



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 2016



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		
	2016	2015	%	2016	2015	%
	RMB'000	RMB'000	Change	RMB'000	RMB'000	Change
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	16,808	36,412	(53.8)	117,142	162,067	(27.7)
Cost of sales	(14,260)	(26,250)	(45.7)	(91,856)	(126,684)	(27.5)
Gross profit	2,548	10,162	(74.9)	25,286	35,383	(28.5)
Other operating income	928	1,059	(12.4)	3,059	2,681	14.1
Selling and distribution expenses	(2,212)	(969)	128.3	(4,405)	(3,519)	25.2
Administrative expenses	(23,214)	(6,012)	286.1	(37,906)	(23,732)	59.7
Finance costs	(3,958)	(3,037)	30.3	(8,744)	(9,717)	(10.0)
(Loss)/ profit before taxation	(25,908)	1,203	NM	(22,710)	1,096	NM
Income tax expense	(387)	-	NM	(666)	(877)	(24.1)
(Loss)/ profit attributable to shareholders	(26,295)	1,203	NM	(23,376)	219	NM
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss)/ income attributable to shareholders	(26,295)	1,203	NM	(23,376)	219	NM
Gross profit margin	15.2%	27.9%		21.6%	21.8%	
(Loss)/ profit before tax margin	(154.1%)	3.3%		(19.4%)	0.7%	
(Loss)/ profit after tax margin	(156.4%)	3.3%		(20.0%)	0.1%	
Basic and fully diluted EPS (RMB cents)	(2.37)	0.12		(2.11)	0.02	

NM - Not meaningful



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**UNAUDITED THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENTS AND
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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		
	2016	2015	%	2016	2015	%
	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	3,229	3,368	(4.1)	9,849	10,197	(3.4)
Depreciation of investment property	423	423	-	1,269	1,269	-
Exchange gains	(285)	(476)	40.1	(540)	(1,479)	(63.5)
Interest expenses	(3,958)	(3,037)	(30.3)	(8,744)	(9,717)	(10.0)
Provision for doubtful debts	15,117	-	NM	15,117	-	NM
(b) Other operating income comprises:						
Interest income	30	231	(87.0)	466	297	56.9
Government awards and incentives	161	-	NM	240	-	NM
Rental lease income	686	686	-	2,058	2,058	-
Gain on disposal of property, plant and equipment	-	-	-	27	-	NM
Other sundry income	51	142	(64.1)	268	326	(17.8)

NM - Not meaningful



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**UNAUDITED THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENTS AND
DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

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 2016 RMB '000 Unaudited	As at 31 December 2015 RMB '000 Audited	As at 30 September 2016 RMB '000 Unaudited	As at 31 December 2015 RMB '000 Audited
Non-Current assets				
Land use rights	25,271	25,718	-	-
Intangible assets	38	59	-	-
Property, plant and equipment	147,598	159,183	-	-
Investment property	29,052	30,321	-	-
Investment in subsidiaries	-	-	100,509	100,506
	201,959	215,281	100,509	100,506
Current assets				
Inventories	56,486	65,636	-	-
Trade receivables	45,795	45,590	-	-
Prepayment and other receivables	23,366	18,438	619	-
Cash and bank balances	21,778	6,161	6,833	153
	147,425	135,825	7,452	153
Less: Current Liabilities				
Trade and bills payables	4,807	10,066	-	-
Accrued liabilities and other payables	9,060	6,256	4,668	3,456
Amount due to director	6,125	3,813	6,125	3,813
Interest-bearing bank borrowings	204,090	189,341	-	-
Income tax payables	-	284	-	-
	224,082	209,760	10,793	7,269
Net current liabilities	(76,657)	(73,935)	(3,341)	(7,116)
Net assets	125,302	141,346	97,168	93,390
Share capital and reserves				
Share capital	5,998	5,042	5,998	5,042
Share premium	481,903	475,527	481,903	475,527
Merger reserve	65,939	65,939	65,939	65,939
Statutory reserves	166,883	166,883	-	-
Accumulated losses	(595,421)	(572,045)	(456,672)	(453,118)
Total equity	125,302	141,346	97,168	93,390



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

Amount repayable after one year

Not Applicable.

