



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

UNAUDITED SECOND QUARTER
AND HALF YEAR FINANCIAL STATEMENTS
AND DIVIDEND ANNOUNCEMENT

FOR THE PERIOD ENDED 30 JUNE 2016



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

1(a)(i) An income statement and statement of comprehensive income, or a 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

	Second Quarter			Half Year		
	2016	2015	%	2016	2015	%
	RMB'000	RMB'000	Change	RMB'000	RMB'000	Change
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	63,665	61,854	2.9	100,334	125,655	(20.2)
Cost of sales	(49,992)	(49,663)	0.7	(77,596)	(100,434)	(22.7)
Gross profit	13,673	12,191	12.2	22,738	25,221	(9.8)
Other operating income	1,381	764	80.8	2,131	1,622	31.4
Selling and distribution expenses	(1,312)	(1,700)	(22.8)	(2,193)	(2,550)	(14.0)
Administrative expenses	(8,214)	(10,621)	(22.7)	(14,692)	(17,720)	(17.1)
Finance costs	(2,733)	(3,492)	(21.7)	(4,786)	(6,680)	(28.4)
Profit/ (loss) before taxation	2,795	(2,858)	NM	3,198	(107)	NM
Taxation	(279)	(546)	(48.9)	(279)	(877)	(68.2)
Profit/ (loss) attributable to shareholders	2,516	(3,404)	NM	2,919	(984)	NM
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/ (loss) attributable to shareholders	2,516	(3,404)	NM	2,919	(984)	NM
Gross profit margin	21.5%	19.7%		22.7%	20.1%	
Profit/ (loss) before tax margin	4.4%	(4.6)%		3.2%	(0.1)%	
Net profit/ (loss) margin	4.0%	(5.5)%		2.9%	(0.8)%	
Basic and fully diluted EPS (RMB cents)	0.24	(0.34)		0.27	(0.10)	

NM - Not meaningful



1(a)(i) 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:

	Second Quarter			Six 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	-	298	298	-
Amortisation of intangible assets	7	7	-	14	14	-
Depreciation of property, plant and equipment	3,292	3,380	(2.6)	6,620	6,829	(3.1)
Depreciation of investment property	423	423	-	846	846	-
Interest expenses	2,733	3,492	(21.7)	4,786	6,680	(28.4)
Exchange gains	(197)	(627)	(68.6)	(255)	(1,003)	(74.6)
(b) Other operating income comprises:						
Interest income	431	11	3,818.2	436	66	560.6
Government awards and incentives	79	-	NM	79	-	NM
Rental lease income	686	686	-	1,372	1,372	-
Gain on disposal of property, plant and equipment	27	-	NM	27	-	NM
Other sundry income	158	67	135.8	217	184	17.9

NM - Not meaningful



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 June 2016 RMB '000 Unaudited	As at 31 December 2015 RMB '000 Audited	As at 30 June 2016 RMB '000 Unaudited	As at 31 December 2015 RMB '000 Audited
Non-Current assets				
Land use rights	25,420	25,718	-	-
Intangible assets	45	59	-	-
Property, plant and equipment	151,093	159,183	-	-
Investment property	29,475	30,321	-	-
Investment in subsidiaries	-	-	100,509	100,506
	206,033	215,281	100,509	100,506
Current assets				
Inventories	48,104	65,636	-	-
Trade receivables	77,387	45,590	-	-
Prepayment and other receivables	23,662	18,438	24	-
Advances to third party	10,000	-	-	-
Cash and bank balances	12,747	6,161	7,785	153
	171,900	135,825	7,809	153
Less: Current Liabilities				
Trade and bills payables	7,741	10,066	-	-
Accrued liabilities and other payables	9,892	6,256	4,975	3,456
Amount due to director	5,115	3,813	5,115	3,813
Interest-bearing bank borrowings	203,323	189,341	-	-
Income tax payables	265	284	-	-
	226,336	209,760	10,090	7,269
Net current liabilities	(54,436)	(73,935)	(2,281)	(7,116)
Net assets	151,597	141,346	98,228	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	(569,126)	(572,045)	(455,612)	(453,118)
Total equity	151,597	141,346	98,228	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 June 2016 (Unaudited)		As at 31 December 2015 (Audited)	
	Secured RMB '000	Unsecured RMB '000	Secured RMB '000	Unsecured RMB '000
Interest- bearing bank borrowings	203,323	-	189,341	-

Amount repayable after one year

Not applicable.

