



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 2014



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		
	2014	2013	%	2014	2013	%
	RMB'000	RMB'000	Change	RMB'000	RMB'000	Change
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	104,044	96,240	8.1	152,609	187,129	(18.4)
Cost of sales	(79,273)	(75,313)	5.3	(114,762)	(154,915)	(25.9)
Gross profit	24,771	20,927	18.4	37,847	32,214	17.5
Other operating income	369	948	(61.1)	742	1,027	(27.8)
Selling and distribution expenses	(1,212)	(3,391)	(64.3)	(2,804)	(7,173)	(60.9)
Administrative expenses	(12,281)	(18,584)	(33.9)	(20,012)	(32,913)	(39.2)
Finance costs	(3,459)	(3,722)	(7.1)	(7,278)	(8,321)	(12.5)
Profit/ (loss) before taxation	8,188	(3,822)	NM	8,495	(15,166)	NM
Taxation	(2,116)	4,307	(149.1)	(2,116)	4,307	(149.1)
Profit/ (loss) attributable to shareholders	6,072	485	1,152.0	6,379	(10,859)	NM
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/ (loss) attributable to shareholders	6,072	485	1,152.0	6,379	(10,859)	NM
Gross profit margin	23.8%	21.7%		24.8%	17.2%	
Profit/ (loss) before tax margin	7.9%	(4.0%)		5.6%	(8.1%)	
Net profit/ (loss) after tax margin	5.8%	0.5%		4.2%	(5.8%)	
Basic and fully diluted EPS (RMB cents)	0.61	0.05		0.64	(1.09)	

NM - Not meaningful



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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:

	Second Quarter			Six Months		
	2014	2013	%	2014	2013	%
	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	147	1.4	296	296	-
Amortisation of intangible assets	7	7	-	14	14	-
Depreciation of property, plant and equipment	4,192	4,180	0.3	8,389	8,379	0.1
Interest expenses	3,734	3,722	0.3	7,278	8,321	(12.5)
Exchange (gains)/ losses	(425)	836	NM	(660)	961	NM
(b) Other operating income comprises:						
Interest income	43	108	(60.2)	132	187	(29.4)
Government awards and incentives	25	840	(97.0)	251	840	(70.1)
Rental lease income	228	-	NM	228	-	NM
Other sundry income	73	-	NM	131	-	NM

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 2014 RMB '000 Unaudited	As at 31 December 2013 RMB '000 Audited	As at 30 June 2014 RMB '000 Unaudited	As at 31 December 2013 RMB '000 Audited
Non-Current assets				
Land use rights	26,610	26,906	-	-
Intangible assets	101	115	-	-
Property, plant and equipment	181,440	221,380	-	-
Investment property	32,859	-	-	-
Investment in subsidiaries	-	-	102,355	104,339
	241,010	248,401	102,355	104,339
Current assets				
Inventories	36,729	48,477	-	-
Trade receivables	62,798	45,413	-	-
Prepayment and other receivables	14,488	17,504	45	43
Cash and bank balances	28,735	15,261	507	367
	142,750	126,655	552	410
Less: Current Liabilities				
Trade and bills payables	12,778	17,061	-	-
Accrued liabilities and other payables	5,664	6,952	1,670	1,895
Amount due to director	11,135	15,000	896	-
Interest-bearing bank borrowings	219,865	208,881	-	-
Income tax payables	777	-	-	-
	250,219	247,894	2,566	1,895
Net current liabilities	(107,469)	(121,239)	(2,014)	(1,485)
Net assets	133,541	127,162	100,341	102,854
Share capital and reserves				
Share capital	5,042	5,042	5,042	5,042
Share premium	475,527	475,527	475,527	475,527
Merger reserve	65,939	65,939	65,939	65,939
Statutory reserves	166,883	166,883	-	-
Accumulated losses	(579,850)	(586,229)	(446,167)	(443,654)
Total equity	133,541	127,162	100,341	102,854



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 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
	RMB '000	RMB '000	RMB '000	RMB '000
Interest- bearing bank borrowings	219,865	-	208,881	-

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 2014 RMB '000	As at 31 December 2013 RMB '000
Land Use Rights	26,610	26,906
Property, Plant and Equipment	107,239	144,965
Investment property	32,859	-