Details of any collateral

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

	As at 30 September 2016 (Unaudited) RMB '000	As at 31 December 2015 (Unaudited) RMB '000
Land Use Rights	14,825	15,097
Property, Plant and Equipment	91,396	97,019



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**UNAUDITED THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENTS AND
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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	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities				
(Loss)/ profit before taxation	(25,908)	1,203	(22,710)	1,096
Adjustments for:				
Depreciation of property, plant and equipment	3,229	3,368	9,849	10,197
Depreciation of investment property	423	423	1,269	1,269
Amortisation of land use rights	149	149	447	447
Amortization of intangible assets	7	7	21	21
Loss on disposal of property, plant and equipment	184	-	157	-
Provision for doubtful debts	15,117	-	15,117	-
Interest income	(30)	(231)	(466)	(297)
Interest expenses	3,958	3,037	8,744	9,717
Operating (loss)/ profit before working capital changes	(2,871)	7,956	12,428	22,450
(Increase)/ decrease in inventories	(8,382)	6,131	9,150	(12,173)
Decrease/ (increase) in trade receivables	16,475	1,244	(15,322)	14,413
Decrease/ (increase) in prepayments and other receivables	296	(3,226)	(4,928)	4,496
(Decrease)/ increase in trade and bills payables	(2,935)	(31,640)	(5,259)	(3,520)
(Decrease)/ increase in accrued liabilities and other payables	(832)	1,579	2,804	3,021
Net cash generated from/ (used in) operations	1,751	(17,956)	(1,127)	28,687
Income tax paid	(652)	-	(950)	(1,530)
Net cash generated from/ (used in) operating activities	1,099	(17,956)	(2,077)	27,157
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	(512)	(9)	(601)
Proceeds from sale of property, plant and equipment	83	-	1,588	-
Acquisition of short term investment	-	-	-	(6,000)
Proceeds from disposal of short term investment	-	6,000	-	6,000
Interest received	30	231	466	297
Net cash generated from/ (used in) investing activities	113	5,719	2,045	(304)
Cash flows from financing activities				
Proceeds from issuance of new shares	-	-	7,647	-
Share issuance expenses	-	-	(315)	-
Proceeds from bank borrowings	25,620	49,653	241,144	182,149
Repayment of bank borrowings	(24,853)	(49,500)	(226,395)	(207,878)
Advances to third party	-	-	(22,000)	-
Repayments from third party	10,000	-	22,000	-
Loan from/ (repayment to) director	1,010	(1,110)	2,312	(8,408)
Decrease/ (increase) in fixed deposits pledged	-	7,093	-	(14,201)
Interest expenses	(3,958)	(3,037)	(8,744)	(9,717)
Net cash generated from/ (used in) financing activities	7,819	3,099	15,649	(58,055)
Net increase/ (decrease) in cash and cash equivalents	9,031	(9,138)	15,617	(31,202)
Cash and cash equivalents at beginning of the period	12,747	11,756	6,161	33,820
Cash and cash equivalents at end of the period	21,778	2,618	21,778	2,618
Cash and bank balances at end of the period	21,778	19,919	21,778	19,919
Less: fixed deposits pledged	-	(17,301)	-	(17,301)
Cash and cash equivalents at end of the period	21,778	2,618	21,778	2,618



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 2015 (Audited)	5,042	475,527	65,939	166,883	(576,902)	136,489
Total comprehensive income for the year	-	-	-	-	4,857	4,857
At 31 December 2015 (Audited)	5,042	475,527	65,939	166,883	(572,045)	141,346
Issuance of new shares	956	6,691	-	-	-	7,647
Share issue expenses	-	(315)	-	-	-	(315)
Total comprehensive loss for the period	-	-	-	-	(23,376)	(23,376)
At 30 September 2016 (Unaudited)	5,998	481,903	65,939	166,883	(595,421)	125,302

