



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 2017



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		
	2017	2016	%	2017	2016	%
	RMB'000	RMB'000	Change	RMB'000	RMB'000	Change
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	26,758	63,665	(58.0)	37,922	100,334	(62.2)
Cost of sales	(23,859)	(49,992)	(52.3)	(34,219)	(77,596)	(55.9)
Gross profit	2,899	13,673	(78.8)	3,703	22,738	(83.7)
Other operating income	941	1,381	(31.9)	1,845	2,131	(13.4)
Selling and distribution expenses	(1,078)	(1,312)	(17.8)	(2,983)	(2,193)	36.0
Administrative expenses	(5,070)	(8,214)	(38.3)	(9,040)	(14,692)	(38.5)
Finance costs	(2,365)	(2,733)	(13.5)	(4,776)	(4,786)	(0.2)
(Loss)/ profit before taxation	(4,673)	2,795	NM	(11,251)	3,198	NM
Taxation	(31)	(279)	(88.9)	(31)	(279)	(88.9)
(Loss)/ profit attributable to shareholders	(4,704)	2,516	NM	(11,282)	2,919	NM
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss)/ income attributable to shareholders	(4,704)	2,516	NM	(11,282)	2,919	NM
Gross profit margin	10.8%	21.5%		9.8%	22.7%	
(Loss)/ profit before tax margin	-17.5%	4.4%		-29.7%	3.2%	
Net (loss)/ profit margin	-17.6%	4.0%		-29.8%	2.9%	
Basic and fully diluted EPS (RMB cents)	(0.40)	0.24		(0.95)	0.27	

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		
	2017	2016	%	2017	2016	%
	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	147	149	(1.3)	296	298	(0.7)
Amortisation of intangible assets	7	7	-	14	14	-
Depreciation of property, plant and equipment	1,803	3,292	(45.2)	3,597	6,620	(45.7)
Depreciation of investment property	828	423	95.7	1,681	846	98.7
Interest expenses	2,365	2,733	(13.5)	4,776	4,786	(0.2)
Exchange losses/ (gains)	(3)	(197)	(98.5)	83	(255)	(132.5)
(b) Other operating income comprises:						
Interest income	5	431	(98.8)	11	436	(97.5)
Government awards and incentives	188	79	NM	320	79	305.1
Rental lease income	648	686	(5.5)	1,286	1,372	(6.3)
Gain on disposal of property, plant and equipment	-	27	NM	-	27	NM
Other sundry income	100	158	(36.7)	228	217	5.1

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 2017 RMB '000 Unaudited	As at 31 December 2016 RMB '000 Audited	As at 30 June 2017 RMB '000 Unaudited	As at 31 December 2016 RMB '000 Audited
Non-Current assets				
Land use rights	24,828	25,124	-	-
Intangible assets	19	33	-	-
Property, plant and equipment	62,463	66,047	-	-
Investment property	33,628	35,309	-	-
Investment in subsidiaries	-	-	4,509	13,924
	120,938	126,513	4,509	13,924
Current assets				
Inventories	33,330	28,106	-	-
Trade receivables	54,760	58,092	-	-
Prepayment and other receivables	5,796	4,823	526	-
Cash and bank balances	9,622	16,061	2,279	6,447
	103,508	107,082	2,805	6,447
Less: Current Liabilities				
Trade and bills payables	5,749	4,736	-	-
Accrued liabilities and other payables	14,891	10,317	4,266	5,935
Amount due to director	6,025	6,025	6,025	6,025
Interest-bearing bank borrowings	200,590	204,090	-	-
Income tax payables	46	-	-	-
	227,301	225,168	10,291	11,960
Net current liabilities	(123,793)	(118,086)	(7,486)	(5,513)
Net assets	(2,855)	8,427	(2,977)	8,411
Share capital and reserves				
Share capital	5,998	5,998	5,998	5,998
Share premium	481,903	481,903	481,903	481,903
Merger reserve	65,939	65,939	65,939	65,939
Statutory reserves	166,883	166,883	-	-
Accumulated losses	(723,578)	(712,296)	(556,817)	(545,429)
Total equity	(2,855)	8,427	(2,977)	8,411



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 2017 (Unaudited)		As at 31 December 2016 (Audited)	
	Secured RMB '000	Unsecured RMB '000	Secured RMB '000	Unsecured RMB '000
Interest- bearing bank borrowings	200,590	-	204,090	-

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 2017 (Unaudited) RMB '000	As at 31 December 2016 (Audited) RMB '000
Land Use Rights	14,556	14,736
Property, Plant and Equipment	49,080	50,920
Investment Properties	22,811	24,162