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	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities				
Profit/ (loss) before taxation	8,188	(3,822)	8,495	(15,166)
Adjustments for:				
Depreciation of property, plant and equipment	4,192	4,180	8,389	8,379
Amortization of land use rights	149	147	296	296
Amortization of intangible assets	7	7	14	14
Interest income	(43)	(108)	(132)	(187)
Interest expenses	3,734	3,722	7,278	8,321
Operating profit before working capital changes	16,227	4,126	24,340	1,657
Decrease/ (increase) in inventories	21,216	(14,926)	11,748	(6,727)
(Increase)/ decrease in trade receivables	(39,020)	(509)	(17,384)	792
Decrease/ (increase) in prepayments and other receivables	3,271	(3,616)	3,016	32,547
(Decrease)/ increase in trade and bills payables	(14,082)	32,362	(4,284)	13,999
Increase /(decrease) in accrued liabilities and other payables	1,729	(1,431)	(1,288)	(3,627)
Net cash generated from operations	(10,659)	16,006	16,148	38,641
Income tax (paid)/ refund	(1,339)	4,307	(1,339)	4,307
Net cash (used in)/ generated from operating activities	(11,998)	20,313	14,809	42,948
Cash flows from investing activities				
Acquisition of property, plant and equipment	(744)	(669)	(1,308)	(2,701)
Interest received	43	108	132	187
Net cash used in investing activities	(701)	(561)	(1,176)	(2,514)
Cash flows from financing activities				
Bank loans obtained	20,865	-	10,984	-
Repayment of bank loans	-	(15,641)	-	(23,690)
Loan repayment to Director	(3,865)	-	(3,865)	-
Decrease/ (increase) in bank deposits pledged	14,000	2,730	3,000	(7,860)
Interest expenses	(3,734)	(3,722)	(7,278)	(8,321)
Net cash generated from/ (used in) financing activities	27,266	(16,633)	2,841	(39,871)
Net increase in cash and cash equivalents	14,567	3,119	16,474	563
Cash and cash equivalents at beginning of the period	9,168	26,756	7,261	29,312
Cash and cash equivalents at end of the period	23,735	29,875	23,735	29,875
Cash and bank balances at end of the period	28,735	41,275	28,735	41,275
Less: fixed deposits pledged	(5,000)	(11,400)	(5,000)	(11,400)
Cash and cash equivalents at end of the period	23,735	29,875	23,735	29,875



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 2013 (Audited)	5,042	475,527	65,939	166,883	(591,132)	122,259
Total comprehensive income for the year	-	-	-	-	4,903	4,903
At 31 December 2013 (Audited)	5,042	475,527	65,939	166,883	(586,229)	127,162
Total comprehensive income for the period	-	-	-	-	6,379	6,379
At 30 June 2014 (Unaudited)	5,042	475,527	65,939	166,883	(579,850)	133,541

	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 2013 (Audited)	5,042	475,527	65,939	-	(438,125)	108,383
Total comprehensive loss for the year	-	-	-	-	(5,529)	(5,529)
At 31 December 2013 (Audited)	5,042	475,527	65,939	-	(443,654)	102,854
Total comprehensive income for the period	-	-	-	-	(2,513)	(2,513)
At 30 June 2014 (Unaudited)	5,042	475,527	65,939	-	(446,167)	100,341



- 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 2014.

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

	As at 30 June 2014	As at 30 June 2013
Number of shares	992,250,000	992,250,000
Issued and paid up capital (S\$)	992,250	992,250

There were no outstanding convertibles or treasury shares held as at 30 June 2014 and 30 June 2013.

- 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 2014	As at 31 December 2013
Total number of issued shares	992,250,000	992,250,000

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

Not applicable.



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

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

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

Not applicable.

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

There were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2013.

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	
	2014	2013	2014	2013
Basic earnings per share (RMB cents)	0.61	0.05	0.64	(1.09)
Weighted average number of ordinary shares ('000)	992,250	992,250	992,250	992,250

The basic earnings per share has been calculated based on net profit attributable to shareholders divided by the weighted average number of ordinary shares of 992,250,000 for the second quarter and half year ended 30 June 2014 and 30 June 2013.