	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 2015 (Audited)	5,042	475,527	65,939	-	(448,687)	97,821
Total comprehensive income for the year	-	-	-	-	(4,431)	(4,431)
At 31 December 2015 (Audited)	5,042	475,527	65,939	-	(453,118)	93,390
Issuance of new shares	956	6,691	-	-	-	7,647
Share issue expenses	-	(315)	-	-	-	(315)
Total comprehensive loss for the period	-	-	-	-	(3,554)	(3,554)
At 30 September 2016 (Unaudited)	5,998	481,903	65,939	-	(456,672)	97,168



- 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.**

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

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

	Number of shares	Share Capital S\$
As at 1 April 2016	992,250,000	992,250
Issuance of new shares pursuant to a private placement	198,450,000	198,450
As at 30 September 2016	<u>1,190,700,000</u>	<u>1,190,700</u>

There were no outstanding convertibles or treasury shares held as at 30 September 2016 and 30 September 2015.

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

	As at 30 September 2016	As at 31 December 2015
Total number of issued shares	<u>1,190,700,000</u>	<u>992,250,000</u>

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

Not applicable.

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

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



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

Not applicable.

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

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

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

Not applicable.

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

Basic earnings/ (loss) per share (RMB cents)	(2.37)	0.12	(2.11)	0.02
Weighted average number of ordinary shares ('000)	1,109,115	992,250	1,109,115	992,250

The basic earnings per share has been calculated based on net profit attributable to shareholders divided by the weighted average number of ordinary shares of 1,109,115,000 ordinary shares for the third quarter and nine months period ended 30 September 2016 (30 September 2015: 992,250,000).

The basic and diluted earnings per share is the same as there were no dilutive ordinary shares in issue as at 30 September 2016 and 30 September 2015.



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

	The Group	
	As at 30 September 2016 Unaudited	As at 31 December 2015 Audited
Net assets value per share based on existing issued capital as at the respective period (RMB cents)	10.52	14.24
Number of ordinary shares in issue at the end of financial period/year ('000)	1,190,700	992,250

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

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

Commentary on Financial Results

Revenue, Cost of Sales and Gross Profit

For the third quarter ended 30 September 2016 ("3Q 16"), the Group recorded a revenue of RMB16.8 million, a decrease of RMB19.6 million or 53.8%, from RMB36.4 million as compared to the third quarter ended 30 September 2015 ("3Q 15").

For the nine months ended 30 September 2016 ("9M 16"), the Group recorded a revenue of RMB117.1 million, a decrease of RMB45.0 million or 27.7%, from RMB162.1 million for the nine months ended 30 September 2015 ("9M 15"). The backpack segment formed almost the entire revenue for 3Q 16 and 9M 16, with insignificant contributions from the luggage segment.

The decline in overall revenue for 3Q 16 and 9M 16 was due to a continued reduction in the consumption of our backpacks products within the lacklustre domestic market. Domestic revenue only constituted approximately RMB2.9 million, which was 17.5% of the total revenue for 3Q 16, as compared to RMB13.9 million (38.0%) of total revenue for 3Q 15. OEM revenue contributed approximately RMB13.9 million, which was 82.5% of 3Q 16 revenue, as compared to RMB22.6 million (62.0%) for 3Q 15. The general decline was due to the overall sluggish economic environment.

Comparing 3Q 16 to 3Q 15 and 9M 16 to 9M 15, both financial periods' volume for backpacks had decreased by approximately 0.6 million units or 62.2% from 1.0 million units to 0.4 millions units and, approximately 0.3 million units or 6.9% from 4.6 million units to 4.3 millions units, respectively. The domestic sales performance in 3Q 16 had been particularly difficult and our distributors were facing the heavy pressure of slow



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

The average selling price ("ASP") for backpacks had increased by RMB7.9 or 22.2% from RMB35.5 (3Q 15) to RMB43.4 (3Q 16). This increase was due mainly to the OEM segment whereby a particular batch of OEM products were requested on an urgent manufacture and delivery basis, which the Group managed to negotiate for a higher ASP during 3Q 16. However, as the sales volume for 3Q 16 being significantly smaller when compared to the overall volume sold in the first six months of the year ("1H 16"), the effect on ASP for 9M 16 was not significant. With the overall sales, ASP for 9M 16 was approximately RMB27.0 per unit sold, as compared to RMB35.2 per unit in 9M 15. The decrease in ASP for 9M 16 was due to lower priced product mix being sold in 1H 16.