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	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities				
(Loss)/ profit before taxation	(4,673)	2,795	(11,251)	3,198
Adjustments for:				
Depreciation of property, plant and equipment	1,778	3,292	3,597	6,620
Depreciation of investment property	853	423	1,681	846
Amortization of land use rights	147	149	296	298
Amortization of intangible assets	7	7	14	14
Gain on disposal of property, plant and equipment	-	(27)	-	(27)
Interest income	(5)	(431)	(11)	(436)
Interest expenses	2,365	2,733	4,776	4,786
Operating profit/ (loss) before working capital changes	472	8,941	(898)	15,299
(Increase)/ decrease in inventories	(56)	5,829	(5,224)	17,532
Decrease/ (increase) in trade receivables	1,913	(33,603)	3,332	(31,797)
(Increase)/ decrease in prepayments and other receivables	172	(1,818)	(973)	(5,224)
Increase/ (decrease) in trade and bills payables	650	53	1,013	(2,324)
Decrease/ (increase) in accrued liabilities and other payables	(565)	263	4,574	3,636
Net cash generated from/ (used in) operations	2,586	(20,335)	1,824	(2,878)
Income taxes	15	(14)	15	(298)
Net cash generated from/ (used in) operating activities	2,601	(20,349)	1,839	(3,176)
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	(9)	(13)	(9)
Proceeds from disposal of property, plant and equipment	-	1,505	-	1,505
Acquisition of short term investment	-	-	-	-
Interest received	5	431	11	436
Net cash generated from/ (used in) investing activities	5	1,927	(2)	1,932
Cash flows from financing activities				
Proceeds from issuance of new shares	-	7,647	-	7,647
Share issue expenses	-	(315)	-	(315)
(Payments)/ proceeds from bank borrowings, net	(2,500)	(841)	(3,500)	13,982
Advances to third party	-	-	-	(22,000)
Repayments from third party	-	12,000	-	12,000
Loan from/(repayment) to Director	-	1,302	-	1,302
Increase in bank deposits pledged	720	-	-	-
Interest expenses	(2,365)	(2,733)	(4,776)	(4,786)
Net cash (used in)/ generated from financing activities	(4,145)	17,060	(8,276)	7,830
Net (decrease)/ increase in cash and cash equivalents	(1,539)	(1,362)	(6,439)	6,586
Cash and cash equivalents at beginning of the period	11,161	14,109	16,061	6,161
Cash and cash equivalents at end of the period	9,622	12,747	9,622	12,747
Cash and bank balances at end of the period	9,622	12,747	9,622	12,747
Less: fixed deposits pledged	-	-	-	-
Cash and cash equivalents at end of the period	9,622	12,747	9,622	12,747



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 2016 (Audited)	5,042	475,527	65,939	166,883	(572,045)	141,346
Issuance of new shares	956	6,376	-	-	-	7,332
Total comprehensive income for the year	-	-	-	-	(140,251)	(140,251)
At 31 December 2016 (Audited)	5,998	481,903	65,939	166,883	(712,296)	8,427
Total comprehensive loss for the period	-	-	-	-	(11,282)	(11,282)
At 30 June 2017 (Unaudited)	5,998	481,903	65,939	166,883	(723,578)	(2,855)

	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 2016 (Audited)	5,042	475,527	65,939	-	(453,118)	93,390
Issuance of new shares	956	6,376	-	-	-	7,332
Total comprehensive income for the year	-	-	-	-	(92,311)	(92,311)
At 31 December 2016 (Audited)	5,998	481,903	65,939	-	(545,429)	8,411
Total comprehensive loss for the period	-	-	-	-	(11,388)	(11,388)
At 30 June 2017 (Unaudited)	5,998	481,903	65,939	-	(556,817)	(2,977)



- 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.

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 June 2017.

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

	As at 30 June 2017	As at 30 June 2016
Number of shares	1,190,700,000	1,190,700,000
Issued and paid up capital (S\$)	2,579,850	2,579,850

There were no outstanding convertibles or treasury shares held as at 30 June 2017 and 30 June 2016.

There were no subsidiary holdings as at 30 June 2017 and 30 June 2016.

- 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 2017	As at 31 December 2016
Total number of issued shares	1,190,700,000	1,190,700,000

- 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 2016.

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	
	2017	2016	2017	2016
Basic earnings per share (RMB cents)	(0.40)	0.24	(0.95)	0.27
Weighted average number of ordinary shares ('000)	1,190,700	1,068,323	1,190,700	1,068,323

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 1,190,700,000 ordinary shares for the second quarter and half year ended 30 June 2017 and 30 June 2016.

The basic and diluted earnings per share is the same as there were no dilutive ordinary shares in issue as at 30 June 2017 and 30 June 2016.



