



DESIGN OF DAPAI
一路随行，达派箱包

DAPAI INTERNATIONAL
HOLDINGS CO. LTD.
Annual Report 2014



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Corporate Profile

Dapai International Holdings Co. Ltd. (达派国际控股有限公司) (“Dapai” or together with its subsidiaries “the Group”), is one of the largest branded backpack company in the People’s Republic of China (PRC). The Group designs, develops, manufactures and sells backpacks under the DAPAI (“达派”) brand. It was listed on the Mainboard of SGX-ST on 18 April 2008 as China Zaino International Ltd.

Since its conceptualisation in 2001, DAPAI was named “2006 Top 12 Bag Brands in China” by the China Leather Industry Association and “Top 500 Asia Valuable Brand Award” by the Supervision and Management Centre of Asia International Brand Certification in 2007. The Group had previously engaged Tian Liang, an Olympic gold medallist-turned celebrity, as its official brand ambassador.

The Group’s products are targeted at the mid-range mass market consumer segment and are sold through distributor-own concessionary retail outlets in different provinces, autonomous regions and municipalities across China located within department stores, supermarkets and hypermarkets in PRC. The Group’s product collections are suited for different occasions, namely the sports, fashion, business and leisure. Our products suit different consumers’ tastes and needs and are retailed at an affordable price range.

The Group was the exclusive backpack sponsor for the 2007-2008 China Women’s National Basketball Tournament, the China gymnastic team in the 2008 Beijing Olympic Games and 2010 “Tour of Hainan” international cycling event held in Hainan Province. Dapai is headquartered in Quanzhou City, Fujian Province, PRC.



Chairman's Statement

Dear Shareholders,

Dapai Group delivered a healthy set of financial results for the year ended 31 December 2014 ("FY2014") to mark our return to profitability for the second year. This commendable performance was achieved in a year marked by economic challenges exacerbated by slowing growth in China. Navigating through the past year was a challenging task as China's economic growth continues to moderate amid tighter global and local monetary conditions.

According to the National Bureau of Statistics of China, China's gross domestic product ("GDP") expanded 7.4% year-on-year in the full year 2014, slumping to a five-year low, on the back of lower property investment, dwindling credit growth and slower industrial production. Softer growth is also expected in the year ahead with the World Bank predicting that China's economy will expand by 7.1% in 2015, lower than the 7.4% reported for 2014.

Amidst these challenging circumstances, the Group posted revenues of RMB285.5 million in FY2014, a decrease of 16.3% from RMB341.1 million in the previous year. However, the Group still managed to turn in gross profits of RMB66.2 million and garnered a gross profit margin of 23.2%. This healthy gross profit margin was driven by the Group's strategy to market and push the right product mix into the mass market. In addition, with the stringent costs controls implemented over the past couple of years, the Group had returned to profitability since 2013. The Group generated healthy cash inflow of RMB26.6 million in FY2014, demonstrating the resilience of its business model through different phases of the market cycle. As at 31 December 2014, the Group's balance sheet remained healthy, with a strong

cash position of RMB36.9 million, compared to RMB15.3 million as at 31 December 2013.

Although we are encouraged by the resumption of sales of higher margin products in FY2014 as compared with the corresponding year, demand within the higher margin product segment remains volatile. The Group recognizes the demand volatility and will focus sales efforts to secure orders on such higher margin products going forward.

Looking forward

The manufacturing industry is expected to show some signs of a slight recovery in 2015, though the overall landscape is likely to still remain challenging. Specifically, the manufacturing industry tends to be highly susceptible to shocks in the global economy. The manufacturing industry, which is characteristically plagued by rising labour cost, is also expected to use more automation equipment going forward.

The Group would consider the feasibility of introducing more technologically advanced automation equipment into our operations so as to increase our competitiveness for the Group's development in the longer term. However, this process of technological advancement will be studied carefully and in detail before any embarkation on such capital expenditure, and meticulously taking into consideration the Group's financial standing. Encouraged by an increase in higher margin product sales during the past fiscal year, the Group will continue to evaluate and fine-tune its product mix whilst nurturing business relationships with existing and new distributors and customers, with the aim of maximising overall profitability going forward.

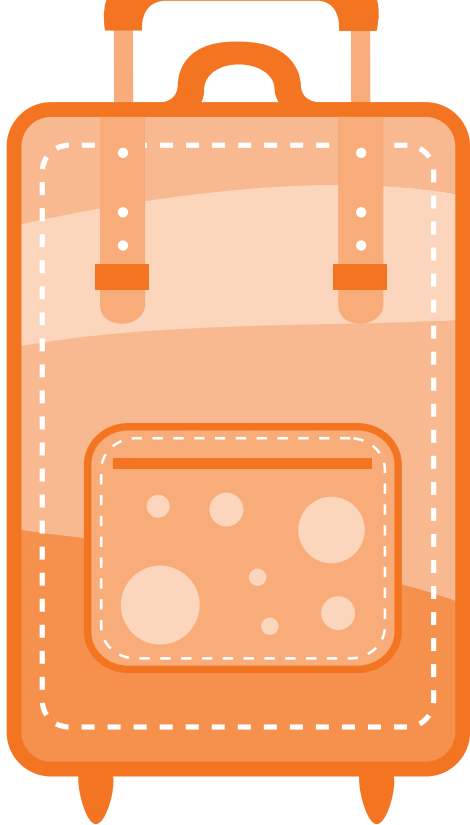
Given intense competition, cost pressures and a slowing Chinese economy, management will continue to enforce stringent cost controls to soften the Group's impact from these challenges. The Group has also been maintaining and renewing its short term borrowings when they fall due and the management is not aware of any adverse circumstances that might cause the financial institutions to withdraw the credit facilities granted to the Group. As at the date of this report, the Group still has unutilised credit facilities with its principal bankers and the Group believes that it will be able to meet its short term obligations and to continue to operate as a going concern.

A Word of Appreciation

Having experienced a profitable fiscal year in FY2014, I wish to express my sincere thanks to all our shareholders, customers and business associates for their patience and continued support throughout the years. I would like to express my deepest appreciation to our management and staff for their dedication, commitment and perseverance in all they have done, to strengthen the foundation of the Group as we move forward.

Last but not least, I would like to thank the Board of Directors for their invaluable advice and contribution over the course of the year. Together with the trust and support from all our stakeholders, I am confident that the Group will continue to do its best in the year ahead.

Chen Xizhong
Executive Chairman



主席致辞

尊敬的各位股东，

达派集团截至了一套截止2014年12月31日的健康年度财务业绩报告，预示着我们来年盈利能力的回归。这值得称道的表现是在中国经济增长放缓加剧的经济挑战下取得的。过去的一年是具有挑战性的一年，由于中国的经济增长继续放缓紧缩中全球和当地货币条件不稳定。

根据中国国家统计局数据，限于较低的固定资产投资的背后，萎缩信贷增长放缓和工业生产，中国的国内生产总值（“GDP”）2014年仅增长了7.4，下滑至5年来的新低。未来的一年缓慢的增长将继续，世界银行2014年报告预测，2015年中国经济增长率将为7.1%，比2014年的7.4%增长率还要低。

面对这些严峻的形势下，集团公布收入RMB2.86亿万元的2014年度财报，从去年的RMB3.41亿万元下降了16.3%。然而，本集团仍成功地获得RMB6.62千万元毛利，取得了23.2%的毛利率。这种健康的毛利率，主要是归功于集团的战略正确，推动正确的产品组合进入大众市场。此外，在过去

的几年里通过严格的成本控制，集团2013年以来已扭亏为盈。集团在2014年度产生RMB2.66千万元健康的现金流，在不同市场周期和不同阶段表现出了集团业务模式的适应能力。截至2014年12月31日，本集团的资产负债表保持健康，相比2013年12月31日的RMB1.53千万元，以RMB3.69千万元呈现了较强的现金头寸。

2014年虽然我们与相应年度相比，集团在利润率较高的产品领域内意图鼓恢复销售毛利率较高的产品，但需求依然不稳定。集团认识到此种不稳定波动，但将集中销售力度，以确保推进这类高毛利产品订单。

期待

在2015年制造业有望呈现小幅回升的迹象，虽然整体行情很可能仍然不容乐观。特别是，制造业很容易受到在全球经济的影响。制造业，越来越受到由劳动力成本上升的困扰，预计也将使用更多的自动化设备。

本集团将考虑引进更先进的自动化设备用于我们的生产过程中，以提升未来我们长期的竞争力。然而，在技术进步过程中，在成本支出之前，我们将精心考虑到本集团的财务状况。受到过去财年高毛利产品增长的鼓舞，本集团将继续评估和调整其产品组合，同时培育与现有的和新的分销商和客户的业务关系，并以提高整体盈利能力向前发展的目的。

鉴于竞争激烈，成本压力和放缓的中国经济，管理层将继续执行严格的成本控制，以降低这些因素的影响。本集团亦一直保持和更新其短期借款在到期时与管理是不知道有任何不利的情况下，可能会导致金融机构撤销对本集团授予的授信额度。截至本报告日，本集团仍然有未使用授信额度，其主要银行家和本集团认为现使用的额度已经能满足公司短期借款需求，但对未来需求并将持续的关注。

答谢辞

经历了2014年度盈利的财年，我在此向所有股东，客户和业务伙伴表示衷心的感谢，感谢大家多年来耐心和持续的支持。我想向我们的管理层和员工表达我最深切的感谢，感谢他们的奉献精神，决心和毅力，夯实了集团的基础，推进我们发展。

最后但也是非常重要的，我要感谢董事会一年的过程中的宝贵意见和贡献。拥有我们所有利益相关方的信任和支持，我相信，本集团未来一年将继续发挥最大努力奋力发展。

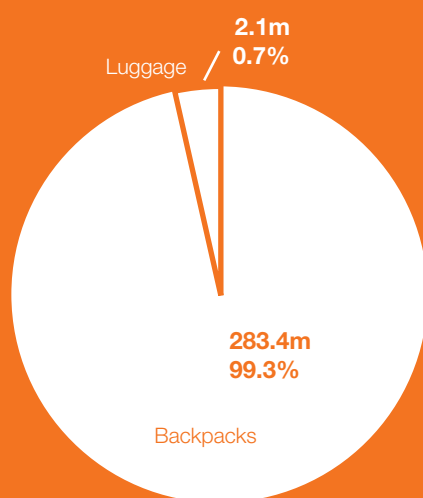
陈锡忠
执行主席

Financial and Operations Review

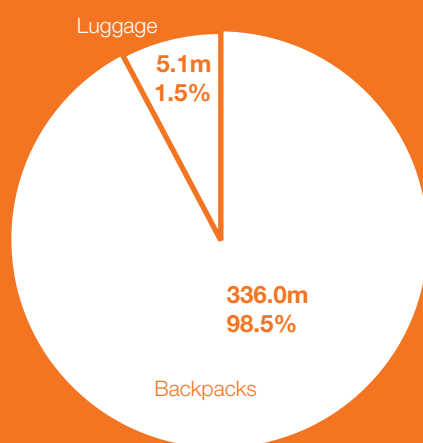
FINANCIAL REVIEW

Consolidated Income Statement Revenue, Cost of Sales and Gross Profit

	Revenue (RMB' million)	
	FY2014	FY2013
Backpacks	283.4	336.0
Luggage	2.1	5.1
Overall	285.5	341.1



FY2014



FY2013

For the financial year ended 31 December 2014 ("FY 14"), the Group recorded a revenue of RMB285.5 million, a decrease of RMB55.7 million or 16.3%, from RMB341.1 million for the financial year ended 31 December 2013 ("FY 13"). The backpack segment accounted for 99.3% of the Group's revenue with the balance of 0.7% coming from luggage segment. The decrease in overall revenue was a result of lower average selling prices arising from a change in product mix in FY 14.

