



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

UNAUDITED THIRD QUARTER
AND NINE MONTHS FINANCIAL STATEMENTS
AND DIVIDEND ANNOUNCEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2015



PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter			Nine Months		
	2015	2014	%	2015	2014	%
	RMB'000	RMB'000	Change	RMB'000	RMB'000	Change
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	36,412	61,924	(41.2)	162,067	214,533	(24.5)
Cost of sales	(26,250)	(49,919)	(47.4)	(126,684)	(164,681)	(23.1)
Gross profit	10,162	12,005	(15.4)	35,383	49,852	(29.0)
Other operating income	1,059	1,144	(7.4)	2,681	1,886	42.2
Selling and distribution expenses	(969)	(1,095)	(11.5)	(3,519)	(3,899)	(9.7)
Administrative expenses	(6,012)	(7,925)	(24.1)	(23,732)	(27,937)	(15.1)
Finance costs	(3,037)	(3,739)	(18.8)	(9,717)	(11,017)	(11.8)
Profit before taxation	1,203	390	208.5	1,096	8,885	(87.7)
Income tax expense	-	(118)	NM	(877)	(2,234)	(60.7)
Profit attributable to shareholders	1,203	272	342.3	219	6,651	(96.7)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income attributable to shareholders	1,203	272	342.3	219	6,651	(96.7)
Gross profit margin	27.9%	19.4%		21.8%	23.2%	
Profit before tax margin	3.3%	0.6%		0.7%	4.1%	
Profit after tax margin	3.3%	0.4%		0.1%	3.1%	
Basic and fully diluted EPS (RMB cents)	0.12	0.03		0.02	0.67	

NM - Not meaningful



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

Notes to statement of comprehensive income:

	Third Quarter			Nine Months		
	2015	2014	%	2015	2014	%
	RMB'000	RMB'000	Change	RMB'000	RMB'000	Change
	Unaudited	Unaudited		Unaudited	Unaudited	
(a) Income statement includes the following:						
Amortisation of land use rights	149	149	-	447	447	-
Amortisation of intangible assets	7	7	-	21	21	-
Depreciation of property, plant and equipment	3,368	4,078	(17.4)	10,197	12,467	(18.2)
Depreciation of investment property	423	-	NM	1,269	-	NM
Exchange (gains)/ losses	(476)	45	1,157.8	(1,479)	(615)	140.5
(b) Other operating income comprises:						
Interest income	231	66	250.0	297	198	50.0
Government awards and incentives	-	13	NM	-	264	NM
Rental lease income	686	686	-	2,058	915	124.9
Gain on disposal of property, plant and equipment	-	284	NM	-	284	NM
Other sundry income	142	94	51.1	326	225	44.9

NM - *Not meaningful*



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

**UNAUDITED THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENTS AND
DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

	The Group		The Company	
	As at 30 September 2015 RMB '000 Unaudited	As at 31 December 2014 RMB '000 Audited	As at 30 September 2015 RMB '000 Unaudited	As at 31 December 2014 RMB '000 Audited
Non-Current assets				
Land use rights	25,865	26,312	-	-
Intangible assets	66	87	-	-
Property, plant and equipment	162,319	171,915	-	-
Investment property	30,744	32,013	-	-
Investment in subsidiaries	-	-	100,505	100,509
	218,994	230,327	100,505	100,509
Current assets				
Inventories	61,704	49,531	-	-
Trade receivables	45,627	60,040	-	-
Prepayment and other receivables	16,850	21,346	-	43
Cash and bank balances	19,919	36,920	69	101
	144,100	167,837	69	144
Less: Current Liabilities				
Trade and bills payables	11,708	15,228	-	-
Accrued liabilities and other payables	11,207	8,185	3,261	2,832
Amount due to director	2,821	11,229	2,821	-
Interest-bearing bank borrowings	200,649	226,378	-	-
Income tax payables	1	655	-	-
	226,386	261,675	6,082	2,832
Net current liabilities	(82,286)	(93,838)	(6,013)	(2,688)
Net assets	136,708	136,489	94,492	97,821
Share capital and reserves				
Share capital	5,042	5,042	5,042	5,042
Share premium	475,527	475,527	475,527	475,527
Merger reserve	65,939	65,939	65,939	65,939
Statutory reserves	166,883	166,883	-	-
Accumulated losses	(576,683)	(576,902)	(452,016)	(448,687)
Total equity	136,708	136,489	94,492	97,821



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

Amount repayable in one year or less, or on demand

	As at 30 September 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
	RMB '000	RMB '000	RMB '000	RMB '000
Interest- bearing bank borrowings	200,649	-	226,378	-

Amount repayable after one year

Not Applicable.