Details of any collateral

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

	As at 30 June 2016 (Unaudited) RMB '000	As at 31 December 2015 (Unaudited) RMB '000
Land Use Rights	14,915	15,097
Property, Plant and Equipment	93,381	97,019



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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Second Quarter		Half Year	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities				
Profit/ (loss) before taxation	2,795	(2,498)	3,198	(107)
Adjustments for:				
Depreciation of property, plant and equipment	3,292	3,380	6,620	6,829
Depreciation of investment property	423	423	846	846
Amortization of land use rights	149	149	298	298
Amortization of intangible assets	7	7	14	14
Gain on disposal of property, plant and equipment	(27)	-	(27)	-
Interest income	(431)	(11)	(436)	(66)
Interest expenses	2,733	3,492	4,786	6,680
Operating profit before working capital changes	8,941	4,942	15,299	14,494
Decrease/ (increase) in inventories	5,829	(14,797)	17,532	(18,304)
(Increase)/ decrease in trade receivables	(33,603)	20,685	(31,797)	13,169
(Increase)/ decrease in prepayments and other receivables	(1,818)	1,975	(5,224)	7,722
Increase/ (decrease) in trade and bills payables	53	2,069	(2,324)	28,120
Increase in accrued liabilities and other payables	263	2,135	3,636	1,442
Net cash (used in)/ generated from operations	(20,335)	17,009	(2,878)	46,643
Income tax paid	(14)	(875)	(298)	(1,530)
Net cash (used in)/ generated from operating activities	(20,349)	16,134	(3,176)	45,113
Cash flows from investing activities				
Acquisition of property, plant and equipment	(9)	-	(9)	(89)
Proceeds from disposal of property, plant and equipment	1,505	-	1,505	-
Acquisition of short term investment	-	(6,000)	-	(6,000)
Interest received	431	11	436	66
Net cash generated from/ (used in) investing activities	1,927	(5,989)	1,932	(6,023)
Cash flows from financing activities				
Proceeds from issuance of new shares	7,647	-	7,647	-
Share issue expenses	(315)	-	(315)	-
Proceeds from bank borrowings	125,450	113,496	215,524	132,496
Repayment of bank borrowings	(126,291)	(100,868)	(201,542)	(158,378)
Advances to third party	-	-	(22,000)	-
Repayments from third party	12,000	-	12,000	-
Loan from/(repayment) to Director	1,302	(1,967)	1,302	(7,298)
Increase in bank deposits pledged	-	(14,638)	-	(21,294)
Interest expenses	(2,733)	(3,492)	(4,786)	(6,680)
Net cash generated from/ (used in) financing activities	17,060	(7,469)	7,830	(61,154)
Net (decrease)/ increase in cash and cash equivalents	(1,362)	2,676	6,586	(22,064)
Cash and cash equivalents at beginning of the period	14,109	9,080	6,161	33,820
Cash and cash equivalents at end of the period	12,747	11,756	12,747	11,756
Cash and bank balances at end of the period	12,747	36,150	12,747	36,150
Less: fixed deposits pledged	-	(24,394)	-	(24,394)
Cash and cash equivalents at end of the period	12,747	11,756	12,747	11,756



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.