Comparing FY 14 to FY 13, volume for backpacks increased by approximately 1.8 million units or 23.6% from 7.5 million units to 9.2 millions units in FY 14. The increase in volume was due largely to the increased in efforts of our existing distributors and points of sales, coupled with the current product mix, to market the Group's products to the consumers.

Comparing FY 14 to FY 13, the average selling price for backpacks was lowered by RMB14.3 or 31.6%, from RMB45.0 in FY 13 to RMB30.7 in FY 14, due to lower price ranges of backpacks being pushed to the mass market in FY 14 as compared to the corresponding period.

For FY 14, overall cost of sale decreased by RMB47.9 million or 18.0% to RMB219.2 million, and this was a direct result of the change in the product mix in FY 14, leading to the lower cost of sales during the period under review when compared to the previous corresponding period. There was better cost control in direct manufacturing costs, particularly in terms of direct materials and direct labour costs.

The Group managed to bring about a gross profit for the financial year ended FY 14, the Group had a gross profit amounting to RMB66.2 million in FY 14, as compared to



RMB73.9 million in FY 13. In FY 14, the gross profit margin for the backpacks segment had improved marginally from 21.7% to 23.2%. The gross profit margin for the luggage segment had remained comparable at approximately 25.3%.

For the year FY 14, other income had declined RMB2.2 million and was mainly due to a decline in awards, incentives and subsidies of RMB1.2 million, a decline in gain on disposal of property, plant and equipment of RMB2.8 million and interest income of RMB0.2 million. The overall decrease was partially offset by the rental lease income of our Anhui plant of RMB1.6 million, which there was no such income in FY 13.

The Group's selling and distribution expenses decreased by RMB5.6 million or 52.5% from RMB10.8 million in FY 13 to RMB5.1 million in FY 14. The significant decrease was due mainly to the decrease in:

- advertising and promotional expenses of RMB1.7 million;
- staff costs and related expenses of RMB2.4 million;
- delivery and related expenses of RMB1.0 million; and
- other expenses of RMB0.5 million.

The Group's administrative expenses decreased by approximately RMB13.2 million, or 26.2% from RMB50.1 million in FY 13, to RMB36.9 million in FY 14. This was due mainly to a decrease in salaries and related expenses. The reduction of staff headcount led to a corresponding reduction in other staff related expenses within the Group. In addition, decrease in other expenses also contributed to the overall decline in administrative expenses for FY 14. However, the occurrence of the property, building and land use taxes for FY 14 partially offset the above overall decrease in expenses.

In FY 14, the Group's finance costs decreased by RMB2.8 million. The decrease in interest expense was due mainly to the decrease in the bank borrowings outstanding for the year, notwithstanding that additional bank borrowings were drawn down in 4Q 14, as such only minimal borrowing interest had been incurred.

Income tax for the Group in FY 14 was due to the local tax authorities initially assessing the profits for respective quarters, which amounted to RMB0.7 million and RMB2.2 million, respectively. In addition, upon the finalisation of the previous financial year's tax assessments for certain subsidiaries as at FY 14, an underprovision of tax of RMB0.7 million was charged to the profit and loss in FY 14, resulting in the total taxation of RMB2.9 million in FY 14.

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 RMB26.3 million and RMB26.9 million as at 31 December 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 year.

Net book value of property, plant and equipment amounted to RMB171.9 million and RMB221.4 million as at 31 December 2014 and 31 December 2013, 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 amounting to RMB16.5 million (inclusive of depreciation for investment property) 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 RMB1.4 million during the financial year under review.

Financial and Operations Review

With the commencement of the leasing out of the Anhui facility to Anhui Sanda Textile Technology Co. Ltd ("Sanda"), the net book value as at 31 December 2014 had been reclassified from 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 slight increase in inventories was due mainly to the Group stocking up more raw materials for preparation for next year's production.

Trade receivables amounted to RMB60.0 million and RMB45.4 million as at 31 December 2014 and 31 December 2013, respectively. The higher trade receivables as at 31 December 2014 was due to majority of the sales being completed in the months of November and December 2014. As at 31 December 2014, 98% of the trade receivables are current and not past due.

Prepayments and other receivables amounted to RMB21.3 million and RMB17.5 million as at 31 December 2014 and 31 December 2013, respectively. The increase of RMB3.8 million during the year was due to mainly to deposits, amounting to RMB9.2 million, placed with suppliers, for the purchase of raw materials. However, the above increase was partially offset by the utilization of VAT recoverable of RMB5.4 million in FY 14.

Current Liabilities

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

Trade and bills payables amounted to RMB15.2 million and RMB17.1 million as at 31 December 2014 and 31 December 2013, respectively. The decrease was due mainly to the Group making payments during the financial year.

Accrued liabilities and other payables amounted to RMB8.2 million and RMB7.0 million as at 31 December 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 increase of RMB1.2 million was due to additional accruals made as at year end.

Interest-bearing bank borrowings amounted to RMB226.4 million and RMB208.9 million as at 31 December 2014 and 31 December 2013, respectively. The increase was due mainly to the drawing down of bank borrowings during the month of December in 2014.

The provision for income tax payables for the year ended 31 December 2014 was due to the initial assessment by the local tax authorities on the profits for the year ended FY 14.

Commentary on Cash Flow

Cash and cash equivalents amounted to RMB33.8 million and RMB7.3 million as at 31 December 2014 and 31 December 2013, respectively.

For FY 14, net cash generated from operating activities amounted to approximately RMB21.2 million.

Net cash generated from investing activities amounted to approximately RMB1.6 million, which was the direct result of the proceeds of RMB2.7 million from the disposal of certain property, plant and equipment and interest received of RMB0.2 million. This was partially offset by additions of property, plant and machinery of RMB1.3 million.



Net cash inflow from bank borrowings and the releasing of pledged bank deposits, amounting to approximately RMB17.5 million and RMB4.9 million respectively. However, interest payments of RMB14.8 million and the repayment of advance of RMB3.8 million due to a director during the year partially offset the overall cash generated from financing activities. Therefore, net cash generated from financing activities amounted to RMB3.8 million for the year ended FY 14.

As a result, the net increase in cash and cash equivalents for FY 14 amounted to approximately RMB26.6 million as compared to the net decrease in cash and cash equivalents of RMB22.1 million.

OPERATIONS REVIEW

Comparing to the financial performance of FY 13, the Group had in FY 14 remained profitable and had generated positive cashflows for the financial year. The Group is, and will continuously be working closely with the existing distributors to continue targeting mass market consumers with affordable products, yet yielding decent margins for the Group. In addition, the Group will continue to control both manufacturing costs and overheads via the right sizing of its operations, barring any unforeseen circumstances.

The industry still remains competitive and domestic customers, being exposed to international options have a greater choice to choose from. The management team will continue to closely monitor market developments and adjust its strategy accordingly.

Although the Group is in a negative working capital position, it had generated positive operating cash flow for FY 13 and FY 14, with adequate credit facilities. 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 report, the Group still has unutilised credit facilities

amounting to approximately RMB84.6 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.

Board of Directors

Chen Xizhong

Executive Chairman

Chen Xizhong was appointed to our Board on 26 December 2007. He is the founder of our Group and is responsible for the strategic development of our Group. Chen Xizhong has over 20 years of experience in the backpack industry. He joined the Huian Leather Company, a state owned enterprise engaged in the manufacturing of backpacks in 1982 as an apprentice and was eventually promoted to the head of the sales department of Huian Leather Company. He left Huian Leather Company in December 1994 and went on to work in Dabao in 1995 and was subsequently made the executive director. After gaining much expertise, Chen Xizhong incorporated Dapai in April 2003. He has been in charge and responsible for Dapai's daily operations and was eventually made the executive director of Dapai, a position which he still holds today. Chen Xizhong graduated from Fujian Huian Province Number One Secondary School in 1980 with a certificate in Business. Throughout his years in the backpack industry, he has won many awards such as "Chinese Entrepreneur Figures of the year 2000". He has also assumed leadership positions in a number of various organisations in China such as the Vice- Chairman of Quanzhou Fengze North Street Federation of Overseas Chinese Citizens since 2004, and Vice-Chairman of Quanzhou Sino-Foreign Enterprise Society since 2007. Chen Xizhong is also a member of various other associations in China such as being a committee member of the 12th Chinese People's Political Consultative Conference of Huian County in 2006.

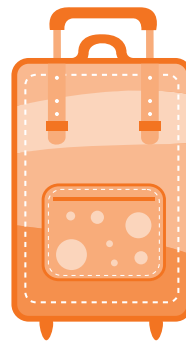
Chua Meng Hing

Lead Independent Director

Chua Meng Hing was appointed to our Board on 2 April 2012. Currently, Currently, Mr Chua is the Managing Director (PRC) for Transaction Origination of Stirling Coleman Capital Limited. Prior to the current appointment, Mr. Chua was the Vice President and Director of Finance of Xylem China and India (a Company resulting from the spin-off of ITT Corporation).

Mr Chua started his career since 1991 in various big auditing firms, namely, KPMG, PricewaterhouseCoopers and Arthur Andersen. Mr Chua was the Financial Controller of Compart Asia Pte Ltd from October 1995 to September 1997 and the Operations Director of Edgematrix Pte. Ltd in 2000.

Mr Chua obtained his Bachelor of Accountancy from the National University of Singapore in 1991 and is also a Certified Public Accountant, Institute of Singapore Chartered Accountants.



Hu Jirong

Independent Director

Hu Jirong is an independent non-executive Director of the Company. Mr Hu graduated from Jiangxi University of Finance and Economics in 1983 and obtained a master degree in Business Administration from the Open University of Hong Kong in 2000. He holds a Certified Public Accountant license in the PRC. Mr Hu has been the deputy head of Accounting Department in the College of Management of Fuzhou University. Mr Hu has taken up a number of public service positions including a specially contracted auditor of the Fujian Provincial Audit Office and a committee member of the Professional Conduct Committee of Fujian Institute of Certified Public Accountants. Mr Hu has published numerous articles and research reports in the PRC. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Richard Tan Kheng Swee

Independent Director

Mr Richard Tan Kheng Swee was appointed to our Board on 30 April 2012. Mr Tan is a partner at Messrs Chris Chong & CT Ho Partnership's Corporate Finance and Securities Practice. Prior to Mr Tan's current appointment, he previously practised in a mid-sized Singapore law firm as well as in a mid-sized Australian law firm in the State of Victoria, where he advised on a range of matters in relation to corporate advisory, mergers and acquisitions, cross-border refinancing and intellectual property.

Mr Tan has over 10 years' experience working as a corporate lawyer, and is dually qualified as a Barrister and Solicitor in Victoria, Australia and as an Advocate and Solicitor in Singapore. He has experience advising and representing companies in a wide range of commercial transactions such as asset acquisitions, IPOs and other fund raising exercises, mergers and acquisitions, corporate advisory and compliance involving both listed and private companies. Mr Tan had worked on a number of notable capital markets and M&A transactions in Asia and Australia.

Mr Tan obtained his Bachelor of Laws (Honours) from the National University of Singapore in 2003 and his Bachelor of Science (Honours) from the University of Melbourne in 2000 respectively.

Key Management

Ng Kiat Peen

Chief Financial Officer

Ng Kiat Peen joined our Group as Chief Financial Officer in July 2011. He oversees and coordinates the operation of our Group's finance department as well as manages all the financial and accounting functions of our Group.

Prior to joining our Group, Mr Ng was the Chief Financial Officer of China Angel Food Limited from 2009 to 2011. Preceding this appointment, he was the Chief Financial Officer of China Oilfield Energy Co. Ltd from 2008 to 2009, and the Financial Controller of China Xiangge Land Pte Ltd from 2007 to 2008. Between 2006 and 2007, he was the Finance Manager of Federal Trust (Singapore) Pte Ltd. He had also worked in professional audit firm Ernst & Young from 1999 to 2006.