Details of any collateral

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

	As at 30 September 2015 RMB '000	As at 31 December 2014 RMB '000
Land Use Rights	25,865	26,312
Property, Plant and Equipment	98,838	104,296



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

**UNAUDITED THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENTS AND
DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Third Quarter		Nine Months	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities				
Profit before taxation	1,203	390	1,096	8,885
Adjustments for:				
Depreciation of property, plant and equipment	3,368	4,078	10,197	12,467
Depreciation of investment property	423	-	1,269	-
Amortisation of land use rights	149	149	447	447
Amortization of intangible assets	7	7	21	21
Gain on disposal of property, plant and equipment	-	(284)	-	(284)
Interest income	(231)	(66)	(297)	(198)
Interest expenses	3,037	3,739	9,717	11,017
Operating profit before working capital changes	7,956	8,013	22,450	32,355
Decrease/ (increase) in inventories	6,131	(7,957)	(12,173)	3,791
Decrease/ (increase) in trade receivables	1,244	10,505	14,413	(6,879)
(Increase)/ decrease in prepayments and other receivables	(3,226)	(391)	4,496	2,625
(Decrease)/ increase in trade and bills payables	(31,640)	1,054	(3,520)	(3,230)
Increase/ (decrease) in accrued liabilities and other payables	1,579	(1,118)	3,021	(2,406)
Net cash (used in)/ generated from operations	(17,956)	10,106	28,687	26,256
Income tax paid	-	(777)	(1,530)	(2,116)
Net cash (used in)/ generated from operating activities	(17,956)	9,329	27,157	24,140
Cash flows from investing activities				
Acquisition of property, plant and equipment	(512)	(28)	(601)	(1,336)
Proceeds from sale of property, plant and equipment	-	2,689	-	2,687
Acquisition of short term investment	-	-	(6,000)	-
Proceeds from disposal of short term investment	6,000	-	6,000	-
Interest received	231	66	297	198
Net cash generated from/ (used in) investing activities	5,719	2,727	(304)	1,549
Cash flows from financing activities				
Interest-bearing bank borrowings obtained	49,653	47,000	182,149	215,865
Interest-bearing bank borrowings repaid	(49,500)	(54,000)	(207,878)	(211,881)
Amount repaid to a director	(1,110)	(856)	(8,408)	(4,721)
Decrease/ (increase) in fixed deposits pledged	7,093	(3,100)	(14,201)	(100)
Interest expenses	(3,037)	(3,739)	(9,717)	(11,017)
Net cash generated from/ (used in) financing activities	3,099	(14,695)	(58,055)	(11,854)
Net (decrease)/ increase in cash and cash equivalents	(9,138)	(2,639)	(31,202)	13,835
Cash and cash equivalents at beginning of the period	11,756	23,735	33,820	7,261
Cash and cash equivalents at end of the period	2,618	21,096	2,618	21,096
Cash and bank balances at end of the period	19,919	29,196	19,919	29,196
Less: fixed deposits pledged	(17,301)	(8,100)	(17,301)	(8,100)
Cash and cash equivalents at end of the period	2,618	21,096	2,618	21,096



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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Group						
At 1 January 2014 (Audited)	5,042	475,527	65,939	166,883	(586,229)	127,162
Total comprehensive income for the year	-	-	-	-	9,327	9,327
At 31 December 2014 (Audited)	5,042	475,527	65,939	166,883	(576,902)	136,489
Total comprehensive income for the period	-	-	-	-	219	219
At 30 September 2015 (Unaudited)	5,042	475,527	65,939	166,883	(576,683)	136,708

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Company						
At 1 January 2014 (Audited)	5,042	475,527	65,939	-	(443,654)	102,854
Total comprehensive loss for the year	-	-	-	-	(5,033)	(5,033)
At 31 December 2014 (Audited)	5,042	475,527	65,939	-	(448,687)	97,821
Total comprehensive income for the period	-	-	-	-	(3,329)	(3,329)
At 30 September 2015 (Unaudited)	5,042	475,527	65,939	-	(452,016)	94,492

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

There were no changes to the issued and paid-up share capital of the Company since the end of the previous period reported on, up to 30 September 2015.



Details of the issued and paid-up share capital of the Company are as follows:

	As at 30 September 2015	As at 30 September 2014
Number of shares	992,250,000	992,250,000
Issued and paid up capital (S\$)	992,250	992,250

There were no outstanding options, convertibles or treasury shares held as at 30 September 2015 and 30 September 2014.

