description**

Dapai International Holdings Co. Ltd., an investment holding company, designs, develops, manufactures, and sells backpacks and luggage in the People's Republic of China, the United States, Europe, and internationally. The company offers its products for various occasions, such as sports, fashion, business, and leisure. It offers backpacks under the DAPAI brand. It sells its products through distributor-owned concessionary retail outlets located in department stores, supermarkets, and hypermarkets. The company is headquartered in Quanzhou, the People's Republic of China. Dapai International Holdings Co. Ltd. is a subsidiary of Capital Line Investment Limited.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=FP1](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=FP1))

**Q1.** On 5 March 2017, the company had made an application to the SGX-ST for a further extension of time to enable the company to meet the requirements for removal from the Watch-list. The extension granted by SGX-ST has expired on 5 March 2017.

As announced by the company on 22 March 2017, the company now has to complete the ongoing Special Audit and announce the findings before it can apply to the SGX-ST for a further extension of time.

- a) **What is the expected timeframe for KordaMentha Pte Ltd (KordaMentha) to complete its special audit?**
- b) **How is the board facilitating the audit by KordaMentha?**
- c) **With the termination of the memorandum of understanding in relation to the proposed acquisition of Smart Traffic Co., Ltd., is the company still looking for potential acquisitions concurrently as the audit by KordaMentha is being carried out?**

**Q2.** On 10 April 2017, the group disclosed that there have been “material variances between the Unaudited Financial Statements and audited financial statements ended 31 December 2016”.

The impact of the material variances resulted in, inter alia, an increase in the loss for the year by RMB32.5 million (from RMB107.7 million to RMB140.3 million) and the loss per share to drop from RMB (9.54) cents to RMB (12.41) cents.

The reasons given for the material variances included:

- I. (RMB15.1) million: Additional impairment of trade and other receivables following further review by the management and finalisation of the audit by the external auditors
  - II. (RMB17.4) million: Additional impairment charge due to subsequent reviews and the finalisation of the professional third party valuation reports on the group’s property, plant and equipment, and investment properties
  - III. Reclassification of investment properties to property, plant and equipment
  - IV. Certain other receivables, amounting to RMB0.4 million were wrongly classified as other payables
  - V. Certain proceeds from disposal of plant and equipment were wrongly classified into depreciation of property, plant and equipment
  - VI. Certain cash and cash equivalents had restricted use and had been adjusted to increase in bank deposits pledged
- a) **Can the audit committee elaborate further on the causes of the material variances? Why had there been several “subsequent reviews” following the announcement of the unaudited full year results dated 1 March 2017?**
  - b) **Can the audit committee explain its role in the preparation and review of financial statements?**
  - c) **How can management better ensure that the quarterly results and the unaudited financial statements give true and fair view of the company’s operations and finances?**

**Q3.** As disclosed in the Corporate Governance Report, Mr Fong Pin Jan was appointed as a Non-Executive Director on 1 March 2016. He was re-designated as an Independent Director and appointed as member of the Audit Committee, Nominating Committee and Remuneration Committee on 24 February 2017 (page 14).

In the announcement of Mr Fong’s appointment dated 1 March 2016, the reason for Mr Fong’s non-independence was not disclosed.

In the announcement titled “Changes to the composition of Board and Board Committees” dated 27 Feb 2017, the company made the following disclosure:

*Following the resignation from office of Mr Chua Meng Hing as separately announced, the Board of Directors (the “Board”) of Dapai International Holdings Co. Ltd. (the “Company”) wishes to announce that Mr Fong Pin Jan, who is currently a non-executive Director of the Company, shall be re-designated as an Independent Director of the Company and appointed as a member of the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) of the Company with effect from 24 February 2017.*

- a) **Can the board disclose the reason for Mr Fong’s non-independence when he was appointed on 1 March 2016?**
- b) **Did the nominating committee review the independence of Mr Fong prior to his re-designation? If so, can the nominating committee let shareholders know what was the process?**