Mr Ng graduated with a Bachelor degree in Accounting and Finance from Curtin University of Technology in 1998. He is a member of the Institute of Singapore Chartered Accountants.

Wang Xin Min

Vice President

Wang Xin Min joined our Group in 2010. He held managerial positions in various companies and has over twenty years of experience in the accounting and general administrative matters since 1987.

Wong Jin Zhong

Production director

Wang Jin Zhong joined our Group in 2003 as our procurement manager. He has over ten years of experience in the consumer goods industry. He joined the Zhongxin Tourism Products Co., Ltd as an apprentice in the company's procurement department from 1995 to 1999. Thereafter he joined Shi Meng Tui Si Da Bags and Company Private Limited as the company's deputy factory manager from 1999 to 2003. He graduated from Wuhan Polytechnic in 1995 with a degree in Business Administration.

Wang Bin

Administration director

Wang Bin joined our Group in 2004 as our human resources and administration manager. Previously, he held managerial positions in various companies such as Liuan Transportation Company, Anhui Province, where he was responsible for the Company's general administrative and human resource matters from 1991 to 1995 before establishing his own human resource company in 1995. He graduated from Anhui Radio & TV University in 1991 with a degree in Business Administration.

Corporate Information

Directors

Chen Xizhong (Executive Chairman)
Chua Meng Hing (Lead Independent Director)
Hu Jirong (Independent Director)
Richard Tan Kheng Swee (Independent Director)

Joint Company Secretaries

Abdul Jabbar Bin Karam Din, LLB (Hons)
Loh Lee Eng, ACIS
Codan Services Limited
(Assistant Company Secretary)

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

High Technology Zone of Fengze District
Quanzhou City
Fujian Province
The People's Republic of China

Legal Advisers to the Company as to Singapore law

Rajah & Tann Singapore LLP
9 Battery Road #25-01
Straits Trading Building
Singapore 049910

Legal Advisers to the Company as to Bermuda law

Conyers Dill & Pearman Pte. Ltd.
9 Battery Road #20-01
Straits Trading Building
Singapore 049910

Auditors

Moore Stephens LLP
10 Anson Road, #29-15
International Plaza
Singapore 079903

Partner-in-charge: Ng Chiou Gee Willy
(Appointed since the financial year ended 31 December 2012)

Singapore Share Transfer Agent

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Bermuda Share Registrar Codan Services Limited Clarendon House

2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers

Industrial Bank Co., Ltd., Huian Branch
No.154, Hudong Road
Donghua Island, Luocheng Town, Huian County
Quanzhou City
Fujian Province
The People's Republic of China

Bank of China Co., Ltd.,
Huian Branch
No.1, Shi Ling Street, Luocheng Town, Huian County
Quanzhou City
Fujian Province
The People's Republic of China

Bank of Quanzhou
No.3, Yun Lu Road, Fengze Town
Quanzhou City
Fujian Province
The People's Republic of China

China Citic Bank
No.60, Louping Road, Gulou Town
Fuzhou City
Fujian Province
The People's Republic of China

Huishang Bank
Block A, Tianhui Building
79, Anqing Road
Hefei, Anhui Province
The People's Republic of China

Corporate Governance Report

Dapai International Holdings Co. Ltd. (the “**Company**”) is committed to ensuring and maintaining a high standard of corporate governance within the Company and its subsidiaries (the “**Group**”). Good corporate governance establishes and maintains a legal and ethical environment for the Group, which helps to preserve and enhance the interests of all shareholders.

This report describes the corporate governance framework and practices of the Company with specific reference to the principles of the Singapore Code of Corporate Governance introduced in 2012 (the “**2012 Code**”).

This Report should be read as a whole, instead of being read separately under the different principles of the 2012 Code.

(A) BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1 : Every company should be headed by an effective board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

*Role of the Board of Directors (the “**Board**”)*

The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It supervises the Management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

- a. approve the business strategies including significant acquisition and disposal of subsidiaries or assets and liabilities;
- b. approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;
- c. approve the release of the Group’s quarterly and full year’s financial results and interested person transactions;
- d. oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls, as may be recommended by the Audit Committee;
- e. review the performance of the management, approve the nominees to the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee;
- f. review and endorse the framework of remuneration for the Board and key executives, as may be recommended by the Remuneration Committee; and
- g. renew and endorse corporate policies in keeping with good corporate governance and business practice.

The Board provides shareholders with a balanced and understandable assessment of the Group’s performance, position and prospects on a quarterly basis.

To assist in the execution of its responsibilities, the Board has established a number of Board committees which include an Audit Committee (“**AC**”), a Nominating Committee (“**NC**”) and a Remuneration Committee (“**RC**”), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

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Board Meetings and Meetings of Board Committees

The Board meets on a quarterly basis and whenever necessary for the discharge of their duties. Dates of the Board meetings are normally set by the Directors well in advance. Meetings of the Board and Board Committees may be conducted by way of telephone and video conferencing, if necessary.

The schedule of all the Board Committee meetings for the calendar year is usually given to all the Directors well in advance during each quarter. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances.

The number of meetings held by the Board and Board committees and attendance held in the financial year ended 31 December 2014 are as follows:

Directors	Board		AC		NC		RC	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Chen Xizhong	6	6	N/A	N/A	1	1	N/A	N/A
Chua Meng Hing	6	6	4	4	1	1	1	1
Hu Jirong	6	5	4	4	1	1	1	1
Richard Tan Kheng Swee	6	6	4	4	1	1	1	1

Introduction and Training

The Board constantly examines its size and, with a view to determining the impact of its number upon effectiveness, decides on what it considers an appropriate size for itself. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. Upon appointment, each Director will receive a letter of appointment from the Board Chairman explaining his statutory duties and obligations as a member of the Board. In addition, newly appointed Directors will be given briefings by the Board Chairman and/or top Management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors. The Directors are also briefed by professionals either during Board meetings or at separate meetings on regulatory changes which have an important bearing on the Company and the Directors' obligations to the Company. Apart from keeping the Directors informed of all relevant new laws and regulations, the Directors are encouraged to attend training programmes conducted by the Singapore Institute of Directors in connection with their duties as Directors.

The Company welcomes Directors to seek explanations or clarifications from and/or convene informal discussions with the Management on any aspect of the Group's operations or business. Necessary arrangements will be made for the informal discussions or explanations as and when required.

The Company is responsible for arranging and funding the training for new and existing directors. The directors are provided with continuing briefings and updates in areas such as relevant new laws and regulations, directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties as Board or Board committee members. The scope of such continuous briefings and updates includes overview of industry trends and developments, governance practices and developing trends, and changes in trends in governance practices and regulatory requirements pertaining to the business. Where necessary, a first-time director who has no prior experience as a director of a listed company will be provided training in areas such as accounting, legal and industry-specific knowledge as appropriate.

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Board Composition and Balance

Principle 2 : There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board consists of four (4) Directors of whom three (3) are non-executive and independent. The list of Directors are as follows:

Executive Director

Chen Xizhong (Executive Chairman)

Non-Executive Directors

Chua Meng Hing (Lead Independent Director)
Hu Jirong (Non-Executive and Independent Director)
Richard Tan Kheng Swee (Non-Executive and Independent Director)

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision-making. The NC is of the view that the current Board size of four (4) Directors of which three (3) are Independent Directors is appropriate and effective, taking into account the nature and scope of the Company's operations.

The current Board comprises persons with diverse expertise and experience in accounting, legal, business and management, finance and risk management who as a group provide core competencies necessary to meet the Company's requirements. The Directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

Independence of Directors

The NC reviews the independence of each Director on an annual basis based on the Code's definition of what constitutes an independent Director. The NC is of the view that the three (3) independent Directors (who represent more than half of the Board) are independent and that the independent element on the Board which is able to exercise objective judgement on corporate matters independently, in particular, from the management, and also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its shareholders. No individual or small group of individuals dominate the Board's decision-making process.

None of the Independent Directors has served on the Board of the Company beyond nine years from the date of his first appointment.

The NC is responsible for examining the size and composition of the Board and Board Committees. Taking into account the nature of the Group's businesses, the Board considers a board size of between 4 to 5 members as appropriate. The Board believes that its current board size and composition effectively serves the Group. It provides sufficient diversity without interfering with efficient decision-making.

The NC is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategy and the performance of its business.

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The independent Directors communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Director.

Where necessary, the Company co-ordinates informal meeting sessions for Independent Directors to meet without the presence of the Management to discuss matters such as Board effectiveness and Management's performance.

Chairman and Chief Executive Officer

Principle 3 : There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman of the Board is Mr Chen Xizhong. As the Executive Chairman, Mr Chen Xizhong, is responsible for, among others, the exercise of control over quantity, quality and timeliness of the flow of information between the Management of the Company and the Board.

Mr Chen Xizhong has taken over the duties of the Chief Executive Officer ("CEO") since 20 October 2011. He together with the Management comprising each subsidiary's general managers and key senior managers, are responsible for the day-to-day management of the Group.

All major decisions made by the Executive Chairman are reviewed by the AC. His performance and appointment are reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As such, the Board believes that there are adequate safeguards in place to ensure a balance of power and authority such that no one individual represents a considerable concentration of power.

As the Executive Chairman, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness and timeliness of information flow between the Board, the Management and shareholders of the Company. He encourages constructive relations between the Board and the Management and between the executive Directors and the Independent Directors. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices.

The Board has appointed Mr Chua Meng Hing as the Lead Independent Non-Executive Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman or the Chief Financial Officer ("CFO") has failed to resolve or for which such contact is inappropriate.

Board Membership

Principle 4 : There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC is chaired by Mr Richard Tan Kheng Swee (an Independent Director) with the following Directors as members:

Chen Xizhong	(Executive Director)
Chua Meng Hing	(Lead Independent Director)
Hu Jirong	(Independent Director)

The primary functions of the NC in accordance with the Terms of Reference ("TORs") are as follows:

- to identify candidates and review all nominations for the appointment or re-appointment of members of the Board, the CEO, and to determine the selection criteria;
- to ensure that all Board appointees undergo an appropriate induction programme;

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- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly where the Director has multiple board representations;
- to review the independence of each Independent Director annually;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- to evaluate the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board.

For the year under review, the NC held one (1) meeting.

Under the Company's existing Bye-Laws, each Director shall retire from office at least once every three years. The NC has adopted the procedure that at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not lesser than one-third) shall retire from office by rotation at each annual general meeting. The Directors will thus submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) year. In reviewing and recommending to the Board the re-nomination and re-election of existing Directors, the NC takes into consideration the Directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candour.

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a Director.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company and the Group, notwithstanding that some of the Directors have multiple board representations and that each Director's directorships was in line with the Company's guideline of a maximum of five (5) listed company board representations and that each Director has discharged his duties adequately.

In its search and nomination process for new Directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

For the re-appointment of a retiring director, the NC takes into consideration the director's contribution and performance which are determined by factors such as attendance, preparedness, participation and candour (as well as contribution to the effectiveness of the Board) before making its recommendation to the Board. The NC is of the view that each individual Director has contributed to the effectiveness of the Board as a whole and has recommended the re-election of Mr Chen Xizhong and Mr Richard Tan Kheng Swee pursuant to Bye-Law 86 of the Company's Bye-Laws.

The NC conducts an annual review of Directors' independence and is of the view that Mr Chua Meng Hing, Mr Richard Tan Kheng Swee and Mr Hu Jirong are independent and that, no individual or small group of individual dominates the Board's decision-making process.

When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new Director. The NC then meets with the shortlisted potential candidates with the appropriate profile before nominating the most suitable candidate to the Board for appointment as Director.