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

	As at 30 September 2015	As at 31 December 2014
Total number of issued shares	992,250,000	992,250,000

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

Not applicable.

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

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

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

Not applicable.

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

There were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2014.



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

Not applicable.

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

	Third Quarter		Nine Months	
	2015	2014	2015	2014
Basic earnings/ (loss) per share (RMB cents)	0.12	0.03	0.02	0.67
Weighted average number of ordinary shares ('000)	992,250	992,250	992,250	992,250

The basic earnings per share has been calculated based on net profit attributable to shareholders divided by the weighted average number of ordinary shares of 992,250,000 for the third quarter ended 30 September 2015 and 30 September 2014, respectively.

There is no difference between the basic and diluted earnings per share.

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

	The Group	
	As at 30 September 2015 Unaudited	As at 31 December 2014 Audited
Net assets value per share based on existing issued capital as at the respective period (RMB cents)	13.78	13.76
Number of ordinary shares in issue at the end of financial period/year ('000)	992,250	992,250



8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Commentary on Financial Results

Revenue, Cost of Sales and Gross Profit

For the third quarter ended 30 September 2015 ("3Q 15"), the Group recorded a revenue of RMB36.4 million, a decrease of RMB25.5 million or 41.2%, from RMB61.9 million as compared to the third quarter ended 30 September 2014 ("3Q 14").

For the nine months ended 30 September 2015 ("9M 15"), the Group recorded a revenue of RMB162.1 million, a decrease of RMB52.5 million or 24.5%, from RMB214.5 million for the nine months ended 30 September 2014 ("9M 14"). The backpack segment formed almost the entire revenue for 3Q 15 and 9M 15, with insignificant contributions from the luggage segment as the Group continues to focus on backpacks segment.

The decline in overall revenue for 3Q 15 and 9M 15 was due to a reduction in the consumption of our backpacks products within the domestic market. Domestic revenue constituted approximately RMB13.9 million, which was 38.0% of the total revenue for 3Q 15, as compared to RMB49.2 million (79.5%) of total revenue for 3Q 14. OEM revenue performed relatively better as contribution was RMB22.5 million, which was 62.0% of 3Q 15 revenue, as compared to RMB12.7 million (20.5%) for 3Q 14.

Comparing 3Q 15 to 3Q 14 and 9M 15 to 9M 14, both financial periods' volume for backpacks had decreased by approximately 0.9 million units or 46.0% from 1.9 million units to 1.0 millions units and, approximately 2.3 million units or 33.7% from 6.9 million units to 4.6 millions units, respectively.

This contraction in 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 such demand slow down.

The average selling price ("ASP") for backpacks had increased by RMB3.5 or 10.9% from RMB32.0 (3Q 14) to RMB35.5 (3Q 15) and had also increased by RMB4.5 or 14.7% from RMB30.7 (9M 14), to RMB35.2 (9M 15). This increase in ASP was due largely to the higher quality product mix being sold by our distributors during the financial periods under review.

The decrease in cost of sales in 3Q 15 and 9M 15, by RMB23.7 million or 47.4%, and by RMB38.0 million or 23.1%, respectively, was directly correspondent to the



contraction in sales volume in 3Q 15 and 9M 15. In addition, with costs savings in utilising the raw materials in our inventory, this further assisted in reducing the costs of sales for the period under review.

The Group generated a gross profit of RMB10.2 million in 3Q 15 and RMB35.4 million in 9M 15, as compared to RMB12.0 million in 3Q 14 and RMB49.9 million in 9M 14. The decline in gross profit was due largely to the decline in sales volume, thus affecting the gross profit generated in the financial periods under review.

In 3Q 15, gross profit margin improved to 27.9% from 19.4% (3Q 14). The improvement was due largely to two factors:-

- Higher ASP achieved; and
- Lower raw material costs, as these raw materials were committed earlier in the year and the Group had utilised it from its inventory in the 3Q 15 manufacturing.

For 9M 15, gross profit margin was 21.8% as compared to 23.2% in 9M 14. Although 3Q 15 managed to achieve a higher gross profit margin, the volume contribution in 3Q 15 alone was not significant enough to impact the overall 9M 15 gross margin, therefore, there is still a slight decline in overall margins in 9M 15, when compared to 9M 14.

Although ASP had increased for 3Q 15 and 9M 15, this increase was not sufficient to offset the overall decline in sales volume, thus resulting in the overall decline in the gross profit.