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



7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	As at 30 June 2014 Unaudited	As at 31 December 2013 Audited	As at 30 June 2014 Unaudited	As at 31 December 2013 Audited
Net assets value per share based on existing issued capital as at the respective period (RMB cents)	13.46	12.82	10.11	10.37
Number of ordinary shares in issue at the end of financial period/year ('000)	992,250	992,250	992,250	992,250

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

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

Commentary on Financial Results

Revenue, Cost of Sales and Gross Profit

For the second quarter ended 30 June 2014 ("2Q 14"), the Group recorded a revenue of RMB104.0 million, an increase of RMB7.8 million or 8.1%, from RMB96.2 million as compared to the second quarter ended 30 June 2013 ("2Q 13"). The backpack segment accounted the bulk of the Group's revenue in 2Q 14 representing 99.8% of the total revenue with the balance 0.2% coming from the luggage segment.

For the six months ended 30 June 2014 ("1H 14"), the Group recorded a revenue of RMB152.6 million, a decrease of RMB34.5 million or 18.4%, from RMB187.1 million for the six months ended 30 June 2013 ("1H 13"). The backpack segment accounted for 99.9% of the Group's revenue with the balance of 0.1% coming from luggage segment. The decrease in overall revenue was a resultant of lower average selling prices arising from a change in product mix in 1H 14.

Comparing 2Q 14 to 2Q 13, and 1H 14 to 1H 13, volume for backpacks increased by approximately 1.1 million units or 47.2% from 2.3 million units to 3.4 millions units in 2Q 13, while for 1H 14, volume for backpacks increased by approximately 1.0 million units or 25.1% from 4.0 million units to 5.1 millions units in 1H 14. The increase in volume was due largely to the increased in efforts of our existing distributors and points of



sales, coupled with the right product mix, to market the Group's products to the consumers, thus leading to better sales performance during the period.

Comparing 2Q 14 to 2Q 13, the average selling price for backpacks was lowered by RMB11.0 or 26.6% from RMB41.6 in 2Q 13 to RMB30.6 in 2Q 14 due to lower price range of backpacks being pushed to the mass market in 2Q 14 as compared to the corresponding period. This was the result of the Group's efforts to push out a better product mix that had better margins, though the products were of the lower price tier range.

Comparing 1H 14 to 1H 13, the average selling price for backpacks was lowered by RMB16.0 or 34.6% from RMB46.1 in 1H 13 to RMB30.1 in 1H 14 due to lower price range of backpacks being pushed to the mass market in 1H 14 as compared to the corresponding period. This was the result of the Group's efforts to push out a better product mix that had better margins, though the products were of the lower price tier range.

The decrease in cost of sales during the period 2Q 14 and 1H 14, by RMB4.0 million or 5.3%, and by RMB40.2 million or 25.9%, respectively, was a direct result of the change in the product mix in 2Q 14 and 1H 14, leading to a cost of sales during the period under review when compared to the previous corresponding period. There was also better cost control in direct manufacturing costs, particularly in terms of direct materials and direct labour costs.

As a result of the above, the Group managed to bring about a gross profit amounting to RMB24.8 million in 2Q 14, as compared to RMB20.9 million in 2Q 13. In 2Q 14, the gross profit margin for the backpacks segment had improved from 21.9% to 23.8%, while the gross profit margin for the luggage segment had improved from 11.0% to 26.2%. For the period ended 1H 14, the Group managed to bring about a gross profit amounting to RMB37.8 million in 1H 14, as compared to RMB32.2 million in 1H 13. In 1H 14, the gross profit margin for the backpacks segment had improved from 17.3% to 24.8%, while the gross profit margin for the luggage segment had improved from 19.4% to 27.6%.

Other operating income

The decrease in other operating income of RMB0.6 million and RMB0.3 million in 2Q 14 and 1H 14, respectively was due to lesser awards, incentives and subsidies awarded by the local provincial government in 2Q 14 of RMB0.8 million (2Q 13: RMB0.8 million), and 1H 14 of RMB0.6 million (1H 13: RMB0.8 million) for the Dapai Group, while interest income remained comparable.