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Key information on the directors is set out below:-

Name of Directors	Position	Date of first appointment as a Director	Date of last re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-appointment at the AGM
Chen Xizhong	Executive Chairman	26 December 2007	30 April 2013	None	None	None	Retirement by rotation (Bye-Law 86)
Chua Meng Hing	Lead Independent Director	2 April 2012	29 April 2014	None	None	Managing Director of Transactional Origination of Stirling Coleman	N.A.
Hu Jirong	Independent Director	15 July 2011	30 April 2013	1. China Green Agriculture, Inc. 2. Fujian Cement Inc. 3. Fujian Tengxin Food Co.,Ltd.	1. China Green Agriculture, Inc. 2. Fujian Cement Inc. 3. Fujian Tengxin Food Co.,Ltd.	Professor of Fuzhou University	N.A.
Richard Tan Kheng Swee	Independent Director	30 April 2012	30 April 2013	1. Mirach Energy Limited 2. Medtecs International Corporation Limited	1. Mirach Energy Limited 2. Medtecs International Corporation Limited	Lawyer of Messrs ChrisChong & CT Ho Partnership	Retirement by rotation (Bye-Law 86)

Board Performance

Principle 5 : There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board, the Board Committees and each individual Director.

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board and Board Committees, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with the Management and standards of conduct of the Directors. Replacement of a Director, when it happens, does not necessarily reflect the Directors' performance or contribution to the Board, but may be driven by the need to align the Board with the medium or long term needs of the Group.

In the course of the year, the NC has conducted the assessment by preparing a questionnaire to be completed by each Director, of which were then collated and the findings were analyzed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. Overall, the Board has met its performance objectives.

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Access to Information

Principle 6 : In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To assist the Board in fulfilling its responsibilities, the Management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. All Directors have separated and independent access to the Management, including the Company Secretary at all times.

The Company Secretary and/or her representative attends all scheduled meetings of the Company and prepares minutes of meetings. She is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

Changes to regulations are closely monitored by the Management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during Board meetings.

The Directors and the Chairmen of the respective committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7 : There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises entirely Non-Executive and Independent Directors:

Chua Meng Hing (Chairman)
Hu Jirong
Richard Tan Kheng Swee

The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

The responsibilities of the RC in accordance with the TORs include the following:

- to review Directors' fees to ensure that they are at sufficiently competitive levels;
- to review and advise the Board on the terms of appointment and remuneration of its members, CEO, key executive officers, senior management of the Group and all managerial staff who are related to any of the Directors or the CEO or substantial shareholders;
- to review the terms of the employment arrangements with the Management so as to develop consistent group wide employment practices subject to regional differences;
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme; and
- to review and approve any proposals or recommendations relating to senior management's remuneration.

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The RC reviews all aspects of remuneration and compensation packages including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind.

No Director is involved in determining his own remuneration.

For the year under review, the RC held one (1) meeting.

Level and Mix of Remuneration

Principle 8 : The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key Management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC takes into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance-related elements of remuneration form a significant part of the total remuneration package of the Executive Director and is designed to align the Directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration commensurate with the contribution and responsibilities of the Directors. The Company submits the quantum of Directors' fees of each year to the shareholders for approval at each Annual General Meeting ("AGM").

Non-Executive Directors have no service contracts. The Executive Director has service contract with the Company and he did not receive Directors' fees for the year under review.

Disclosure on Remuneration

Principle 9 : Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key Management personnel, and performance.

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Director and senior management commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key executives) is reviewed periodically by the RC and the Board.

The Independent Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent, as well as the responsibilities and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive and thereby maximise shareholder value. Directors' fees are recommended by the Board for approval at the Company's AGM.

The Executive Director does not receive director fee but is remunerated as members of Management. His remuneration package comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and his individual performance. Service contract for Executive Director, is for a fixed appointment period and does not contain onerous removal clauses.

The Company has no employee share option scheme or any long-term scheme in place.

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A breakdown (in percentage terms) of the remuneration of the Directors and the key management personnel (who are not also Directors) for the financial year ended 31 December 2014 is set out below:

Remuneration of the Directors

Name	Base/fixed salary ^(#) %	Variable or performance related income/bonus ^(#) %	Director's fee %	Benefits in Kind %	Total %
Executive Director					
Chen Xizhong ⁽¹⁾	94.2	1.0	–	4.8	100.0
Independent Directors					
Chua Meng Hing ⁽²⁾	100.0	–	–	–	100.0
Hu Jirong ⁽³⁾	100.0	–	–	–	100.0
Richard Tan Kheng Swee ⁽²⁾	100.0	–	–	–	100.0

(1) Between S\$250,000 and S\$260,000

(2) S\$50,000 and below

(3) Below S\$25,000

Remuneration of top 5 key management personnel (who are not also Directors or CEO)

Remuneration band and names of key management personnel (who are not also Directors or CEO)	Based/fixed salary ^(#) %	Variable or performance related income/bonus ^(#) %	Benefits in Kind %	Total %
Below S\$250,000				
Ng Kiat Peen	80.5	13.4	6.1	100.0
Wang Jin Zhong	67.4	5.6	27.0	100.0
Wang Bin	71.2	4.9	23.8	100.0
Wang Xin Min	67.4	5.6	27.0	100.0

This is under the service contract. Under the service contract, our Executive Director is also entitled to share a performance bonus (the “**Performance Bonus Pool**”) in respect of each financial year commencing from FY2008, which is calculated based on the consolidated net profit after tax and extraordinary items (“**NPAT**”) (before deducting for such Performance Bonus Pool) of our Group. Since the NPAT for FY2014 did not attain RMB420 million, no performance bonus was paid in FY2014.

The Company has not disclosed exact details of the remunerations of its Executive Director, Independent Directors and key management personnel as it is not in the best interest of the Company and the employees to disclose such details due to the sensitive nature of such information and as our industry is highly competitive in respect of the recruitment of experienced executives. The Company has only four key management personnel (who are not also a Director nor the CEO of the Company). The aggregate of total remuneration paid to or accrued to the top key management personnel (including Executive and Independent Directors) is approximately S\$670,000.00.

There are no employees of the Group who are immediate family members of a Director or the CEO and whose remuneration exceeds S\$50,000 during the financial year ended 31 December 2014.

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(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10 : The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board endeavors to ensure that the annual audited financial statements and quarterly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through announcements via SGXNET.

The Management currently provides the Board with management accounts of the Group's performance, position and prospect on a regular basis.

Risk Management and Internal Controls

Principle 11 : The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk Management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management reviews regularly the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. In addition, the external auditors have reviewed the Group's internal controls that are relevant to the audit and any control weaknesses and improvements noted had been reported to the AC, together with their recommendation. The Management will follow-up on the auditors' recommendations so as to strengthen the Group's internal control systems.

The Board ensures that the Management maintains a sound system of internal controls and effective risk Management policies to safeguard the shareholders' investment and the Company's assets and in this regard, is assisted by the AC which conducts the reviews.

The Company's internal and external auditors conduct annual reviews of the effectiveness of the Company's material internal controls and risk assessment at least annually to ensure the adequacy thereof. In addition, annual review to ensure that safeguards, check and balances are put in place to prevent any conflict of interest or any weakening of internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.

In respect of the internal audits conducted in FY2013 and control weaknesses highlighted in the FY2013 Annual Report, the Management had reported to the AC during the meetings held in FY2014 that the internal control recommendations proposed by the internal auditors have been implemented and will be monitored regularly for its effectiveness.

The Board had also in FY2014, tasked the internal auditors to review the internal control procedures over the processes of revenue and receivables, inventory management, bank confirmation and cash management, and payroll for the Group. The review did not highlight any significant findings but the internal auditors had recommended improvement points over certain controls such as the strengthening of the documentation of recording and reconciliation processes, to regularly assess new and existing customers' credit assessment, and efficiency improvement in the payroll process. These recommendations have been accepted and implemented by management and the AC will continue to monitor the effectiveness of these internal controls.

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Based on the internal controls established and maintained by the Group, work performed by the external and internal auditors, the on-going review and continuing efforts at enhancing controls and processes, the Board, with the concurrence of the AC is of the opinion that internal controls addressing the Group's material financial, operational, compliance and information technology risks and the risk management systems to meet the needs of the Group, is adequate as of 31 December 2014.

The Board has received written assurance from the CEO and the CFO that:

- (a) The financial records of the Group have been properly maintained and financial statements for the financial year ended 31 December 2014 give a true and fair view of the Group's operations and finances; and
- (b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

The Company has complied with Rule 712 and Rule 715 of the Listing Manual in the relation to auditing firms.

The Group has done up a documentation on its risk profile which summarizes the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the AC and the Board annually. The documentation provides an overview of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type and the various assurance mechanism in place. It allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process.

Risks arising from the Group's financial operations are separately discussed in Notes to the Financial Statements on pages 67 to 73.

Audit Committee

Principle 12 : The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises of entirely non-executive Independent Directors:-

Chua Meng Hing (Chairman)
Hu Jirong
Richard Tan Kheng Swee

It, inter alia, oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group.

All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having recent and relevant accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

For the year under review, the AC held four (4) meetings with the Management and the external auditors and one (1) meeting with the internal auditors to discuss and review the following matters in accordance with the TORs:-

- the audit plans of the external and internal auditors of the Company, and their reports arising from their audit;
- the adequacy of the assistance and cooperation given by the Company's Management to the external and internal auditors;
- the financial statements of the Company and the consolidated financial statements of the Group;
- the quarterly and annual announcement of the results of the Group before submission to the Board for approval;
- the adequacy of the Group's internal controls addressing financial, operational, compliance and information technology risks and in respect of the management, business and service systems and practices;

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- the cost effectiveness, independence and objectivity of the external auditors;
- the approval of compensation to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;
- the recommendation to the Board for the appointment or re-appointment of the internal and external auditors of the Company;
- to report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with.

In performing its functions, the AC :

- met once with the external auditors and internal auditors, without the presence of the Company's Management, and reviewed the overall scope of the external and internal audit and the assistance given by the Management to the auditors;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function properly; and
- has full access to and cooperation of the Management and full discretion to invite any Director or executive officer to attend its meetings.

The external auditors and internal auditors have unrestricted access to the AC.

The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.

The AC meets on a quarterly basis to review the quarterly and audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the AC reviews the key areas of the Management's judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the financials.

The AC evaluates the adequacy and effectiveness of the internal control and regulatory compliance of the Company through discussion with the Management and its auditors.

The AC discusses with the Management the significant internal audit observations, together with the Management's responses and actions to correct any deficiencies. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.

The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.

The AC meets with the internal auditor and the external auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with training conducted by professionals or external consultants.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. No non-audit fees were paid to the external auditors. Details of the fees paid to the external auditors for the year ended 31 December 2014 are disclosed under Notes to the Financial Statements in page 53 of the Annual Report. The AC recommends to the Board the re-appointment of Moore Stephens LLP as the external auditors of the Company at the forthcoming Annual General Meeting.

Corporate Governance Report

The Company has put in place a whistle-blowing policy endorsed by the AC, by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the AC. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has appointed Messrs BDO LLP as its outsourced internal auditor. Messrs BDO LLP assists the Group in reviewing the adequacy and effectiveness of the Group's internal controls based on an annual internal audit plan that covers applicable financial, operational, compliance and information technology controls. As part of the internal audits, they also provide recommendations to the AC and the Board to address any weaknesses in its internal controls.

Messrs BDO LLP performs annual internal audit planning in consultation with, but independent of the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the internal auditor may be involved in ad hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns. Messrs BDO LLP is provided with access to the Company's properties, information and records and performs their reviews in accordance with the BDO Global IA methodology which is consistent with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. As the Group's outsourced internal auditors, Messrs BDO LLP is required to provide staff of adequate expertise and experience to conduct the internal audits.