Other operating income

The increase in other operating income of RMB0.1 million and RMB0.8 million for 3Q 15 and 9M 15 was due to the collection of rental lease income for the leasing of the Anhui facility which was partially offset by a cessation in awards, incentives and subsidies awarded by the local provincial government in 9M 15 (9M 14: RMB0.2 million).

Operating expenses

(a) Selling and distribution expenses

Our selling and distribution expenses decreased by RMB0.1 million or 11.5%, from RMB1.1 million in 3Q 14 to RMB1.0 million in 3Q 15. The decrease was due mainly to the decrease in advertising and promotional expenses, salaries and related costs, and other expenses of RMB1.0 million. However, this decline was partially offset by an increase in delivery and related expenses of RMB0.9 million, due to the higher level of export activities in 3Q 15.

Our selling and distribution expenses decreased marginally by RMB0.4 million or 9.7% from RMB3.9 million in 9M 14 to RMB3.5 million in 9M 15. The decrease was due mainly to the decrease in:

- advertising and promotional expenses of RMB0.8 million; and
- other expenses of RMB0.7 million.

However, the above decrease was partially offset by an increase in delivery and related expenses of RMB1.1 million. This increase in delivery and related expenses relates to the increase in port charges, as a result of the higher export activities of our products in 9M 15.

(b) Administrative expenses

Our administrative expenses decreased by approximately RMB1.9 million, from RMB7.9 million in 3Q 14 to RMB6.0 million in 3Q 15. This was due mainly to a decrease in:

- salaries and related expenses of RMB0.4 million;
- depreciation expenses of RMB0.1 million; and
- other expenses of RMB1.0 million.

The above decrease in administrative expenses was due largely to the Group's continued efforts in cutting costs and stringent cost controls.

Contributing to the overall decrease in 3Q 15 administrative expenses was an increase in foreign exchange gain of RMB0.4 million (3Q 15: RMB0.5 million (gains); 3Q 14: RMB0.1 million (losses)).

Our administrative expenses had decreased by approximately RMB4.2 million, from RM27.9 million in 9M 14, to RMB23.7 million in 9M 15. This was due mainly to a decrease in:

- salaries and related expenses of RMB1.3 million;
- depreciation expenses of RMB0.4 million; and
- other expenses of RMB1.6 million.

The above decrease in administrative expenses was due largely to the Group's continued efforts in cutting costs and stringent cost controls.

Contributing to the overall decrease in 9M 15 administrative expenses was an increase in foreign exchange gain of RMB0.9 million (9M 15: RMB1.5 million; 9M 14: RMB0.6 million).

(c) Finance costs

In 3Q 15, the Group's finance costs had decreased by approximately RMB0.7 million or 18.8%, which was due largely to the decline in loan interest rates. While for 9M 15, our finance costs decreased by RMB1.3 million, or 11.8%. The decrease in overall interest expense in 9M 15 was due mainly to the decrease in the bank borrowings outstanding for the period, which was resultant of a lower utilisation of bank borrowings due to the lower operating activities in 9M 15, coupled with the decline in loan interest rates during the period under review.



(d) Taxation

Taxation in 9M 15 was due to the local tax authorities' initial partial assessment of the profits for the first nine months of FY 2015, for its profitable subsidiary, which amounted to RMB0.7 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 was charged by the tax authorities.

Taxation in 3Q 14 was due to an underprovision of previous year's tax provision (FY 2013), which in 2Q 15, the Group had already recognised the underprovision, therefore, leading to no additional taxation in 3Q 15.

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

Commentary on Financial Position

Non-current assets

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

Land use rights amounted to RMB25.9 million and RMB26.3 million as at 30 September 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 period.

Net book value of property, plant and equipment amounted to RMB162.3 million and RMB171.9 million as at 30 September 2015 and 31 December 2014, respectively. Property, plant and equipment comprised mainly buildings, plant and machinery, furniture, fixtures, office equipment and motor vehicles. The decrease was due mainly to the depreciation charged during the financial period, amounting to RMB10.2 million, which was partially offset by additions of RMB0.6 million during 3Q 15. This relates to replacement of sewing and stitching and related equipment.

The net book value of investment property amounted to RMB30.7 million and RMB32.0 million as at 30 September 2015 and 31 December 2014, respectively. The decrease was due to the depreciation charged during the financial period under review.

