



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

UNAUDITED FIRST QUARTER
FINANCIAL STATEMENTS
AND DIVIDEND ANNOUNCEMENT

FOR THE PERIOD ENDED 31 MARCH 2015



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

**UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND
ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015**

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

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

	First Quarter		
	2015	2014	%
	RMB'000	RMB'000	Change
	Unaudited	Unaudited	
Revenue	63,801	48,565	31.4
Cost of sales	(50,771)	(35,489)	43.1
Gross profit	13,030	13,076	(0.4)
Other operating income	858	373	130.0
Selling and distribution expenses	(850)	(1,592)	(46.6)
Administrative expenses	(7,459)	(8,007)	(6.8)
Finance costs	(3,188)	(3,543)	(10.0)
Profit before taxation	2,391	307	678.8
Income tax expense	(331)	-	NM
Profit attributable to shareholders	2,060	307	571.0
Other comprehensive income	-	-	-
Total comprehensive income attributable to shareholders	2,060	307	571.0
Gross profit margin	20.4%	26.9%	
Profit before tax margin	3.7%	0.6%	
Profit after tax margin	3.2%	0.6%	
Basic EPS (RMB cents)	0.21	0.03	
Fully diluted EPS (RMB cents)	0.21	0.03	

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:

	First Quarter		
	2015	2014	%
	RMB'000	RMB'000	Change
	Unaudited	Unaudited	
(a) Income statement includes the following:			
Amortisation of land use rights	149	149	-
Amortisation of intangible assets	7	7	-
Depreciation of property, plant and equipment	3,449	4,197	(17.8)
Depreciation of investment property	423	-	NM
Interest expenses	3,188	3,544	(10.0)
Exchange gain	(376)	(235)	60.0
(b) Other operating income comprises:			
Interest income	55	89	(38.2)
Government awards and incentives	-	226	NM
Rental lease income	686	-	NM
Other sundry income	117	58	101.7



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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 31 March 2015 RMB '000 Unaudited	As at 31 December 2014 RMB '000 Audited	As at 31 March 2015 RMB '000 Unaudited	As at 31 December 2014 RMB '000 Audited
Non-Current assets				
Land use rights	26,163	26,312	-	-
Intangible assets	80	87	-	-
Property, plant and equipment	168,555	171,915	-	-
Investment property	31,590	32,013	-	-
Investment in subsidiaries	-	-	100,505	100,509
	226,388	230,327	100,505	100,509
Current assets				
Inventories	53,038	49,531	-	-
Trade receivables	67,556	60,040	-	-
Prepayments and other receivables	15,599	21,346	3	43
Cash and bank balances	18,837	36,920	28	101
	155,030	167,837	31	144
Less: Current Liabilities				
Trade and bills payables	41,279	15,228	-	-
Accrued liabilities and other payables	7,493	8,185	2,999	2,832
Loans from a director	5,898	11,229	908	-
Interest-bearing bank borrowings	187,868	226,378	-	-
Income tax payables	331	655	-	-
	242,869	261,675	3,907	2,832
Net current liabilities	(87,839)	(93,838)	(3,876)	(2,688)
Net assets	138,549	136,489	96,629	97,821
Share capital and reserves				
Share capital	5,042	5,042	5,042	5,042
Share premium	475,527	475,527	475,527	475,527
Merger reserve	65,939	65,939	65,939	65,939
Statutory reserves	166,883	166,883	-	-
Accumulated losses	(574,842)	(576,902)	(449,879)	(448,687)
Total equity	138,549	136,489	96,629	97,821



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

Amount repayable in one year or less, or on demand

	As at 31 March 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
	RMB '000	RMB '000	RMB '000	RMB '000
Interest bearing bank borrowings	187,868	-	226,378	-

Amount repayable after one year

Not applicable.