Messrs BDO LLP reports to the AC on internal audit matters and reports administratively to the Executive Director. The AC also reviews and approves the annual internal audit plans and resources to ensure that Messrs BDO LLP has the necessary resources to adequately perform its functions.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14 : Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company recognizes the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Company strongly encourages shareholder participation during the AGM which will be held in a convenient location in Singapore. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business related matters.

Communication with Shareholders

Principle 15 : Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Quarterly results are published through the SGXNET and news releases. All information of the Company's new initiatives is disseminated via SGXNET.

Corporate Governance Report

The Company does not practise selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period. All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also advertised in the newspapers.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to Shareholders via announcements released on SGXNET. No dividends shall be paid to the shareholders for the financial year ended 31 December 2014.

Conduct of Shareholder Meetings

Principle 16 : Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at the AGM. The chairmen of the AC, the NC and the RC of the Company will be present at the general meetings to answer questions from the shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. To have greater transparency in the voting process, the Company has adopted the voting of all its resolutions by poll at its general meetings. The detailed voting results of each of the resolutions tabled will be announced immediately at the meeting. The total numbers of votes cast for or against the resolutions will be also announced after the meeting via SGXNET.

The Company Secretary, with the assistance of his representative, prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and the Management. These minutes are available to shareholders upon request.

(E) DEALINGS IN SECURITIES

The Company has issued a guideline on share dealings to all Directors and officers of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings, to be in line with Listing Rule 1207(19) issued by the SGX-ST.

The Company's code provides that the Company and its Directors and officers are prohibited from dealing in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for the financial year ended 31 December 2014, the Company has complied with Listing Rule 1207(19).

Corporate Governance Report

(F) INTERESTED PERSON TRANSACTIONS

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual of the SGX-ST on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:

- The Board meets to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9.
- The AC has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

For the financial year ended 31 December 2014, the following interested person transaction had been carried out:-

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	332,000*	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 RMB11.2 million was still outstanding as at 31 December 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.

The AC 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.

(G) MATERIAL CONTRACTS

To the best of the Board's knowledge, there were no material contracts involving the interest of the Group Directors, controlling shareholders nor their subsidiaries either as at 31 December 2014 or since the end of the previous financial year.

Report of the Directors

31 December 2014

The directors of the Company present their report to the members together with the audited consolidated financial statements of Dapai International Holdings Co. Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) for the financial year ended 31 December 2014 and the audited statement of financial position of the Company as at 31 December 2014.

1 Directors

The directors of the Company in office at the date of this report are as follows:

Mr Chen Xizhong	(Executive Director)
Mr Chua Meng Hing	(Independent Director)
Mr Hu Jirong	(Independent Director)
Mr Richard Tan Kheng Swee	(Independent Director)

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3 Directors' Interests in Shares or Debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the register of directors' shareholdings kept by the Company, except as follows:

Name of director and company in which interests are held	Shareholdings registered in name of director		Shareholdings in which director is deemed to have an interest	
	As at 1.1.14	As at 31.12.14	As at 1.1.14	As at 31.12.14
Company:				
Dapai International Holdings Co. Ltd.			Ordinary shares of S\$0.001 each	
Mr Chen Xizhong	14,100,000	14,100,000	507,000,000*	507,000,000*

* Capital Line Investment Limited is an investment holding company incorporated in the British Virgin Islands and is wholly beneficially owned by Mr Chen Xizhong. As such, Mr Chen Xizhong is deemed to have an interest in the shares held by Capital Line Investment Limited in the Company.

There was no change in the above mentioned directors' interests in the shares or debentures of the Company and its related corporations as at 31 December 2014 and 21 January 2015.

4 Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm in which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements. Certain directors also received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

Report of the Directors

31 December 2014

5 Share Options

Options Granted

During the financial year, there were no share options granted by the Company or its subsidiaries.

Options Exercised

During the financial year, there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

6 Audit Committee

The Audit Committee ("AC") comprises all independent directors. The members of the AC at the date of this report are as follows:

Mr Chua Meng Hing (Chairman)
Mr Hu Jirong
Mr Richard Tan Kheng Swee

The AC has performed the functions set out in the SGX Listing Manual and the Code of Corporate Governance, including reviewing the following:

- Overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. The AC also met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluations of the Company's system of internal accounting controls;
- The quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 as well as the auditor's report thereon; and
- Interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

6 Audit Committee (cont'd)

The AC has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The AC also recommends the re-appointment of the external auditors and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors the nomination of Moore Stephens LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

7 Independent Auditors

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

CHEN XIZHONG
Director

CHUA MENG HING
Director

1 April 2015

Statement of Directors

31 December 2014

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon, as set out on pages 33 to 73, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due as discussed in Note 2(b) to the financial statements.

On behalf of the Board of Directors,

CHEN XIZHONG
Director

CHUA MENG HING
Director

1 April 2015

Independent Auditors' Report

To the members of Dapai International Holdings Co. Ltd.
(Incorporated in Bermuda)

Report on the Financial Statements

We have audited the accompanying financial statements of Dapai International Holdings Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 33 to 73, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a fair presentation of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the year ended on that date.

Independent Auditors' Report

To the members of Dapai International Holdings Co. Ltd.
(Incorporated in Bermuda)

Emphasis of Matter

We draw attention to Note 2(b) to the financial statements which states that as at 31 December 2014, the Group's current liabilities exceeded its current assets by RMB93,838,000 (2013: RMB121,239,000) and the Company's current liabilities exceeded its current assets by RMB2,688,000 (2013: RMB1,485,000). Further, the Group has short-term borrowings amounting to RMB226,378,000 (2013: RMB208,881,000) (Note 24) as at 31 December 2014.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2014 is appropriate after taking into consideration the following factors:

- (i) The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve profitability and generate positive cash flows from operations. In this regard, management has prepared a cash flow projection, which shows the Group will have adequate working capital for its operations and will be able to meet its obligations as and when they fall due.
- (ii) The Group continues to maintain its credit facilities with the financial institutions and, subject to the financial institutions' approval, to renew or roll over its short-term borrowings when they fall due and/or the extension of additional credit facilities, as assumed in the cash flow projection mentioned above. In this regard, the Group has been maintaining and renewing the short-term bank borrowings when they fall due and management is not aware of any adverse circumstances that might cause the financial institutions to withdraw their credit facilities granted to the Group. As at 31 December 2014, the Group has unutilised credit facilities amounting to approximately RMB84,622,000 with its principal bankers.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2015

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

		Group	
	Note	2014 RMB'000	2013 RMB'000
Revenue	5	285,452	341,136
Cost of sales		(219,241)	(267,189)
Gross profit		66,211	73,947
Other income	6	2,857	5,085
Selling and distribution expenses		(5,110)	(10,758)
Administrative expenses		(36,910)	(50,074)
Finance costs	7	(14,833)	(17,604)
Profit before income tax	8	12,215	596
Income tax	10	(2,888)	4,307
Profit for the year		9,327	4,903
Other comprehensive income		—	—
Total comprehensive income for the year attributable to owners of the Company		9,327	4,903
Earnings per share (RMB cents)			
Basic and diluted	11	0.94	0.49

The accompanying notes form an integral part of these financial statements

Statements of Financial Position

As at 31 December 2014

		Group		Company	
	Note	2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Land use rights	12	26,312	26,906	–	–
Intangible assets	13	87	115	–	–
Property, plant and equipment	14	171,915	221,380	–	–
Investment property	15	32,013	–	–	–
Investments in subsidiaries	16	–	–	100,509	104,339
Total Non-current Assets		230,327	248,401	100,509	104,339
Current assets					
Inventories	17	49,531	48,477	–	–
Trade and other receivables	18	81,386	62,917	43	43
Cash and bank balances	19	36,920	15,261	101	367
Total Current Assets		167,837	126,655	144	410
Total Assets		398,164	375,056	100,653	104,749
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	20	5,042	5,042	5,042	5,042
Reserves	21	131,447	122,120	92,779	97,812
Total Equity		136,489	127,162	97,821	102,854
Current liabilities					
Trade and other payables	22	23,413	24,013	2,832	1,895
Loans from a director	23	11,229	15,000	–	–
Bank borrowings	24	226,378	208,881	–	–
Income tax payable		655	–	–	–
Total Current Liabilities		261,675	247,894	2,832	1,895
Total Liabilities		261,675	247,894	2,832	1,895
Total Equity and Liabilities		398,164	375,056	100,653	104,749

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Group						
Balance as at 1 January 2014	5,042	475,527	65,939	166,883	(586,229)	127,162
Profit for the year	–	–	–	–	9,327	9,327
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	9,327	9,327
Balance as at 31 December 2014	5,042	475,527	65,939	166,883	(576,902)	136,489
Balance as at 1 January 2013	5,042	475,527	65,939	166,883	(591,132)	122,259
Profit for the year	–	–	–	–	4,903	4,903
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	4,903	4,903
Balance as at 31 December 2013	5,042	475,527	65,939	166,883	(586,229)	127,162

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014

	Group	
	2014	2013
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Profit before income tax	12,215	596
Adjustments for:		
Depreciation of property, plant and equipment	14,905	16,490
Depreciation of investment property	1,550	–
Amortisation of land use rights	594	594
Amortisation of intangible assets	28	28
Property, plant and equipment written off	–	2
Gain on disposal of property, plant and equipment	(333)	(3,097)
Reversal of allowance for impairment loss of trade receivables	–	(1,988)
Interest income	(236)	(391)
Interest expense	14,833	17,604
Operating cash flows before working capital changes	43,556	29,838
Changes in working capital:		
Inventories	(1,054)	(7,354)
Trade and other receivables	(18,469)	76,052
Trade and other payables	(600)	(48,688)
Cash generated from operating activities	23,433	49,848
Income tax (paid)/refunded	(2,233)	4,307
Net cash generated from operating activities	21,200	54,155
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(1,357)	(5,920)
Proceeds from disposal of property, plant and equipment	2,687	3,500
Interest received	236	391
Net cash generated from/(used in) investing activities	1,566	(2,029)
Cash Flows from Financing Activities		
Proceeds from bank borrowings	271,243	271,288
Repayment of bank borrowings	(253,746)	(332,401)
Increase in loans from a director	–	9,000
Decrease in loans from a director	(3,771)	–
Increase in bank deposit pledged	–	(4,460)
Decrease in bank deposit pledged	4,900	–
Interest paid	(14,833)	(17,604)
Net cash generated from/(used in) financing activities	3,793	(74,177)
Net increase/(decrease) in cash and cash equivalents	26,559	(22,051)
Cash and cash equivalents at the beginning of the year	7,261	29,312
Cash and cash equivalents at the end of the year (Note 19)	33,820	7,261

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

31 December 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1 General

Dapai International Holdings Co. Ltd. (the “Company”) is incorporated in Bermuda as an exempt company with limited liability and is listed on the Mainboard of the Singapore Exchange Securities Limited (“SGX-ST”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business is at High Technology Zone of Fengze District, Quanzhou City, Fujian Province, the People’s Republic of China (“PRC”).

The immediate and ultimate holding company of the Company is Capital Line Investment Limited, incorporated in the British Virgin Islands. Capital Line Investment Limited is wholly beneficially owned by Mr Chen Xizhong, the Executive Director of the Company.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 16.

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement of Directors.

2 Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”). These financial statements have been prepared under the historical cost convention, except as disclosed in the significant accounting policies set out in Note 3.

(a) Adoption of New/Revised FRS

Adoption of New/Revised FRS which are effective

The accounting policies adopted are consistent with those of the previous financial year except that, for the financial year ended 31 December 2014, the Group has adopted the following new/revised FRS that are mandatorily effective for the said year and relevant to the Group:

FRS 27 (Revised)	<i>Separate Financial Statements</i>
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FRS 27 (Revised) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate financial statements. The adoption of FRS 27 (Revised) has no effect on the financial performance or the financial positions of the Group and of the Company on initial application.