With reference to earlier announcements made on SGXNET, the Group had acquired land in Anhui Province with the intent of constructing a luggage manufacturing plant. The construction of the superstructure of the Anhui facility ("Premises") was completed in 2013. As the demand in the luggage segment remains very weak, the management then, had deferred its plans to complete the manufacturing facilities which would include the purchase of the requisite equipment to manufacture the luggage bags.



With the entry of the lease agreement of the Premises to Anhui Sanda Textile Technology Co. Ltd ("Sanda") on 1 June 2014, the Group was able to generate approximately RMB0.2 million for the period ended 2Q 14.

Therefore, the above decrease in other operating income was offset by an increase in rental lease income of approximately RMB0.2 million and an increase in sundry income of RMB0.1 million.

Operating expenses

(a) Selling and distribution expenses

Our selling and distribution expenses decreased by RMB2.2 million or 64.3% from RMB3.4 million in 2Q 13 to RMB1.2 million in 2Q 14. The significant decrease was due mainly to the decrease in:

- advertising and promotional expenses of RMB0.7 million;
- staff costs and related expenses of RMB1.1 million;
- delivery and related expenses of RMB0.3 million; and
- other expenses of RMB0.1 million.

Our selling and distribution expenses decreased by RMB4.4 million or 60.9% from RMB7.2 million in 1H 13 to RMB2.8 million in 1H 14. The significant decrease was due mainly to the decrease in:

- advertising and promotional expenses of RMB1.3 million;
- staff costs and related expenses of RMB2.3 million; and
- delivery and related expenses of RMB0.8 million.

(b) Administrative expenses

Our administrative expenses decreased by approximately RMB6.3 million, from RM18.6 million in 2Q 13 to RMB12.3 million in 2Q 14. This was due mainly to a decrease in:

- salaries and related expenses of RMB5.0 million. The reduction was due largely to a headcount reduction, thus leading to a corresponding reduction in other staff related expenses within the Group; and
- other expenses of RMB1.3 million.

Our administrative expenses had decreased by approximately RMB12.9 million, from RM32.9 million in 1H 13 to RMB20.0 million in 1H 14. This was due mainly to a decrease in:

- salaries and related expenses of RMB10.4 million. The reduction was due largely to a headcount reduction, thus leading to a corresponding reduction in other staff related expenses within the Group; and
- other expenses of RMB2.5 million.



(c) Finance costs

In 2Q 14 and 1H 14, our finance costs decreased marginally by RMB0.3 million and RMB1.0 million, respectively. The decrease in interest expense was due mainly to the decrease in the bank borrowings outstanding for the period, notwithstanding that additional bank borrowings were drawn down in 2Q 14 and 1H 14 in late June 2014, whereby only minimal borrowing interest had been incurred.

(d) Taxation

Taxation in 2Q 14 and 1H 14 was due to the local tax authorities initially assessing the profits from the first half of FY 2014, which amounted to RMB1.4 million. In addition, upon the finalisation of the previous financial year's tax assessments for certain subsidiaries in 2Q 14, an underprovision of tax of RMB0.7 was charged by the 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 in subsidiaries.

Land use rights amounted to RMB26.8 million and RMB26.9 million as at 30 June 2014 and 31 December 2013, 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 period.

Net book value of property, plant and equipment amounted to RMB214.3 million and RMB181.4 million as at 30 June 2014 and 31 December 2013, respectively. Property, plant and equipment comprised mainly buildings, plant and machinery, furniture, fixtures, office equipment, motor vehicles and construction in progress. The decrease was due mainly to the depreciation charged amounting to RMB8.4 million and a reclassification of the Anhui facility to the asset class- Investment property, upon the commencement of the rental lease in June 2014. However, the decrease was partially offset by additions of RMB1.3 million during the period.

With the commencement of the leasing out of the Anhui facility to Sanda, the net book value as at 30 June 2014 had been reclassified out of Property, plant and equipment to Investment property. There was no such lease as at 31 December 2013.

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 holding on to lesser finished goods which had been sold during the period.

Trade receivables amounted to RMB62.8 million and RMB45.4 million as at 30 June 2014 and 31 December 2013, respectively. The increase in overall sales for 2Q 14 resulted in higher trade receivables for the period as majority of the sales were completed in the months of May and June 2014. Based on the aging as at 30 June 2014, 96% of the trade receivables are current and not past due.