The decrease in cost of sales in 3Q 16 and 9M 16, by RMB12.0 million or 45.7%, and by RMB34.8 million or 27.5%, respectively, was directly correspondent to the contraction in sales volume in 3Q 16 and 9M 16.

The Group generated a gross profit of RMB2.5 million in 3Q 16 and RMB25.3 million in 9M 16, as compared to RMB10.2 million in 3Q 15 and RMB35.4 million in 9M 15. 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 16, gross profit margin declined to 15.2% from 27.9% (3Q 15). The decline was due to the low volume of sales generated in 3Q 16 whereby a higher portion of the fixed manufacturing overheads (mainly depreciation and labour) were allocated to the units produced and sold in the period under review.

For 9M 16, gross profit margin was 21.6% as compared to 21.8% in 9M 15. Although 3Q 16 managed to generated a lower gross profit margin, the volume contribution in 3Q 16 alone was not significant enough to impact the overall 9M 16 gross margin, therefore, the overall margins in 9M 16 remained comparable to 9M 15.

Other operating income

The decrease in other operating income of RMB0.1 million in 3Q 16 was due largely to a reduction in interest income of RMB0.2 million due to lesser bank deposits earning lesser interest income, while partially offset by an increase in government awards and incentives of RMB0.1 million.

For 9M 16, there was a marginal increase of RMB0.3 million, which was resultant of an increase in:

- interest income earned from to a short term advance to a third party in 1H 16 of RMB0.2 million; and
- an increase in government awards and incentives of RMB0.2 million.

However, the above increase was partially offset by a decline in sundry income of RMB0.1 million.



Operating expenses

(a) Selling and distribution expenses

Our selling and distribution expenses increased by RMB1.2 million or 128.3%, from RMB1.0 million in 3Q 15 to RMB2.2 million in 3Q 16 and it is resultant of the increase in:

- advertising and promotional expenses of RMB0.5 million. This increase was due to an increase in participation of exhibitions and trade fairs during 3Q 16 to promote our OEM segment and to reach out to potential distributors and customers;
- delivery and related expenses for the export of our OEM products of RMB0.2 million. This increase was due to a particular batch of exports that the customer had specifically requested for air freight, which costs more than the usual sea freight; and
- a reduction in terms of reimbursements from customers of RMB0.6 million for certain logistical arrangements and also product samples made for them, when compared to 3Q 15.

However, the above increase was partially offset by a reduction of salaries and related costs of RMB0.1 million, which was due to a reduction in head count, as sales activities had significantly slowed down in 3Q 16.

For 9M 16, our selling and distribution expenses had increased by RMB0.9 million or 25.2% from RMB3.5 million in 9M 15 to RMB4.4 million in 9M 16. The increase was due mainly to the increase in:

- advertising and promotional expenses of RMB0.5 million due to increase in participation in exhibitions and trade fairs to promote our OEM segment and to reach out to potential distributors and customers ;
- delivery and related expenses for the export of our OEM products of RMB0.1 million. This increase was due to a particular batch of exports that the customer had specifically requested for air freight, which costs more than the usual sea freight;
- a reduction in terms of reimbursements from customers of RMB0.9 million for certain logistical arrangements and also product samples made for them, when compared to 9M 15.

However, the above increase was partially offset by a reduction of salaries and related costs of RMB0.6 million, which was due to a reduction in head count, as sales activities had significantly slowed down in 9M 16.

(b) Administrative expenses

Our administrative expenses had increased significantly by approximately RMB17.2 million, from RMB6.0 million in 3Q 15 to RMB23.2 million in 3Q 16. This was due mainly to:

- increase in salaries and related expenses of RMB0.7 million This increase in salaries was due to the allocation of the idle production staff's salaries during the period of August and September whereby production activities had slowed down



- significantly during the two months;
- increase in depreciation expenses of RMB0.3 million, whereby additional allocation of depreciation charges of the production equipment for August and September due to idle excess capacity during the two months;
 - provision for doubtful debts of RMB15.1 million for three of the Group's customers whom had defaulted on their repayment of trade debts. Legal letters of demand had been issued to them, however, till to-date, there are no formal replies from them. Management's assessment is that these particular customers are in financial difficulties and the possibility of recovery is remote, as such a full provision for these trade debts had been made. The Group will be consulting with its legal counsel to explore the most expedient way to recoup the trade debts;
 - a reduction in foreign exchange gains of RMB0.2 million; and
 - increase in other miscellaneous expenses of RMB0.9 million.