Details of any collateral

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

	As at 31 March 2015 RMB '000	As at 31 December 2014 RMB '000
Land Use Right	26,163	26,312
Property, Plant and Equipment	102,477	104,296



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**UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND
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- 1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

CONSOLIDATED STATEMENT OF CASH FLOWS

	First Quarter	
	2015	2014
	RMB'000	RMB'000
	Unaudited	Unaudited
Cash flows from operating activities		
Profit before taxation	2,391	307
Adjustments for:		
Depreciation of property, plant and equipment	3,449	4,197
Depreciation of investment property	423	-
Amortization of land use rights	149	149
Amortization of intangible assets	7	7
Interest income	(55)	(89)
Interest expenses	3,188	3,544
Operating profits before working capital changes	9,552	8,115
Increase in inventories	(3,507)	(9,469)
(Increase)/ decrease in trade receivables	(7,516)	21,635
Decrease/ (increase) in prepayments and other receivables	5,747	(257)
Increase in trade and bills payables	26,051	9,799
Decrease in accrued liabilities and other payables	(693)	(3,016)
Net cash generated from operations	29,634	26,807
Income taxes	(655)	-
Net cash generated from operating activities	28,979	26,807
Cash flows from investing activities		
Acquisition of property, plant and equipment	(89)	(564)
Interest received	55	89
Net cash used in investing activities	(34)	(475)
Cash flows from financing activities		
Repayment of bank borrowings	(38,510)	(9,881)
Increase in bank deposits pledged	(6,656)	(11,000)
Repayment of loans from a director	(5,331)	-
Interest expenses	(3,188)	(3,544)
Net cash used in financing activities	(53,685)	(24,425)
Net (decrease)/ increase in cash and cash equivalents	(24,740)	1,907
Cash and cash equivalents at beginning of the period	33,820	7,261
Cash and cash equivalents at end of the period	9,080	9,168
Cash and bank balances at end of the year	18,836	28,168
Less: fixed deposits pledged	(9,756)	(19,000)
Cash and cash equivalents at end of the period	9,080	9,168

**UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND
ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014 (Audited)	5,042	475,527	65,939	166,883	(586,229)	127,162
Total comprehensive income for the year	-	-	-	-	9,327	9,327
At 31 December 2014 (Audited)	5,042	475,527	65,939	166,883	(576,902)	136,489
Total comprehensive income for the period	-	-	-	-	2,060	2,060
At 31 March 2015 (Unaudited)	5,042	475,527	65,939	166,883	(574,842)	138,549

Company	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014 (Audited)	5,042	475,527	65,939	-	(443,654)	102,854
Total comprehensive loss for the year	-	-	-	-	(5,033)	(5,033)
At 31 December 2014 (Audited)	5,042	475,527	65,939	-	(448,687)	97,821
Total comprehensive income for the period	-	-	-	-	(1,192)	(1,192)
At 31 March 2015 (Unaudited)	5,042	475,527	65,939	-	(449,879)	96,629



- 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 31 March 2015.

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

	As at 31 March 2015	As at 31 March 2014
Number of shares	992,250,000	992,250,000
Issued and paid up capital (\$\$)	992,250	992,250

There were no outstanding convertibles or treasury shares held as at 31 March 2015 and 31 March 2014.

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

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

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

Not applicable.



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

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

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

Not applicable.

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

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

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

Not applicable.

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

	First Quarter 2015	2014
Basic earning per share (RMB cents)	0.21	0.03
Weighted average number of ordinary shares ('000)	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 first quarter ended 31 March 2015 and 31 March 2014.

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



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

	The Group	
	As at 31	As at 31
	March 2015 Unaudited	December 2014 Audited
Net assets value per share based on existing issued capital as at the respective period (RMB cents)	13.96	13.76
Number of ordinary shares in issue at the end of financial period/year ('000)	992,250	992,250

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

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

Commentary on Financial Results

Revenue, Cost of Sales and Gross Profit

For the first quarter ended 31 March 2015 ("1Q 15"), the Group recorded revenue of RMB63.8 million, an increase of RMB15.2 million or 31.4%, from RMB48.6 million for the first quarter ended 31 March 2014 ("1Q 14"). The backpack segment formed almost the entire revenue for the first quarter of the financial year 2015 ("FY 2015"), with insignificant contributions from the luggage segment as the Group continues to focus on backpacks segment.

Volume for backpacks increased by approximately 0.2 million units or 11.8% from 1.7 million units to 1.9 millions units. This was due largely to the continued efforts of our existing distributors in promoting the Group's products to the mass market.

Comparing 1Q 15 and 1Q 14, the average selling price ("ASP") for backpacks had also increased by RMB4.5 or 15.4% from RMB29.3 in 1Q 14 to RMB33.8 in 1Q 15 as compared to the corresponding period.