STATEMENTS 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 income for the period	-	-	-	-	2,919	2,919
At 30 June 2016 (Unaudited)	5,998	481,903	65,939	166,883	(569,126)	151,597

	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 income for the period	-	-	-	-	(2,494)	(2,494)
At 30 June 2016 (Unaudited)	5,998	481,903	65,939	-	(455,612)	98,228



- 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 convertibles, 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 June 2016	<u>1,190,700,000</u>	<u>1,190,700</u>

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

	Second Quarter		Half Year	
	2016	2015	2016	2015
Basic earnings per share (RMB cents)	0.24	(0.31)	0.27	(0.10)
Weighted average number of ordinary shares ('000)	1,068,323	992,250	1,068,323	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 1,068,323,000 ordinary shares for the second quarter and half year ended 30 June 2015 (30 June 2014: 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 June 2016 and 30 June 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 June 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)	12.73	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 second quarter ended 30 June 2016 ("2Q 16"), the Group recorded a revenue of RMB63.7 million, a marginal increase of approximately RMB1.8 million or 2.9%, from RMB61.9 million, as compared to the second quarter ended 30 June 2015 ("2Q 15").

For the six months ended 30 June 2016 ("1H 16"), the Group recorded a revenue of RMB100.3 million, a decrease of approximately RMB25.4 million or 20.2%, from RMB125.7 million for the six months ended 30 June 2015 ("1H 15"). The backpack segment formed almost the entire revenue for 2Q 16 and 1H 16.

The average selling price ("ASP") for backpacks had also decreased by RMB11.2 or 30.7% from RMB36.5 (2Q 15) to RMB25.3 (2Q 16) and had also decreased by RMB9.8 or 27.9% from RMB35.1 (1H 15), to RMB25.3 (1H 16). This decrease in ASP was due largely to the change in marketing strategy to continue to push lower priced tier products so as to maintain the Company's brand consciousness and also our OEM competitiveness.

Comparing 2Q 16 to 2Q 15 and 1H 16 to 1H 15, both financial periods' volume for backpacks had increased by approximately 0.8 million units or 47.1% from 1.7 million units in 2Q 15, to 2.5 millions units in 2Q 16, and, approximately 0.3 million units in, or 29.1% from 3.6 million units in 1H 15 to 3.9 millions units in 1H 16, respectively.

Although there is an increase in the volume of our products being sold and distributed into the markets, the decline in overall revenue for 1H 16 was due largely to the change



in marketing strategy to sell lower priced products to maintain competitiveness and promoting Dapai's brand. The increase in volume of our products is, however, not sufficiently high enough to compensate for the drop in the pricing of our products. Domestic revenue constituted approximately RMB56.2 million (1H 15: RMB59.8 million), while OEM revenue contributed RMB44.1 million (1H 15: RMB65.9 million).

Cost of sales in 2Q 16 had increased marginally by RMB0.3 million, or approximately 0.7%, when compared to 2Q 15. This marginal increase was in line with the increase in overall volume of units sold in the financial period. The decrease in cost of sales in 1H 16, by RMB22.8 million or approximately 22.7%, was directly correspondent to the lower costs of raw materials used in the product mix sold in 1H 16, and also enjoyed certain cost savings in utilising the stock pile of raw materials since last financial year.

The Group had generated a gross profit of RMB13.7 million in 2Q 16 and RMB22.7 million in 1H 16, as compared to RMB12.2 million in 2Q 15 and RMB25.2 million in 1H 15. The marginal improvement in gross profit for 2Q 16 was due largely to the lower raw material costs in 2Q 16. However, the decline in overall gross profits in 1H 16 was due to the slower sales in 1Q 16, which the improvement in 2Q 16 sales was not sufficient to compensate the overall drop in our pricing strategy, leading to the overall decline in revenue recognised.

In 2Q 16 and 1H 16, gross profit margin improved from 19.7% (2Q 15) and 20.1% (1H 15) to 21.5% and 22.7%, respectively. As mentioned above, the Group had managed to market a lowered pricing tiered product mix than those in the previous corresponding periods. This in turn, as a result of using raw material with lower costs, coupled with realising some cost savings in the utilisation of existing stock pile since last financial year, led to slightly better margins in the financial periods under review.