Notes to the Financial Statements

31 December 2014

2 Basis of Preparation (cont'd)

(a) Adoption of New/Revised FRS (cont'd)

Adoption of New/Revised FRS which are effective (cont'd)

FRS 110 *Consolidated Financial Statements*

Under FRS 110, there is only one basis for consolidation for all entities, and that basis is control. This change removes the perceived inconsistency between the previous version of FRS 27 *Consolidated Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities* – FRS 27 used a control concept whilst INT FRS 12 placed greater emphasis on risks and rewards.

A more robust definition of control has been developed in FRS 110 in order to capture unintentional weakness of the definition of control set out in the previous version of FRS 27. The definition of control in FRS 110 includes three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of investor's returns.

FRS 110 requires investors to reassess whether or not they have control over their investees on transition to FRS 110. In general, FRS 110 requires retrospective application, with certain limited transitional provisions. The adoption of FRS110 did not result in any change to the control conclusions reached by the Group in respect of its involvement with other entities at the date of initial application.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joints arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the financial statements. As this is a disclosure standard, the adoption of FRS 112 has no effect on the financial performance or the financial positions of the Group and of the Company on initial application.

Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or Cash-Generating Unit (CGU) to periods in which an impairment loss has been recognised or reversed.

The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. The application of these amendments has had no impact on the disclosure in the Group's consolidated financial statements.

2 Basis of Preparation (cont'd)

(a) Adoption of New/Revised FRS (cont'd)

New/Revised FRS which are issued but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group were issued but not yet effective:

Description		Effective for annual periods beginning on or after
Amendments to FRS 103	<i>Business Combinations</i>	1 July 2014
Amendments to FRS 108	<i>Operating Segments</i>	1 July 2014
Amendments to FRS 24	<i>Related Party Disclosures</i>	1 July 2014
Amendments to FRS 113	<i>Fair Value Measurement</i>	1 July 2014
Amendments to FRS 40	<i>Investment Property</i>	1 July 2014
Amendments to FRS 27	<i>Equity Method in Separate Financial Statements</i>	1 January 2016
FRS 115	<i>Revenue from Contracts with Customers</i>	1 January 2017
FRS 109	<i>Financial Instruments</i>	1 January 2018

Except for FRS 115 and FRS 109 described below, management anticipates that the adoption of the other new/revised FRS above in future periods will have no material impact on the Group's financial statements in the period of initial application.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a revised framework for revenue recognition based on the following five-step approach:

- * Identification of the contracts
- * Identification of the performance obligations in the contract
- * Determination of the transaction price
- * Allocation of the transaction price to the performance obligations
- * Recognition of revenue when (or as) an entity satisfies a performance obligation

FRS 115 will replace the existing revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and INT FRS 113 Customer Loyalty Programs.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 115 will have an impact on the Group.

FRS 109 Financial Instruments

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 109 will have an impact on the Group.

Notes to the Financial Statements

31 December 2014

2 Basis of Preparation (cont'd)

(b) Going Concern Assumption

As at 31 December 2014, the Group's current liabilities exceeded its current assets by RMB93,838,000 (2013: RMB121,239,000) and the Company's current liabilities exceeded its current assets by RMB2,688,000 (2013: RMB1,485,000). Further, the Group has short-term borrowings amounting to RMB226,378,000 (2013: RMB208,881,000) (Note 24) as at 31 December 2014.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2014 is appropriate after taking into consideration the following factors:

- (i) The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve profitability and generate positive cash flows from operations. In this regard, management has prepared a cash flow projection, which shows the Group will have adequate working capital for its operations and will be able to meet its obligations as and when they fall due.
- (ii) The Group continues to maintain its credit facilities with the financial institutions and, subject to the financial institutions' approval, to renew or roll over its short-term borrowings when they fall due and/or the extension of additional credit facilities, as assumed in the cash flow projection mentioned above. In this regard, the Group has been maintaining and renewing the short-term bank borrowings when they fall due and management is not aware of any adverse circumstances that might cause the financial institutions to withdraw their credit facilities granted to the Group. As at 31 December 2014, the Group has unutilised credit facilities amounting to approximately RMB84,622,000 with its principal bankers.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.

3 Significant Accounting Policies

(a) Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3 Significant Accounting Policies (cont'd)

(a) Consolidation (cont'd)

Subsidiaries (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Financial Statements

31 December 2014

3 Significant Accounting Policies (cont'd)

(a) Consolidation (cont'd)

Subsidiaries (cont'd)

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Land Use Rights

Land use rights measured initially at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line method to profit and loss over the respective lease period of the land use rights, which is 50 years. The amortisation period and amortisation methods are reviewed at each year end. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Intangible Assets

Trademark

Trademarks acquired are measured initially at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line method to profit or loss over 10 years, whichever is the shorter of their estimated useful lives and periods of contractual rights. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the trademarks are accounted for by changing the amortisation period or method, as appropriate. The effects of any revision are recognised in profit or loss when the changes arise.

Computer software

Acquired computer software, which is not an integral part of related hardware, is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line method to profit or loss over their estimated useful lives of 10 years. The amortisation period and amortisation methods are reviewed at each year end. The effects of any revision are recognised in profit or loss when the changes arise.

(d) Property, Plant and Equipment

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3 Significant Accounting Policies (cont'd)

(d) Property, Plant and Equipment (cont'd)

Depreciation

Depreciation is recognised so as to write off the cost of assets less their residual values (if any) over their useful lives, using the straight-line method as follows:

Buildings	10 to 30 years
Plant and machinery	3 to 10 years
Furniture, fixtures and office equipment	3 to 10 years
Motor vehicles	4 to 10 years

No depreciation is provided on properties under construction.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Investment Property

Investment property held for long-term rental yields and/or for capital appreciation, is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method over the estimated useful life of 30 years. The estimated useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in accounting policies for Property, Plant and Equipment up to the date of change in use.

Notes to the Financial Statements

31 December 2014

3 Significant Accounting Policies (cont'd)

(f) Investments in Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

(g) Impairment of Non-Financial Assets

Non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets have been impaired.

At the statement of financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the amount of impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods and work-in-progress includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal operating capacity.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Allowance for stock obsolescence is made for obsolete or slow moving inventories.

3 Significant Accounting Policies (cont'd)

(i) Financial Assets

The Group classifies its financial assets as loans and receivables based on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” and “cash and bank balances” on the statement of financial position.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset has expired, or has been transferred and transferred substantially all the risks and rewards of ownership of the financial asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Notes to the Financial Statements

31 December 2014

3 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Recognition and derecognition (cont'd)

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(j) Cash and Cash Equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, less restricted deposit balances that are pledged to secure banking facilities.

(k) Financial Liabilities

The Group shall recognise a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Interest-bearing loans and borrowings

Borrowings are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3 Significant Accounting Policies (cont'd)

(l) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(m) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rental income

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term as set out in specific rental agreements.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(n) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to that and the grants will be received. Government grants that are received for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they are received.

(o) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions to state-managed retirement benefit schemes on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Notes to the Financial Statements

31 December 2014

3 Significant Accounting Policies (cont'd)

(p) Leases

When the Group is the lessor – operating leases

Leases of investment property where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Contingent rents are recognised as income in profit or loss when earned.

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period using the effective interest method in which they are incurred.

(r) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3 Significant Accounting Policies (cont'd)

(r) Income Tax (cont'd)

Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the statement of financial position date, to recover or settle the carrying amount of its tax assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition when a business combination is initially accounted for but is subsequently realised, the acquirer shall recognise the resulting deferred tax income in profit or loss or a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period.

Current and deferred tax for the year

Current and deferred tax are recognised as an income or an expense in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current and deferred tax arises from the initial accounting for a business combination, the tax effect is taken into account in the accounting for the business combination.

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive personnel who are responsible for allocating resources and assessing performance of the operating segments.

(t) Foreign Currencies

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Renminbi, and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Notes to the Financial Statements

31 December 2014

3 Significant Accounting Policies (cont'd)

(t) Foreign Currencies (cont'd)

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the statement of financial position date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

Those currency translation differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements that the management has made in the process of applying the Group's accounting policies during the financial year that have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Impairment of Trade and Other Receivables

The Group assesses at each statement of financial position date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

4 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (cont'd)

Critical judgments in applying accounting policies (cont'd)

(a) Impairment of Trade and Other Receivables (cont'd)

An allowance is made for trade and other receivables, for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for impairment of receivables.

The carrying amount of the Group's trade and other receivables as at 31 December 2014 amounted to RMB81,344,000 (2013: RMB62,406,000) (Note 18). During the previous financial year ended 31 December 2013, the Group had received payment for certain trade receivables that were impaired in prior financial years, and accordingly, an allowance for impairment loss of RMB1,988,000 was reversed (Note 18). There was no reversal of allowance for impairment loss during the current financial year ended 31 December 2014.

(b) Income Taxes

The Group has exposure to income taxes in the PRC. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

The carrying amount of the Group's current income tax payable as at 31 December 2014 amounted to RMB655,000 (2013: Nil). For the financial year ended 31 December 2014, the Group has recognised income tax expense of RMB2,888,000 (2013: income tax credit of RMB4,307,000) (Note 10).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Useful Lives of Property, Plant and Equipment, and Investment Property

The costs of property, plant and equipment and investment property are depreciated on a straight-line basis over the assets' estimated useful lives.

Management estimates the useful lives of these property, plant and equipment, and investment property to be within 3 to 30 years. These are common life expectancies applied in these industries. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets. Hence, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment and investment property as at 31 December 2014 are disclosed in Notes 14 and 15, respectively.

A 10% difference in the expected useful lives of these assets from management's estimate would result in the Group's profit before income tax to decrease/increase by approximately RMB1,646,000 (2013: RMB1,649,000).

Notes to the Financial Statements

31 December 2014

4 Critical Accounting Judgments and Estimates (cont'd)

Key sources of estimation uncertainty (cont'd)

(b) Impairment of Investment in Subsidiaries

The Company assesses at each statement of financial position date whether there is objective evidence that its investments in subsidiaries is impaired. If any such indication exists, the Company shall estimate the recoverable amount of the investment based on value in use calculations which requires the Company to estimate the future cash flows expected from the relevant cash-generating units and an appropriate discount rate to calculate the present value of these future cash flows.

The carrying amount of the Company's investments in subsidiaries as at 31 December 2014 are disclosed in Note 16. For the financial year ended 31 December 2014, no additional allowance for impairment of investment in subsidiaries has been recognised (2013: Nil) to write down the carrying amount of the investment.

5 Revenue

Revenue represents invoiced value of goods delivered less applicable value-added tax and after eliminating sales within the Group.

6 Other Income

	Group	
	2014 RMB'000	2013 RMB'000
Rental income - investment property	1,601	–
Interest income on bank deposits	236	391
Government awards and subsidies	249	1,406
Gain on disposal of property, plant and equipment	333	3,097
Commissions	155	–
Sundry income	283	191
	2,857	5,085

7 Finance Costs

	Group	
	2014 RMB'000	2013 RMB'000
Interest expense on bank loans	14,833	17,604

Notes to the Financial Statements

31 December 2014

8 Profit before Income Tax

		Group	
	Note	2014 RMB'000	2013 RMB'000
Profit before income tax has been arrived at after charging/(crediting):			
Reversal of allowance for impairment loss of trade receivables			
- Recognised in administrative expenses	18	–	(1,988)
Amortisation of land use rights			
- Recognised in administrative expenses	12	594	594
Amortisation of intangible assets			
- Recognised in administrative expenses	13	28	28
Audit fees paid/payable to			
- Company's auditors		874	883
- Other auditors		151	330
Depreciation of investment property			
- Recognised in administrative expenses	15	1,550	–
Depreciation of property, plant and equipment			
- Recognised in cost of sales		6,781	7,039
- Recognised in administrative expenses		8,124	9,451
	14	14,905	16,490
Employee benefits			
- cost of sales		27,543	55,864
- selling and distribution expenses		2,647	5,188
- administrative expenses		14,743	32,496
	9	44,933	93,548
Foreign exchange (gain)/loss		(762)	783
Property, plant and equipment written off	14	–	2

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 31 December 2014 (2013: Nil).