For 9M 16, our administrative expenses had increased significantly by approximately RMB14.2 million, from RMB23.7 million in 9M 15, to RMB37.9 million in 9M 16. This was due mainly to:

- an increase in the provision for doubtful debts of RMB15.1 million for three of the Group's customers whom had defaulted on their repayment of debts, in 3Q 16 (as discussed above); and
- a reduction in foreign exchange gains of RMB0.9 million;

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

- travelling and business related expenses of RMB0.3 million;
- salaries and related expenses of RMB1.4 million. The additional allocation of the production staff's salaries for the two months in 3Q 16 was not significant enough to impact the overall decline due to the reduction in overall head count; and
- other expenses of RMB0.1 million.

(c) Finance costs

In 3Q 16, the Group's finance costs had increased by approximately RMB0.9 million or 30.3%, which was due largely to the higher outstanding bank borrowings in 3Q 16 as compared to 3Q 15.

However, for the period of 9M 16, finance costs decreased by RMB1.0 million, or 10.0%. The decrease in overall interest expense in 9M 16 was due mainly to the lower interest rates being charged during the period as compared to the corresponding periods, despite the higher bank borrowings outstanding at end of 9M 16.

(d) Taxation

Taxation in 3Q 16 and 9M 16 was due to the local tax authorities' initial tax assessment of the profits for the first six months of FY 2016, which amounted to RMB0.4 million and RMB0.7 million, respectively. In addition, upon the finalisation of the previous financial year's tax assessments for a certain profitable subsidiary in 3Q 16, whereby an underprovision of tax of RMB0.1 million was charged by the local tax authorities.



(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 RMB25.3 million and RMB25.7 million as at 30 September 2016 and 31 December 2015, respectively. They comprised mainly the land use rights for Dapai (China) Bags Co., Ltd, Dapai (China) Co., Ltd and Dapai Anhui Co. Ltd ("Dapai Anhui"). The decrease was due mainly to the amortization of the land use rights during the financial period.

Net book value of property, plant and equipment amounted to RMB147.6 million and RMB159.2 million as at 30 September 2016 and 31 December 2015, respectively. Property, plant and equipment comprised mainly buildings, plant and machinery, furniture, fixtures, office equipment and motor vehicles. The decrease was due mainly to the depreciation charged and also disposal of certain plant and equipment during the financial period, amounting to RMB9.8 million and RMB1.6 million, respectively.

The net book value of investment property amounted to RMB29.1 million and RMB30.3 million as at 30 September 2016 and 31 December 2015, respectively. The decrease was due to the depreciation charged during the financial period.

Current Assets

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

The decrease in inventories was due mainly to the Group utilizing the previously built up raw materials and work-in-progress in FY 15, which had been converted to finished goods and sold as at 30 September 2016.

Trade receivables amounted to RMB45.8 million and RMB45.6 million as at 30 September 2016 and 31 December 2015, respectively. The trade receivables as at 30 September 2016 was stated after deducting the provision for doubtful debts, amounting to RMB15.1 million, which had been charged to profit and loss in 9M 16.

As previously disclosed, there were three particular customers whom went into financial difficulties and had been defaulting in their repayments of the trade debts in 9M 16. They had, subsequently, also stopped communications with the Group. The Group had in mid-September 2016, sent legal demand letters to these customers and a deadline was set for end of September 2016 to allow them to make full repayment or to renegotiate their repayments.

As at date of this report, the three customers had not responded to the demand letters. As such, the Management's assessments of the possibilities of recovery of these trade



debts will be remote, and therefore, a full provision had been made in 3Q 16. The Group will be consulting with its legal counsel to explore the most expedient way to recoup the trade debts.