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's holding onto raw materials that was meant for production in 2Q 15, however, due to the sudden contraction in sales in 2Q 15, these raw materials were not utilized. Nonetheless, these raw materials had been utilised in 3Q 15 and subsequently, can be utilised for future production, and will not be subjected to obsolescence in the short term period.



Trade receivables amounted to RMB45.6 million and RMB60.0 million as at 30 September 2015 and 31 December 2014, respectively. The lower trade receivables as at 30 September 2015 was due to receipts, coupled with the contraction in sales for financial period, thus, lesser revenue and trade receivables were recognized. Based on the aging of the trade receivables, 34.6% are 30 days past due and not provided for. These receivables relates to six debtors whom had been appointed distributors for our Group for at least 2 years and have had very good repayment records. They had requested for an extension of credit period and had committed to settle all over due debts by next quarter. Therefore, at as date of this report, the management is of the opinion that no additional provision for doubtful debts is required for these debtors.

Prepayments and other receivables amounted to RMB16.9 million and RMB21.3 million as at 30 September 2015 and 31 December 2014, respectively. The decrease of RMB4.5 million during the period was due mainly to partial utilization of the deposits placed with suppliers, for the purchase of raw materials in FY 2014, upon receipt of the raw materials during the period under review.

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 RMB11.7 million and RMB15.2 million as at 30 September 2015 and 31 December 2014, respectively. The decrease was due mainly to the Group making payments to clear part of the bills payable in 3Q 15.

Accrued liabilities and other payables amounted to RMB11.2 million and RMB8.2 million as at 30 September 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 increase was due to higher accrued wages and customers' deposits received during 3Q 15. The higher accrued wages were due to its ultimate holding company withholding salary payments to the Executive Chairman to conserve cashflow, while the increase in customers' deposits is to lower the risks of the customers' cancelling sales orders, while mitigating our exposure to unnecessary production of finished goods.

The reduction in amounts due to a director was due to the continual repayments made during the financial period under review.

Interest-bearing bank borrowings amounted to RMB200.6 million and RMB226.4 million as at 30 September 2015 and 31 December 2014, respectively. The decrease was due mainly to the repayment of bank borrowings during 9M 15.

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



Commentary on Cash Flow

Cash and cash equivalents amounted to RMB2.6 million and RMB21.1 million as at 30 September 2015 and 30 September 2014, respectively.

For 9M 15, net cash generated from operating activities amounted to approximately RMB27.2 million.

However, in 3Q 15, net cash used in operating activities was RMB17.9 million. This was due largely to the settlement of trade and bills payable in the financial quarter which resulted in RMB31.6 million being used, which was partially offset by operating profits before changes in working capital of RMB8.0 million, and other net cash generated from operating activities of RMB5.7 million.

Cash used in investing activities amounted to approximately RMB0.3 million, relates to the purchase of property, plant and equipment of RMB0.6 million, which was partially offset by interest income received of RMB0.3 million.

In 3Q 15, 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 outflow used in financing activities was the repayment of bank borrowings, amounting to approximately RMB25.7 million and an increase in pledged bank deposits of RMB14.2 million. In addition, interest payments of RMB9.7 million and the repayment of RMB8.4 million to a Director, during the period further contributed to the overall cash used in financing activities. Therefore, resulting in the overall net cash used in financing activities of RMB58.1 million for the period ended 9M 15.

As a result, the net decrease in cash and cash equivalents for 9M 15 amounted to approximately RMB31.2 million.

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

The current results are in line with the Company's discussion presented in Note 10 of the unaudited results announcement dated 6 August 2015.

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

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 plague the industry as smaller unknown brand names/ players are cutting prices just to remain competitive. However, the management remains cautiously optimistic regarding the the final quarter of the financial year and the Group will work closely with our distributors to maintain the current financial performance in 3Q 15.



As at 30 September 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 RMB105.3 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.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been recommended or declared for the quarter ended 30 September 2015.

13. Interested Person Transactions

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Chen Yi	449,000*	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 RMB2.8 million was still outstanding as at 30 September 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 Audit Committee of the Company is of the view that the transaction which is interest free and other than that is on normal commercial terms, is not prejudicial to the interests of the Company and its minority shareholders.

14. Negative Assurance

Statement Pursuant to Rule 705(5) of the Listing Manual

We, Chen Xizhong and Chua Meng Hing, being two of the directors of Dapai International Holdings Co. Ltd. (the "Company"), do hereby confirm on behalf of the Directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Company and of the Group for the three months and the nine months period ended 30 September 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chen Xizhong
Executive Chairman

Chua Meng Hing
Independent Director

9 November 2015

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman

9 November 2015