9 Employee Benefits

	Group	
	2014 RMB'000	2013 RMB'000
Wages, salaries and bonuses	33,751	65,068
Defined contribution plans	9,065	21,849
Other social expenses	2,117	6,631
	44,933	93,548

Notes to the Financial Statements

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10 Income Tax

	Group	
	2014	2013
	RMB'000	RMB'000
Current income tax:		
- Current year	2,123	–
- Under/(Over) provision in prior years	765	(4,307)
	2,888	(4,307)

A reconciliation of income tax expense/(credit) and profit before income tax multiplied by the applicable tax rate is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Profit before income tax	12,215	596
Tax at the applicable tax rate	3,054	149
Non-deductible expenses	2,011	2,622
Utilisation of deferred tax benefits previously not recognised	(2,942)	(2,771)
Under/(Over) provision in prior years	765	(4,307)
	2,888	(4,307)

The applicable tax rate used for the reconciliation above is the PRC income tax rate of 25% (2013: 25%) as the Group's principal operations are conducted in the PRC. The remaining entities of the Group operating in other jurisdictions have either no taxable profits or are exempted.

As at 31 December 2013, the Group has unutilised tax losses of approximately RMB37,797,000 available for offset against future taxable profits, subject to agreement by the tax authorities of the relevant tax jurisdiction. The deferred tax assets arising from the unutilised tax losses of approximately RMB9,449,000 have not been recognised in accordance with the Group's accounting policy in Note 3(r). During the current financial year, unutilised tax losses brought down from the previous financial years amounting to approximately RMB11,768,000 have been utilised and the remaining unutilised tax losses of RMB26,029,000 have been disregarded by the relevant tax authorities.

As at 31 December 2014 and 2013, no deferred tax liability has been recognised for withholding taxes that would be payable on the undistributed earnings of the Group's subsidiaries in the PRC in accordance with the relevant tax regulation, as these subsidiaries either have no distributable earnings owing to their accumulated losses or are not material.

Notes to the Financial Statements

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11 Earnings Per Share

The earnings per share is calculated on the Group's profit for the year of approximately RMB9,327,000 (2013: RMB4,903,000) divided by the weighted average number of ordinary shares of approximately 992,250,000 (2013: 992,250,000) in issue during the financial year.

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding as at 31 December 2014 and 2013.

12 Land Use Rights

	Group	
	2014	2013
	RMB'000	RMB'000
Cost		
At 1 January and 31 December	159,880	159,880
Accumulated amortisation and impairment losses		
At 1 January	(132,974)	(132,380)
Amortisation for the year (Note 8)	(594)	(594)
At 31 December	(133,568)	(132,974)
Net book value		
At 31 December	26,312	26,906

Land use rights represent leasehold interests in land, of which two are located in Fujian province and one in Anhui province in the PRC.

The Group's land use rights with an aggregate carrying amount of approximately RMB26,312,000 (2013: RMB26,906,000) are pledged as security for the Group's banking facilities as disclosed in Note 24.

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13 Intangible Assets

	Trademark RMB'000	Computer software RMB'000	Total RMB'000
Group			
<u>2014</u>			
Cost			
At 1 January and 31 December	268	11	279
Accumulated amortisation			
At 1 January	(155)	(9)	(164)
Amortisation for the year	(27)	(1)	(28)
At 31 December	(182)	(10)	(192)
Net book value			
At 31 December	86	1	87
<u>2013</u>			
Cost			
At 1 January and 31 December	268	11	279
Accumulated amortisation			
At 1 January	(128)	(8)	(136)
Amortisation for the year	(27)	(1)	(28)
At 31 December	(155)	(9)	(164)
Net book value			
At 31 December	113	2	115

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14 Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
Group							
2014							
Cost							
At 1 January	550,408	52,098	34,758	4,314	–	63,018	704,596
Additions	213	1,070	74	–	–	–	1,357
Disposals	–	(9,422)	(241)	(2,250)	–	–	(11,913)
Written off	–	–	(5)	(127)	–	(63,018)	(63,150)
Transfer to investment property (Note 15)	(207,965)	(96)	–	–	–	–	(208,061)
At 31 December	342,656	43,650	34,586	1,937	–	–	422,829
Accumulated depreciation and impairment losses							
At 1 January	(360,857)	(36,224)	(20,924)	(2,193)	–	(63,018)	(483,216)
Depreciation for the year	(9,880)	(3,094)	(1,374)	(557)	–	–	(14,905)
Disposals	–	7,878	241	1,440	–	–	9,559
Written off	–	–	5	127	–	63,018	63,150
Transfer to investment property (Note 15)	174,497	1	–	–	–	–	174,498
At 31 December	(196,240)	(31,439)	(22,052)	(1,183)	–	–	(250,914)
Net book value							
At 31 December	146,416	12,211	12,534	754	–	–	171,915
2013							
Cost							
At 1 January	342,656	56,394	37,306	4,225	203,221	63,018	706,820
Additions	–	1,234	66	89	4,531	–	5,920
Disposals	–	(5,380)	–	–	–	–	(5,380)
Written off	–	(150)	(2,614)	–	–	–	(2,764)
Transfer from construction in progress	207,752	–	–	–	(207,752)	–	–
At 31 December	550,408	52,098	34,758	4,314	–	63,018	704,596
Accumulated depreciation and impairment losses							
At 1 January	(176,756)	(38,016)	(21,039)	(1,415)	(174,221)	(63,018)	(474,465)
Depreciation for the year	(9,880)	(3,335)	(2,497)	(778)	–	–	(16,490)
Disposals	–	4,977	–	–	–	–	4,977
Written off	–	150	2,612	–	–	–	2,762
Transfer from construction in progress	(174,221)	–	–	–	174,221	–	–
At 31 December	(360,857)	(36,224)	(20,924)	(2,193)	–	(63,018)	(483,216)
Net book value							
At 31 December	189,551	15,874	13,834	2,121	–	–	221,380

Certain property, plant and equipment with an aggregate carrying amount of approximately RMB104,296,000 (2013: RMB144,965,000) are pledged as security for the banking facilities granted to the Group as disclosed in Note 24.

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15 Investment Property

	Buildings RMB'000
Group	
2014	
Cost	
At 1 January	–
Transferred from property, plant and equipment (Note 14)	208,061
At 31 December	208,061
Accumulated depreciation and impairment losses	
At 1 January	–
Transferred from property, plant and equipment (Note 14)	(174,498)
Depreciation for the year (Note 8)	(1,550)
At 31 December	(176,048)
Net book value	
At 31 December	32,013

Investment property relates to the factory premises held by a subsidiary under an operating lease to earn rental income. During the financial year, the Group has entered into a factory lease agreement, with a related party (Note 25(a)) to lease the factory premises. Accordingly, the carrying amount of the factory premise was transferred to investment property at the date of commencement of the operating lease to the related party.

Rental income related to the investment property amounted to approximately RMB1,601,000 (Note 6) for the financial year ended 31 December 2014. Direct operating expenses arising from the investment property that generated the rental income during the financial year were not material.

The estimated fair value of the investment property amounted to approximately RMB32,300,000, classified under Level 3 of the fair value hierarchy as defined in Note 28(b), is determined on the basis of valuation performed by a firm of independent professional valuers, that have appropriate recognised professional qualifications and relevant experiences in the location and type of the investment property being valued. The estimates are largely consistent with the budgets and other financial projections developed internally by the Group based on management's experience and knowledge of market conditions.

The following table shows the significant unobservable input used in the valuation model:

Description	Fair value as at 31 December 2014 RMB'000	Valuation technique(s)	Significant unobservable input
Investment property	32,300	Direct Comparison Method	Adopted Value per square meter ⁽¹⁾

(1) Any significant isolated increases/(decreases) in the input would result in a significant higher/(lower) fair value measurement.

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2014 are as follows:

Description	Site Area (Sq. metre)	Tenure		
Factory premises located at No. 30, Fei He Bei Road, Mohekou Industrial Park, Wuhe Count Y, Benghu City, Anhui Province, People's Republic of China (including ancillary office, dormitory and factory space)	14,293	50-year lease		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment property	–	–	32,300	32,300

Notes to the Financial Statements

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16 Investments in Subsidiaries

	Company	
	2014 RMB'000	2013 RMB'000
Unquoted equity investment, at cost	70,000	70,000
Loans to subsidiary	436,735	440,565
	506,735	510,565
Less: Allowance for impairment losses	(406,226)	(406,226)
	100,509	104,339

The loans to subsidiary, which are quasi-equity loan, form part of the Company's net investment in the subsidiaries. The loans are unsecured, interest-free and there are no repayments terms. In addition, the settlement is neither planned nor likely to be settled in the foreseeable future. As the loans are, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost.

The movement in the allowance for impairment loss during the financial year is as follows:

	Company	
	2014 RMB'000	2013 RMB'000
At 1 January and 31 December	406,226	406,226

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest held by the Group		Cost of investment	
			2014 %	2013 %	2014 RMB'000	2013 RMB'000
<i>Held by the Company</i>						
Dapai Group (Hong Kong) Limited (“Dapai (HK)”)	Hong Kong	Investment holding	100	100	70,000	70,000
<i>Held by Dapai (HK)</i>						
Dapai (China) Bags Co., Ltd (“Dapai Bags”)	PRC	Manufacturing and sale of luggage and backpacks	100	100	50,000	50,000
QuanZhou Dabao Light Industry Products Co., Ltd (“Quanzhou Dabao”)	PRC	Manufacturing and sale of luggage and backpacks	100	100	20,000	20,000
Dapai (China) Co., Ltd (“Dapai China”)	PRC	Manufacturing and sale of luggage and backpacks	100	100	60,019	60,019
Dapai (Anhui) Co., Ltd (“Dapai Anhui”)	PRC	Dormant	100	100	22,409	16,256

All the subsidiaries are audited by Moore Stephens LLP, Singapore for the purposes of consolidation of the Group.

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17 Inventories

	Group	
	2014 RMB'000	2013 RMB'000
At cost		
Raw materials	11,918	7,985
Work-in-progress	30,194	30,675
Finished goods	7,419	9,817
	49,531	48,477
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	177,081	196,000

18 Trade and Other Receivables

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables	83,398	68,771	–	–
Less: Allowance for impairment losses	(23,358)	(23,358)	–	–
	60,040	45,413	–	–
Other receivables and deposits:				
Other receivables	12,004	16,993	–	–
Deposits	9,300	–	–	–
	21,304	16,993	–	–
Prepayments	42	511	43	43
	81,386	62,917	43	43

The movement in the allowance for impairment loss of trade receivables during the financial year is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
At 1 January	23,358	25,346
Reversal of impairment loss (Note 8)	–	(1,988)
At 31 December	23,358	23,358

Trade receivables are non-interest bearing and are generally granted an average credit period of 90 days (2013: 90 days).

As at 31 December 2014, other receivables include value added tax (“VAT”) receivables of RMB11,339,000 (2013: RMB16,824,000). These VAT receivables can be recovered through netting off VAT outputs from future sales.

As at 31 December 2014, the deposits amounting to approximately RMB9,300,000 (2013: Nil) relate to deposits paid by a subsidiary of the Group to suppliers to secure the supply of raw materials at favourable prices for production during the current financial year.