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 2017 Unaudited	As at 31 December 2016 Audited
Net assets value per share based on existing issued capital as at the respective period (RMB cents)	(0.24)	0.71
Number of ordinary shares in issue at the end of financial period/year ('000)	1,190,700	1,190,700

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 2017 ("2Q 17"), the Group recorded a revenue of RMB26.8 million, a decrease of RMB36.9 million or 58.0%, from RMB63.7 million, as compared to the second quarter ended 30 June 2016 ("2Q 16").

For the six months ended 30 June 2017 ("1H 17"), the Group recorded a revenue of RMB37.9 million, a decrease of approximately RMB62.4 million or 62.2%, from RMB100.3 million for the six months ended 30 June 2016 ("1H 16"). The backpack segment formed almost the entire revenue for 2Q 16 and 1H 16.

The decrease was due to a decline in the overall demand for the Group's products, especially domestic sales, which had decline drastically.

The decrease in cost of sales in 2Q 17 and 1H 17 can be seen inline with the decrease in sales revenue in 2Q 16 and 1H 16.

The Group had generated a gross profit of RMB2.9 million in 2Q 17 and RMB3.7 million in 1H 17, as compared to RMB13.7 million in 2Q 16 and RMB22.7 million in 1H 16. This significant decline in gross profit was due to the drop in quantity produced and sold during the period, and therefore with the smaller base, the fixed manufacturing overheads (mainly direct labour and depreciation) had been distributed over a smaller quantity in 2Q 17 and 1H 17, had resulted in the higher cost allocation per unit when compared to 2Q 16 and 1H 16.



In 2Q 17 and 1H 17, the gross profit margin had declined from 21.5% to 10.8%, and 22.7% to 9.7%, respectively. The decline in gross profit margin was due to the decline in the quantity produced and sold, therefore, with the fixed manufacturing overheads being allocated over the smaller quantity, led to the driving down of the profit margin for 2Q 17 and 1H 17.

Other operating income

The decrease in other operating income of RMB0.6 million and RMB0.5 million for 2Q 17 and 1H 17, respectively, was due mainly to the decline in interest income charged for the advances to third party in 2Q 16 and 1H 16, whilst there was no such interest income in the current financial period.

Operating expenses

(a) Selling and distribution expenses

Our selling and distribution expenses had remained comparable for 2Q 17 and 2Q 16.

Our selling and distribution expenses had increased by RMB0.8 million from RMB2.2 million in 1H 16 to RMB3.0 million in 1H 17. The increase was due mainly to an increase in logistical, customs and related charges and also certain reimbursements of material charges borne by the Group in 1H 17, which totaled approximately RMB1.6 million.

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

- advertising and promotional expenses of RMB0.2 million; and
- sales staff salaries and related expenses of RMB0.6 million, as a result of lower head count.

(b) Administrative expenses

Our administrative expenses decreased by approximately RMB3.1 million, from RMB8.2 million in 2Q 16 to RMB5.1 million in 2Q 17. This was due mainly to a decrease in:

- salaries and related expenses of RMB2.4 million; and
- other expenses of RMB0.7 million.

Our administrative expenses had decreased by approximately RMB5.7 million, from RM14.7 million in 1H 16 to RMB9.0 million in 1H 17. This was due mainly to a decrease in:

- salaries and related expenses of RMB3.1 million;
- recovery of impairment of loss on other receivables of RMB1.3 million; and
- other expenses of RMB1.3 million.



(c) Finance costs

In 2Q 17 and 1H 17, the Group's finance costs had decline marginally as the overall outstanding bank borrowings had also reduced marginally during the period under review.

(d) Taxation

Taxation in 2Q 17 and 1H 17 was due to a minor underprovision in previous year.

(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 properties.

Land use rights amounted to RMB24.8 million and RMB25.1 million as at 30 June 2017 and 31 December 2016, 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 RMB62.5 million and RMB66.0 million as at 30 June 2017 and 31 December 2016, 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 period.

The net book value of investment properties amounted to RMB33.6 million and RMB35.3 million as at 30 June 2017 and 31 December 2016, respectively. The decrease was due depreciation charged during the period.

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:

- Unutilised raw materials previously catered for the production of domestic sales, which domestic sales activities had declined drastically in FY17, thus left unutilised in 1H 17; and
- the Group's built up of finished goods which was left unsold in 1H 17 due to the poor sales performance in the same period.



Trade receivables amounted to RMB54.8 million and RMB58.1 million as at 30 June 2017 and 31 December 2016, respectively. The slight reduction was due mainly to collections during the period under review.

Prepayments and other receivables had increased marginally by RMB1.0 million, which amounted to RMB5.8 million and RMB4.8 million as at 30 June 2017 and 31 December 2016, respectively, was due to additional deposits paid for raw materials for OEM production.