In addition, to further mitigate the potential risk of any future defaults, the Group will be closely monitoring the current trade debt situation and will be very selective and stringent in further sales to our customers in the final financial quarter of FY 2016. As such, this could potentially have a negative impact on the financial performance of the Group in the upcoming last financial quarter of FY 2016. The Board of Directors and Management will be providing an update as and when new information arises.

Prepayments and other receivables amounted to RMB23.4 million and RMB18.4 million as at 30 September 2016 and 31 December 2015, respectively. The increase of RMB5.0 million during the period was due mainly to an increased in security deposits placed with suppliers, amounting to RMB6.5 million, which was to secure the delivery and to obtain favorable prices for our raw materials. This increase was partially offset by a decrease in other receivables during the period of RMB1.5 million.

Current Liabilities

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

Trade and bills payables amounted to RMB4.8 million and RMB10.1 million as at 30 September 2016 and 31 December 2015, 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 RMB9.1 million and RMB6.3 million as at 30 September 2016 and 31 December 2015, respectively. Accrued liabilities and other payables comprised mainly accrued liabilities (mainly accrued wages, insurance and staff welfare), other payables and advance payments from customers (mainly deposits received from overseas customers). The increase was due to accrued liabilities for salaries and related expenses, professional fees and other miscellaneous liabilities.

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

Interest-bearing bank borrowings amounted to RMB204.1 million and RMB189.3 million as at 30 September 2016 and 31 December 2015, respectively. The increase was due mainly to the additional borrowings during the financial period.

The reduction of income tax payables was due largely to the payment of this financial period's income tax payables during 3Q 16.

Commentary on Cash Flow

Cash and cash equivalents amounted to RMB21.8 million and RMB2.6 million as at 30 September 2016 and 30 September 2015, respectively.



For 9M 16, net cash used in operating activities amounted to approximately RMB2.1 million.

However, in 3Q 16, net cash generated from operating activities was RMB1.1 million. This was due largely to the receipt of trade receivables of RMB16.5 million in the financial quarter, which was partially offset by operating losses before changes in working capital of RMB2.9 million, and other net cash used in operating activities of RMB12.5 million.

For 9M 16, cash generated from investing activities amounted to approximately RMB2.0 million, relates to the proceeds from the disposal of property, plant and equipment of RMB1.6 million and interest income received of RMB0.5 million.

For 3Q 16, the net cash generated from financing activities was due largely to:

- Repayment from third party of RMB10.0 million;
- proceeds (net) from additional bank borrowings of RMB0.8 million; and
- additional loan from director of RMB1.0 million.

The above was partially offset by interest expenses payments for the bank borrowings of RMB4.0 million.

Therefore, resulting in the overall net cash generated from financing activities of RMB7.8 million for the period ended 3Q 16. As a result, it led to a net increase in cash and cash equivalents for 3Q 16 amounting to approximately RMB9.0 million.

For 9M 16, cash generated from investing activities amounted to approximately RMB2.0 million, relates to the proceeds from the disposal of property, plant and equipment of RMB1.6 million and interest income received of RMB0.4 million.

For 9M 16, the net cash generated from financing activities was due largely to:

- proceeds raised from a private placement of new shares of RMB7.6 million;
- proceeds (net) from additional bank borrowings of RMB14.7 million; and
- additional loan from director of RMB2.3 million.

The above was partially offset by:

- share issue expenses of RMB0.3 million; and
- interest expenses payments for the bank borrowings of RMB8.7 million.

Therefore, resulting in the overall net cash generated from financing activities of RMB15.6 million for the period ended 9M 16.

As a result, it led to a net increase in cash and cash equivalents for 9M 16 amounting to approximately RMB15.6 million.



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

Based on the Company's discussion presented in Note 10 of the unaudited results announcement dated 8 August 2016, it was highlighted that Group continued to face challenges of demand contraction and overall sales had not picked up as consumers continue to choose from the renowned international brands over domestic brands.

The Management also highlighted that it does not foresee any change in consumer preferences in the near future and was cautiously optimistic of sales in the second half on the year. In addition, the global economic uncertainties had also dampened the sales performance of our OEM segment.