The increase in cost of sales during the period 1Q 15 by RMB15.3 million or 43.1%, was a direct correspondent to the increase in volume of the total number of units sold during the period. In addition, the change in the product mix sold in 1Q 15 was of a slightly higher quality than those sold in 1Q 14, thus contributing to the overall increase in cost of sales, due to the raw materials used, during the period under review.



As a result of the above, the Group managed to maintain a comparable gross profit amounting to RMB13.0 million in 1Q 15, as compared to RMB13.1 million in 1Q 14. However, in 1Q 15, the gross profit margin for the backpacks segment had declined from 26.9% to 20.4%. This decline in gross profit margin was due to the higher costs of raw materials used in the product mix of 1Q 15, despite the slight increase in ASP during the same period.

Other operating income

The increase in other operating income of RMB0.5 million for 1Q 15 was due to the collection of rental lease income for the leasing of the Anhui facility, which resulted in an increase of RMB0.7 million (1Q 14: nil). However, as there was no awards, incentives and subsidies awarded by the local provincial government in 1Q 15 (1Q 14: RMB0.2 million), this partially offset the above overall increase.

Operating expenses

(a) Selling and distribution expenses

Our selling and distribution expenses had decreased by RMB0.7 million or 46.6% from RMB1.6 million in 1Q 14 to RMB0.9 million in 1Q 15. The significant decrease was due mainly to the decrease in:

- advertising and promotional expenses of RMB0.5 million; and
- other expenses of RMB0.2 million.

(b) Administrative expenses

Our administrative expenses had decreased by approximately RMB0.5 million, from RM8.0 million in 1Q 14 to RMB7.5 million in 1Q 15. This was due mainly to a decrease in salaries and related expenses of RMB0.5 million. The reduction was due largely to the Group's continued efforts to improve its efficiency by reorganizing its administrative activities.

(c) Finance costs

Our finance costs decreased by RMB0.4 million from RMB3.5 million in 1Q 14 to RMB3.2 million in 1Q 15. The decrease in 1Q 15 interest expense was due mainly to the decrease in the bank borrowings outstanding as at 1Q 15, which amounted to approximately RMB187.9 million, while 1Q 14 was RMB199.0 million.

(d) Income tax expense

Income tax expense in 1Q 15 was RMB0.3 million, being the initial provision made in 1Q 15.



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

Commentary on Financial Position

Non-current assets

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

Land use rights amounted to RMB26.2 million and RMB26.3 million as at 31 March 2015 and 31 December 2014, respectively. They comprised mainly the land use rights for Dapai (China) Bags Co., Ltd, Dapai (China) Co., Ltd and Dapai Anhui Co. Ltd ("Dapai Anhui"). The decrease was due mainly to the amortization of the land use rights during the financial period.

Net book value of property, plant and equipment amounted to RMB168.6 million and RMB171.9 million as at 31 March 2015 and 31 December 2014, respectively. Property, plant and equipment comprised mainly buildings, plant and machinery, furniture, fixtures, office equipment and motor vehicles. The decrease was due mainly to the depreciation charged during the financial period, amounting to RMB3.4 million.

The net book value of investment property amounted to RMB31.6 million and RMB32.0 million as at 31 March 2015 and 31 December 2014, respectively. The decrease was due to the depreciation charged during the period under review.

Current Assets

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

The increase in inventories was due mainly to the Group stocking up on more raw materials in preparation for the upcoming quarters' production and an increase in finished goods for delivery in the second quarter of 2015. Consequently, a reduction in the work in progress partially offset the overall increase in inventories in 1Q 15.

Trade receivables amounted to RMB67.6 million and RMB60.0 million as at 31 March 2015 and 31 December 2014, respectively. The higher trade receivables as at 31 March 2015 was due to slightly slower receipts in 1Q 15. As at 31 March 2015, 86% of the trade receivables was current and not past due, while the remaining 14% was already past due. This 14% relates to 3 distributors whom the Group had been working with for years and had good payment records in the past. There is currently no exposure to any risks of default and therefore, no provision for doubtful debts had been provided in 1Q 15.

Prepayments and other receivables amounted to RMB15.6 million and RMB21.3 million as at 31 March 2015 and 31 December 2014, respectively. The decrease of RMB5.7 million during the period was due mainly to the utilization of the deposits placed with suppliers, for the purchase of raw materials in FY 2014, upon receipt of the raw materials in 1Q 15.