Current Liabilities

Our current liabilities comprised mainly trade and bills payables, accrued liabilities and other payables, loans from a director and interest-bearing bank borrowings.

Trade payables amounted to RMB5.7 million and RMB4.7 million as at 30 June 2017 and 31 December 2016, respectively. The marginal increase was due mainly to the Group making slower payments to trade payables.

Accrued liabilities and other payables amounted to RMB14.9 million and RMB10.3 million as at 30 June 2017 and 31 December 2016, respectively. Accrued liabilities and other payables comprised mainly accrued liabilities (mainly accrued wages, insurance and staff welfare), advance payments from customers (mainly deposits received from overseas customers), and other payables. The increase was due largely to additional deposits and advances received during the period.

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 had declined between the two (2) periods and amounted to RMB200.6 million and RMB204.1 million as at 30 June 2017 and 31 December 2016, respectively. The decrease was due to the repayment of borrowings during the financial period.

Commentary on Cash Flow

Cash and cash equivalents amounted to RMB9.6 million and RMB12.7 million as at 30 June 2017 and 30 June 2016, respectively.

For 1H 17, net cash generated from operating activities amounted to approximately RMB1.8 million, which was mainly due to collections from trade debtors and increase in other payables, which was partially offset by an increase in inventory holding.

The net cash used in financing activities was due largely to interest expenses and payments for the bank borrowings of RMB8.3 million.

As a result, it led to a net decrease in cash and cash equivalents for 1H 17 which amounted to approximately RMB9.6 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 15 May 2017.

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 had been facing an uphill challenge in pushing Dapai's products amidst the current weak domestic market. Domestic sales had decline significantly in 1H 17 and the OEM segment had also slowed down in 1H 17.

As seen in the 2Q 17 and 1H 17's financial performance, the Group continued to encounter demand contraction and overall sales had dropped as consumer sophistication continues to grow away from domestic brands like Dapai into imported brand names. The Management is not optimistic about any change in consumer preference and anticipates that the operating and economic environment will continue to be very challenging.

As at 30 June 2017, the Group was in a net liability position of approximately RMB 2.9 million and had been had been maintaining and renewing its short term borrowings to manage its negative working capital position. There is no certainty that banks and financial institutions will continue to grant the existing credit facilities available to the Group or for the Group to secure new financing. The inability to secure financing would severely affect the operations, financial performance, the carrying values of its assets and the going concern assumption under which the financial statements of the Group have been prepared under.

On 11 July 2017, the Company received the notification of delisting from SGX- ST and trading had been suspended on 10 August 2017. Given that the Group is technically insolvent, it is not foreseeable that the major shareholder or any other shareholder or any third parties would make an offer for the shares of the Company. In the meantime, shareholders of the Company and potential investors should consult their financial, tax, legal or other professional advisers, when in doubt as to the actions that they should take, if any.

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 second quarter ended 30 June 2017.

13. Interested Person Transactions

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

Loan from a director, Mr. Chen Xizhong, amounting to RMB6.0 million was still outstanding as at 30 June 2017. The loan is unsecured, interest-free, and it is for the benefit of the Group's operational cash flow. 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 30 June 2017:

<i>Purpose of Proceeds (\$'000)</i>	<i>Amount allocated</i>	<i>Amount transferred</i>	<i>Amount utilised</i>	<i>Balance</i>	<i>% used</i>
- Due Diligence for the Proposed Acquisition	306	-	(160)	146	52%
- Costs and expenses (including professional fees) to be incurred for the Proposed Acquisition ⁽¹⁾	1,222	(1,082)	(140)	-	100%
- Listing (share issue) expenses *	60	7	(67)	-	100%
- General working capital **	-	1,075	(760) ***	315	71%
	<u>1,588</u>	<u>-</u>	<u>(1,127)</u>	<u>461</u>	<u>71%</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.



- ** S\$1,075,000.00 out of the amount allocated for costs and expenses to be incurred for the Proposed Acquisition has been re-allocated to general working capital on 14 December 2016, after termination of the Proposed Acquisition.*
- *** These amounts were paid during the financial period and mainly in relation to payments of accrued salaries, directors' fees, professional fees and continual listing expenses.*
- (1) Details of the Proposed Acquisition can be found in the Company's announcement released on 16 February 2016, and its subsequent termination in the announcement released on 7 December 2016.*

15. Negative Assurance

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

The Board of Directors of the Company have received representations from Mr Chen Xizhong, CEO and Chairman of the Board, that notwithstanding (1) the departure of Mr Ng Kiat Peen, our former CFO, and (2) the inability to find a suitable replacement given the dire straits that the Company and the Group is in, the internal controls of the Company and the Group, especially over the financial reporting function, is operating effectively.

Save as aforesaid, 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.



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 2017**

16. 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

27 September 2017

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman
27 September 2017