However, in 3Q 16, the lacklustre and sluggish enonomy (domestic and global) continued to affect the Group's sales performance and brought about a significant decline in sales revenue and gross profits. In addition, an increase in the provision for doubtful debts, contributed to the overall increase in operating expenses and led to the Group suffering net losses after tax for the period 3Q 16 and 9M 16.

The above resulted in the Group not being able to continue to turn in a positive financial performance in the latest financial quarter.

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

With the continued weakness of the domestic and global economy, the Group, together with the distributors are facing an uphill challenge in pushing Dapai's products amidst the current weak domestic market. The OEM segment had also been seen to slow down in 3Q 16. The political and economical uncertainties facing European Union (Brexit) brought about unanticipated slow down that had affected the global economy negatively.

As seen in the 9M 16 financial performance, the Group further encountered demand contraction and overall sales had not picked up as consumer sophistication continued to grow, whereby consumer preferences are toward the renowned international brand names.

The Management does not foresee any change in this consumer preference in the near future and anticipates the remainder of the current financial year to continue to be difficult and challenging.

The Group will continue to work closely with its distributors, to its best endeavours, to market the right product mix by offering appropriate discount schemes, attract smaller/ individual wholesaler/ distributors, etc. to cautiously expand and improve the sales and partnering channels. However, as mentioned earlier, the Group will also be closely monitoring the current trade debt situation and will be particularly selective and stringent in future sales in the upcoming financial quarters. This is to mitigate any further potential doubtful debts risks and exposure which might arise. By adopting such a strategy, this could potentially bring about a negative impact on the sales



performances of the Group going forward. The Board of Directors and Management will be providing an update as and when new information arises.

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

As at 30 September 2016, the Group had been maintaining and renewing its short term borrowings to manage its negative working capital position. As at the date of this announcement, the management and the Executive Chairman, are not aware of any adverse circumstances that might cause the financial institutions to withdraw credit facilities granted to the Group. The Group still has unutilised credit facilities amounting to approximately RMB59.9 million with its principal bankers. Therefore, the Group believes that it will be able to meet its short term obligations and to continue to operate as a going concern.

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

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

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

- the Company had appointed relevant professional advisers;
- the Company's professional advisers had made physical visits to Smart Traffic's premises, and are conducting ongoing due diligence on Smart Traffic;
- the Company is also engaging the SM Controlling Shareholder on its due diligence into the Company; and



- the Company and Smart Traffic are negotiating the definitive transaction agreements.

As at date of this report, the appointed professional advisers are in the midst of the due diligence processes of the potential reverse takeover.

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

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

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

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

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been recommended or declared for the quarter ended 30 September 2016.

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	S\$429,000*	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 RMB6.1 million was still outstanding as at 30 September 2016. The loan is unsecured, interest-free, and it is for the benefit of the Group's operational cashflow. The loan is repayable within 6 months of any notice of demand for repayment from the lender.

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

14. Utilisation of the Placement Proceeds

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

Purpose of Proceeds (\$S'000)	Amount allocated	Amount transferred	Amount utilised	Balance	% used
(1) Due Diligence for the Proposed Acquisition	306	-	(42)	264	14%
(2) Costs and expenses (including professional fees) to be incurred for the Proposed	1,222	(7)	(140)	1,075	12%
(3) Listing (share issue) expenses *	60	7	(67)	-	100%
	<u>1,588</u>	<u>-</u>	<u>(249)</u>	<u>1,339</u>	<u>16%</u>

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



15. Negative Assurance

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

We, Chen Xizhong and Tan Chade Phang, 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 second quarter ended and the nine months period ended 30 September 2016 to be false or misleading in any material aspect.

Confirmation by the Board pursuant to Rule 720(1) of the Listing Manual

On behalf of the Board of Directors of the Company, we confirm that we have procured all the required undertakings to comply with the Exchange's listing rules from all the Directors and Executive Officers of the Company.

On behalf of the Board of Directors

Chen Xizhong
Executive Chairman

Tan Chade Phang
Independent Director

11 November 2016

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman

11 November 2016