Other operating income

The increase in other operating income of RMB0.6 million and RMB0.5 million for 2Q 16 and 1H 16, respectively, was due mainly to the interest income charged for the advances to third party (charged at 6.96% per annum), whilst there was no such interest income in the previous corresponding periods.

Operating expenses

(a) Selling and distribution expenses

Our selling and distribution expenses decreased by RMB0.4 million or 22.8% from RMB1.7 million in 2Q 15 to RMB1.3 million in 2Q 16. The decrease was due mainly to the decrease in:

- advertising and promotional expenses of RMB0.1 million; and
- sales staff salaries and related expenses of RMB0.2 million, as a result of lower head count.

Our selling and distribution expenses had decreased by RMB0.4 million or 14.0% from RMB2.6 million in 1H 15 to RMB2.2 million in 1H 16. The decrease was due mainly to the decrease in:

- advertising and promotional expenses of RMB0.1 million; and



- sales staff salaries and related expenses of RMB0.3 million, as a result of lower head count.

(b) Administrative expenses

Our administrative expenses decreased by approximately RMB2.4 million, from RMB10.6 million in 2Q 15 to RMB8.2 million in 2Q 16. This was due mainly to a decrease in:

- salaries and related expenses of RMB1.5 million;
- depreciation expenses of RMB0.2 million; and
- other expenses of RMB0.7 million.

Contributing to the overall decrease in 2Q15 administrative expenses was an increase in foreign exchange gain of RMB0.3 million.

Our administrative expenses had decreased by approximately RMB3.0 million, from RM17.7 million in 1H 15 to RMB14.7 million in 1H 16. This was due mainly to a decrease in:

- salaries and related expenses of RMB2.1 million;
- depreciation expenses of RMB0.2 million; and
- other expenses of RMB0.7 million.

The reduction was due largely to the Group's continued efforts to improve its efficiency by reorganizing its administrative activities.

(c) Finance costs

In 2Q 16 and 1H 16, the Group's finance costs had decreased by RMB0.8 million and 1.9 million, respectively. The decrease in interest expense was due mainly to the lower interest rates being charged during the period as compared to the corresponding periods.

(d) Taxation

Taxation in 2Q 16 and 1H 16 was due to the local tax authorities' initial partial assessment of the profits from the first half of the financial year, for one of the Group's profitable subsidiary, which amounted to RMB0.3 million.



(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 RMB25.4 million and RMB25.7 million as at 30 June 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 RMB151.1 million and RMB159.2 million as at 30 June 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 RMB6.6 million and RMB1.5 million, respectively.

The net book value of investment property amounted to RMB29.5 million and RMB30.3 million as at 30 June 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, advances to third party 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 June 2016. In-addition, lesser purchases of raw materials were made in 1H 16, thus contributing the overall decline in inventory levels.

Trade receivables amounted to RMB77.4 million and RMB45.6 million as at 30 June 2016 and 31 December 2015, respectively. The higher trade receivables as at 30 June 2016 was due to majority of the sales that were made in 2Q 16, which were not past due and had not been collected, which amounted to approximately 75.7% still current. Based on the aging of the trade receivables, 24.3% (FY 15: 36.9%) are 30 days past due and not provided for. As at the date of the report, the Board is of the view that no provisions for bad debt is required for this current financial period reported on based on the rationale set out in the below paragraphs. The management will closely monitor the trade receivables, paying particular attention to those past due trade receivables.

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 Management keeps close communications with these debtors and had reached an agreement with them 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 instalments from these debtors, except one, had been collected. The particular debtor had only partially remitted its second instalment and had requested for an extension to complete the said instalment. In view of the request, the management will monitor closely the collection situation and had sent written reminders, together with our sales representative following up with the particular customer. In addition, there had not been further sales transaction with the debtor to limit the Group's risk until all outstanding debts are cleared.

The particular debtor is currently making arrangements to make repayments by end of September 2016. Therefore, the management is currently of the opinion that no additional provision for doubtful debts is required as at 30 June 2016.