Current Liabilities

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

Trade and bills payables amounted to RMB41.3 million and RMB15.2 million as at 31 March 2015 and 31 December 2014, respectively. The increase was due mainly to the Group taking up additional bills payables for its purchases of raw materials which stood at RMB24.4 million, as compared to RMB3.1 million as at 31 December 2014. In addition, to manage the cashflow position of the Group, payment terms from trade creditors were also maximized to conserve the cash position of the Group, thus leading to the increase in trade payables by approximately RMB4.8 million.

Accrued liabilities and other payables amounted to RMB7.5 million and RMB8.2 million as at 31 March 2015 and 31 December 2014, respectively. Accrued liabilities and other payables comprised mainly accrued liabilities (mainly accrued wages, insurance and staff welfare), other payables and advance payments from customers (mainly deposits received from overseas customers). The decrease of RMB0.7 million was due mainly to the offset of distributors'/ customers' deposits after the Group's recognition of sales in 1Q 15, upon the delivery of finished goods to the distributors'/ customers.

Interest-bearing bank borrowings amounted to RMB187.9 million and RMB226.4 million as at 31 March 2015 and 31 December 2014, respectively. The decrease was due mainly to the paying down of bank borrowings during 1Q 15.

The reduction of income tax payables was due largely to the payment of last year's income tax payables, which was partially offset by the accrual of 1Q 15's taxable profits.

Commentary on Cash Flow

Cash and cash equivalents amounted to RMB9.1 million and RMB9.2 million as at 31 March 2015 and 31 March 2014, respectively.

For 1Q 15, net cash generated from operating activities amounted to approximately RMB29.0 million.

Net cash used in investing activities amounted to approximately RMB34,000, which was the direct result of the additions of certain property, plant and equipment of RMB89,000 and partially offset by interest received of RMB55,000.

Net cash outflow in repayment of bank borrowings and additional pledged bank deposits, amounted to approximately RMB38.5 million and RMB6.7 million respectively. In addition, interest payments of RMB3.2 million and the repayment of RMB5.3 million of loans from a director during the period further contributed to the cash used in financing activities. Therefore, net cash used in financing activities amounted to RMB53.7 million for the period ended 1Q 15.



As a result, the net decrease in cash and cash equivalents for 1Q 15 amounted to approximately RMB24.7 million as compared to the net increase in cash and cash equivalents of RMB1.9 million in 1Q 14.

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 17 February 2015.

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

The Group had in 1Q 15 continued to remain profitable and had generated positive operating cashflows for the financial period. The Group will continued to control both manufacturing and other related expenses to ensure the Group's competitiveness and continued profitability.

Although the Group is in a negative working capital position, it has generated positive operating cash flow for FY 13 and FY 14, with reduced bank borrowings and gearing. The Group has been maintaining and renewing its short term borrowings when they fall due and the management is not aware of any adverse circumstances that might cause the financial institutions to withdraw credit facilities granted to the Group. As at the date of this results announcement, the Group still has unutilised credit facilities amounting to approximately RMB96.1 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.

The Group will continue to explore opportunities to further streamline production, reduce excess capacity and also assess viable options to reduce the dependence on financial institutions. The Board of Directors will provide updates as and when available.

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 quarter ended 31 March 2015.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

15. A breakdown of sales.

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.



17. 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\$149,000*	NIL

* Ms Chen Yi, daughter of Mr. Chen Xizhong (our Company's Executive Chairman, Director and controlling shareholder), has 45% of the shareholding interest in Anhui Sanda Textile Technology Co. Ltd, which the Group had leased its Anhui facility to, since 1 June 2014. The aggregate amount of lease rental collected by the Group to-date had been rounded up to the nearest thousand.

Loan from a director, Mr. Chen Xizhong, amounting to RMB5.9 million was still outstanding as at 31 March 2015. The loan is unsecured, interest-free, and it is for the benefit of the Group's operational cashflow. The loan is repayable within 6 months of any notice of demand for repayment from the lender.

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



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ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015**

18. Negative Assurance

Statement Pursuant to SGX Listing 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 first quarter ended 31 March 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chen Xizhong
Executive Chairman

Chua Meng Hing
Independent Director

4 May 2015

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman

4 May 2015