Prepayments and other receivables had remained comparable as VAT recoverable remained comparable in 2Q 14 of RMB13.2 million (FY 13: 16.8 million), while other receivables had increase by RMB0.6 million.

Current Liabilities

Our current liabilities comprised mainly trade payables, accrued liabilities and other payables, interest-bearing bank borrowings.

Trade payables amounted to RMB12.8 million and RMB17.1 million as at 30 June 2014 and 31 December 2013, respectively. The decrease was due mainly to the Group making payments during the period.

Accrued liabilities and other payables amounted to RMB5.7 million and RMB7.0 million as at 30 June 2014 and 31 December 2013, 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 decrease of RMB1.3 million was due to lesser accrued wages at end of the period.

Interest-bearing bank borrowings amounted to RMB219.9 million and RMB208.9 million as at 30 June 2014 and 31 December 2013, respectively. The increase was due mainly to the drawing down of bank borrowings during the month of June in 2014.

The provision for income tax payables for the period ended 30 June 2014 was due to the initial assessment by the local tax authorities on the profits for the first half of FY 2014.

Commentary on Cash Flow

Cash and cash equivalents amounted to RMB23.7 million and RMB29.9 million as at 30 June 2014 and 30 June 2013, respectively.

For 1H 14, net cash generated from operating activities amounted to approximately RMB14.8 million.

Net cash used in investing activities amounted to approximately RMB1.2 million, which was the direct result of the additions of property, plant and machinery of RMB1.3 million. The cash used were partially offset by interest received of RMB0.1 million.



Contributing to the net cash inflow was bank borrowings, amounting to approximately RMB11.0 million and the decrease in pledged bank deposits of RMB3.0 million. However, interest payments of RMB7.3 million and the repayment of RMB3.9 million to a Director, during the period partial offset the overall cash generated from financing activities. Therefore, resulting in the overall net cash used in financing activities of RMB2.8 million for the period ended 1H 14.

As a result, the net increase in cash and cash equivalents for 1H 14 amounted to approximately RMB16.5 million.

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

The current results are in line with the Company's discussion presented in Note 10 of the unaudited results announcement dated 6 May 2014.

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

The Group is, and will continuously be, working closely with the existing remaining distributors to continue targeting mass market consumers with affordable products with decent margins, while controlling both manufacturing costs and overheads via the right sizing of its operations.

The industry still remains competitive and domestic customers are now more savvy, being exposed to international and foreign options. The management team will continue to closely monitor market developments and adjust its strategy accordingly. Barring unforeseen circumstances, management is cautiously optimistic that the financial performance of FY2014 will be better than FY2013.

Although the Group is in a negative working capital position, it has generated positive operating cash flow for FY2013 and 1H 14, with adequate credit facilities. The Group has been maintaining and renewing its short term borrowings when they fall due and management is not aware of any adverse circumstances that might cause the financial institutions to withdraw credit facilities granted to the Group. As at date of reporting, the Group still has unutilised credit facilities amounting to approximately RMB111.0 million with its principal bankers. In-addition, the Group will continue to maintain and tighten cost controls to continue improving profitability and to generating positive operational cashflows. As such, the Group believes that it will be able to meet its short term obligations and to continue to operate as a going concern.

As disclosed previously, the Group was assessing various alternatives to utilise the site in Anhui Province, which was originally intended to be a luggage manufacturing plant, to generate income and cash flows for the Group. On 1 June 2014, the facility had been leased out to generate additional income and contribute beneficially to the Group. Please refer to the an earlier announcement released on the SGX-ST on 2 June 2014.



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 June 2014.

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	*	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 lease its Anhui facility to, since 1 June 2014. The aggregate amount of lease rental collected by the Group to-date is less than S\$100,000.

Loan from a director, Mr. Chen Xizhong, amounting to RMB11.1 million was still outstanding as at 30 June 2014. 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.



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 2013**

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

14. Negative Assurance

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

We, Chen Xizhong and Chua Meng Hing, being two of the directors of Dapai International Holdings Co. Ltd. (the "Company"), do hereby confirm on behalf of the Directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Company and of the Group for the second quarter ended and the six months period ended 30 June 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chen Xizhong
Executive Chairman

Chua Meng Hing
Independent Director

1 August 2014

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman
1 August 2014