Prepayments and other receivables amounted to RMB23.7 million and RMB18.4 million as at 30 June 2016 and 31 December 2015, respectively. The increase of RMB5.3 million during the period was due mainly to an increase in deposits, amounting to RMB7.2 million, placed with suppliers for the purchase of raw materials for the production in the upcoming financial quarters in FY 2016, partially offset by other receivables during the period of RMB1.9 million.

Advances to third party relates to the remaining portion of a short term bridging loan, for operational cashflow and working capital purposes, amounting to RMB22.0 million in 1Q 16, advanced to a supplier of the Group. This particular supplier had repaid an amount of RMB12.0 million during 2Q 16 and had extended the loan tenure, with the same interest rate of 6.96% per annum (which is higher than the average interest rate of approximately 6.0% which the Group is currently servicing for its bank borrowings), till the end of July 2016, for the remaining RMB10.0 million. The outstanding amount of RMB10.0 million, together with the interest income had been collected as at date of this report.

The management and Board is of the reasonable opinion that, after having made due and careful enquiry and after taking into account our Group's credit facilities still available to us and our existing cash and cash equivalents, the working capital available to us as at 30 June 2016, is sufficient for our present requirements and for the next 12 months.

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 RMB7.7 million and RMB10.1 million as at 30 June 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 RMB9.9 million and RMB6.3 million as at 30 June 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 receipts of customers' deposits, coupled with an increase in accrued 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 RMB203.3 million and RMB189.3 million as at 30 June 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 partial payment of this financial period's income tax payables during 2Q 16.

Commentary on Cash Flow

Cash and cash equivalents amounted to RMB12.7 million and RMB11.8 million as at 30 June 2016 and 30 June 2015, respectively.

For 1H 16, net cash used in operating activities amounted to approximately RMB3.2 million, which was mainly the result of slower receipts from our trade debtors.

Cash generated from investing activities amounted to approximately RMB1.9 million, relates mainly to the disposal of plant and equipment (RMB1.5 million) and interest earned (RMB0.4 million) during the period under review.

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 RMB14.0 million; and
- additional loan from director of RMB1.3 million.

The above was partially offset by:

- share issue expenses of RMB0.3 million;
- advances to third party (net) of RMB10.0 million; and
- interest expenses payments for the bank borrowings of RMB4.8 million.

Therefore, resulting in the overall net cash generated from financing activities of RMB7.8 million for the period ended 1H 16.

As a result, it led to a net increase in cash and cash equivalents for 1H 16 amounted to approximately RMB6.6 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 13 May 2016.

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.

As seen in the 1H 16 financial performance, the 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 does not foresee any change in this consumer preference in the near future and is 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, but the Group is still able to secure contracts due to our ability to deliver quality products.

The Group will continue to work closely with our distributors, to its best endeavours, to market the right product mix so as to continue to turn in a positive financial performance and to improve its cashflow position, with particular emphasis in our collections of trade receipts.

As at 30 June 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 RMB60.7 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 announcements from February to April 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. As at date of this report, the Company is also in the midst of preparing an application to seek a further EOT to complete the signing of the definitive agreements and also the potential reverse takeover with Smart Traffic.

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

As at date of this report, the Company had appointed several professional parties to commence on the due diligence processes of the potential reverse takeover and is currently in the midst of their work.

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/recommendeded, a statement to that effect.

No dividend has been recommended or declared for the second quarter ended 30 June 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\$285,000*	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 for the current financial period had been rounded up to the nearest thousand.

Loan from a director, Mr. Chen Xizhong, amounting to RMB5.1 million was still outstanding as at 30 June 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 (\$'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 Acquisition	1,222	(7)	-	1,215	0%
(3) Listing (share issue) expenses *	60	7	(67)	-	100%
	<u>1,588</u>	<u>-</u>	<u>(109)</u>	<u>1,479</u>	<u>7%</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 six months period ended 30 June 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

8 August 2016

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman
8 August 2016