Notes to the Financial Statements

31 December 2014

19 Cash and Bank Balances

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash on hand and in banks	33,820	7,261	101	367
Fixed deposits with banks	3,100	8,000	–	–
Cash and bank balances	36,920	15,261	101	367
Less: Deposits pledged	(3,100)	(8,000)		
Cash and cash equivalents per the consolidated statement of cash flows	33,820	7,261		

Deposits pledged represent the fixed deposits placed with banks as collateral for the Group's bill payables (Note 22) and earn an interest of 2.80% (2013: 3.05%) per annum. The fixed deposits have maturity period of less than twelve months.

20 Share Capital

	Group and Company			
	No. of ordinary shares of S\$0.001 each		Amount	
	2014	2013	2014 S\$'000	2013 S\$'000
Authorised				
Balance at the beginning and the end of the year	10,000,000,000	10,000,000,000	10,000	10,000
Issued and fully paid				
Balance at the beginning and the end of the year	992,250,000	992,250,000	992	992
			RMB'000	RMB'000
Equivalent to RMB			5,042	5,042

The ordinary shares carry one vote per share without restrictions and their holders are entitled to receive dividends when declared by the Company.

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21 Reserves

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Share premium (a)	475,527	475,527	475,527	475,527
Merger reserve (b)	65,939	65,939	65,939	65,939
Statutory reserve (c)	166,883	166,883	–	–
Accumulated losses	(576,902)	(586,229)	(448,687)	(443,654)
	131,447	122,120	92,779	97,812

Movements in the Group's reserves during the financial year are set out in the consolidated statement of changes in equity.

(a) Share Premium

The share premium represents the excess of the issue price over the par value of the shares issued, net of share issue expenses.

(b) Merger Reserve

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of interest method of consolidation.

(c) Statutory Reserve

In accordance with the Foreign Enterprise Law applicable to the Group's subsidiaries in the PRC, the subsidiaries are required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

22 Trade and Other Payables

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables:				
- Trade payables (a)	12,128	9,061	–	–
- Bills payables (b)	3,100	8,000	–	–
	15,228	17,061	–	–
Advances from customers	1,898	–	–	–
Other payables and accruals	6,287	6,952	2,832	1,895
	23,413	24,013	2,832	1,895

(a) Trade payables are non-interest bearing and are generally settled within 90 days (2013: 90 days).

(b) Bill payables are interest-free and are secured on the Group's fixed deposits (Note 19).

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23 Loans from a Director

The loans from a director are unsecured, interest-free and repayable within six months from the notice of demand for repayment given by the lender.

24 Bank Borrowings

	Group	
	2014 RMB'000	2013 RMB'000
Unsecured	27,000	86,160
Secured	199,378	122,721
	226,378	208,881

- (a) All the above bank loans are repayable within one year.
- (b) These bank borrowings are secured by:
- Corporate guarantees provided by fellow subsidiaries;
 - Personal guarantees provided by a director and a former director (2013: two directors) of the Company; and
 - Certain of the Group's land use rights (Note 12) and property, plant and equipment (Note 14).
- (c) Interest is charged between 5.6% and 7.8% (2013: 5.88% to 7.8%) per annum.
- (d) The weighted average effective interest rate of the Group's bank loans is 6.97% (2013: 7.35%) per annum.

25 Commitments

- (a) Operating Lease

The Group leases out its investment property held under an operating lease during the financial year. The future aggregate minimum lease payments under non-cancellable lease contracted for as at the statement of financial position date but not recognised as receivables in the financial statements are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within one year	1,100	–

- (b) Other Commitments

As at 31 December 2014, the Group has unpaid capital contribution in Dapai Anhui amounting to approximately RMB18,635,000 (2013: RMB24,788,000), which is due in June 2015.

Notes to the Financial Statements

31 December 2014

26 Related Party Transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions apply:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint venture of the same third party.
 - (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entity entered into the following transactions with a related party at rates and terms agreed between the parties:

	Group	
	2014 RMB'000	2013 RMB'000
<i>Transactions with a related party</i>		
Rental income	1,601	—

A related party comprises mainly a company which is controlled by the close family member of the Group's key management personnel.

Notes to the Financial Statements

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26 Related Party Transaction (cont'd)

Key management compensation

The remuneration of directors and other members of key management personnel during the financial year was as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries and related costs	2,469	2,477
Defined contribution plans	229	230
Fees to directors of the Company	542	526
	3,240	3,233
<i>Comprised amounts paid/payable to:</i>		
Directors of the Company	1,754	1,738
Key management personnel	1,486	1,495
	3,240	3,233

27 Segment Information

(a) Business segments

The Group's primary format for reporting segment information is business segments, with each segment representing a product category. The Group's business segment is organised into two main business segments.

- Manufacturing and sales of backpack to distributors and retailers
- Manufacturing and sales of luggage to distributors and retailers

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Notes to the Financial Statements

31 December 2014

27 Segment Information (cont'd)

(a) Business segments (cont'd)

Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

Group assets and liabilities that are not related to any of the operating segments are not allocated to operating segments. Investment property and the related income and expenses have not been separately reported as a business segment as management has viewed it as not material to the Group.

	Backpack		Luggage		Total	
	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	283,401	335,998	2,051	5,138	285,452	341,136
Results						
Segment results	60,662	62,237	439	952	61,101	63,189
Other income					2,857	5,085
Administrative expenses					(36,910)	(50,074)
Finance costs					(14,833)	(17,604)
Profit before income tax					12,215	596
Income tax expenses/(credit)					(2,888)	4,307
Profit after income tax					9,327	4,903
Other information						
Segment assets	326,865	354,376	2,366	5,419	329,231	359,795
Unallocated assets						
- Investment property					32,013	—
- Cash and bank balances					36,920	15,261
Total assets					398,164	375,056
Segment liabilities	23,895	23,651	173	362	24,068	24,013
Unallocated liabilities						
- Bank borrowings					226,378	208,881
- Loans from a director					11,229	15,000
Total liabilities					261,675	247,894
Capital expenditure	1,346	5,831	11	89	1,357	5,920
Depreciation of property, plant and equipment	14,798	16,242	107	248	14,905	16,490
Amortisation of land use rights	590	585	4	9	594	594
Amortisation of intangible assets	28	28	—	—	28	28
Reversal for impairment loss of trade receivables	—	(1,988)	—	—	—	(1,988)
Property, plant and equipment written off	—	2	—	—	—	2

27 Segment Information (cont'd)

(b) Geographical segments

	Revenue from external customers		Non-current assets	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
PRC	218,096	255,562	230,327	248,401
Others*	67,356	85,574	–	–
	285,452	341,136	230,327	248,401

* Others mainly include Europe and North America.

Revenue is based on the location of customers. Non-current assets are based on the location of these assets.

Information about major customers

Included in revenue arising from backpack segments of RMB139,475,000 (2013: RMB141,006,000) arose from sales to 2 (2013: 3) major customers of the Group and individually accounted for 10% or more of the Group's revenue during the current financial year.

28 Financial Instruments

(a) Financial Risk Management Policies and Objectives

The Group's and Company's activities expose it to credit risk, interest rate risk, currency risk and liquidity risk. The Group and the Company seeks to minimise the effects of these risks by continually monitoring the financial risk management process to ensure that an appropriate balance between risk and control is achieved. The Board of Directors is responsible for setting the objectives and policies implemented to mitigate the risk exposures. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The following section provide details regarding the Group's and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. For trade receivables, the Group performs ongoing credit evaluation of its customers' financial conditions and requires no collateral from its customers.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial assets presented on the statement of financial position.

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28 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

Credit risk (cont'd)

Significant concentration of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

At the statement of financial position date, the Group had no significant concentrations of credit risk except for trade receivables from 2 debtors (2013: 3 debtors), which individually constitutes more than 10% of the carrying amount of trade receivables. Further, the Group has outstanding advances paid to suppliers amounting to RMB 9,300,000 (2013: Nil) and VAT receivables of RMB11,339,000 (2013: RMB16,824,000) as at 31 December 2014, the details of which are disclosed in Note 18.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired at the statement of financial position date are substantially creditworthy companies with a good collection record with the Group. Cash and bank balances that are neither past due nor impaired are placed with reputable financial institutions.

As at statement of financial position date, the carrying amount of the Group's trade and other receivables that are neither past due nor impaired amounted to RMB80,362,000 (2013: RMB61,980,000).

Financial assets that are past due and/or impaired

There are no other classes of financial assets that are past due and/or impaired as at the statement of financial position date except as disclosed below.

The ageing analysis of the Group's trade receivables past due but not impaired as at the statement of financial position date is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Past due < 3 months	982	426

The Group's trade receivables that are determined to be individually impaired as at the statement of financial position date and the allowance for impairment loss are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Past due < 3 months	—	—
Past due >3 months	23,358	23,358
	23,358	23,358
Less: Allowance for impairment losses*	(23,358)	(23,358)
	—	—

* The movement in the allowance for impairment losses of trade receivables during the financial year is set out in Note 18.

28 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

Credit risk (cont'd)

The impaired trade receivables arose mainly from those distributors who had ceased their distribution agreements with the Group during the previous financial year. These trade receivables are not secured by any collateral.

The Company has not disclosed its exposure to credit risk as the Company's risk exposure is not significant.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from the Group's fixed deposits and interest-bearing borrowings.

A change of 100 basis points ("bp") in interest rates as at the statement of financial position date would increase/(decrease) the Group's profit before income tax by the amounts shown below. This analysis assumes that all other variables including tax rate being held constant.

	Group Profit before income tax	
	Increase 100bp RMB'000	Decrease 100bp RMB'000
<u>2014</u>		
Fixed deposits	—	—
Interest-bearing borrowings	(1,698)	1,698
<u>2013</u>		
Fixed deposits	60	(60)
Interest-bearing borrowings	(1,567)	1,567

The Company has not disclosed its exposure to interest rate risk as the Company's risk exposure is not significant.

Notes to the Financial Statements

31 December 2014

28 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

Currency risk

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currency in which the Group's currency risk arises is mainly the United States Dollar ("USD").

As at the statement of financial position date, the Group's foreign currency exposure based on the information provided by key management is as follows:

	USD	
	2014 RMB'000	2013 RMB'000
Group		
<u>Financial assets</u>		
Cash and bank balances	29	9
Trade and other receivables	5,716	9,055
<u>Financial liabilities</u>		
Trade and other payables	(1,898)	—
Net financial assets	3,847	9,064

If the USD has strengthened by 5% against RMB at the statement of financial position date, with all other variables including tax being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group Increase/(Decrease) profit before income tax	
	2014 RMB'000	2013 RMB'000
USD	144	340

A 5% weakening of the USD against RMB would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables including tax remain constant.

The Company has not disclosed its exposure to foreign currency risk as the Company's risk exposure is not significant.

Notes to the Financial Statements

31 December 2014

28 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting its obligations due to shortage of funds. The Group and the Company manages liquidity risk by maintaining adequate cash reserves in meeting its day to day operational needs, including having committed and/or stand-by credit facilities.

As at 31 December 2014, the Group has unutilised banking facilities amounting to approximately RMB84,622,000 (2013: RMB95,119,000) with its principal bankers and the Group will continue to negotiate for additional and new credit facilities, if required. Further discussion on the Group's liquidity risk is disclosed in Note 2(b).

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000
Group			
<u>2014</u>			
Trade payables	15,228	15,228	15,228
Other payables and accruals	8,185	8,185	8,185
Loans from a director	11,229	11,229	11,229
Borrowings	226,378	233,547	233,547
	<u>261,020</u>	<u>268,189</u>	<u>268,189</u>
<u>2013</u>			
Trade payables	17,061	17,061	17,061
Other payables and accruals	6,952	6,952	6,952
Loans from a director	15,000	15,000	15,000
Borrowings	208,881	215,234	215,234
	<u>247,894</u>	<u>254,247</u>	<u>254,247</u>
Company			
<u>2014</u>			
Other payables and accruals	<u>2,832</u>	<u>2,832</u>	<u>2,832</u>
<u>2013</u>			
Other payables and accruals	<u>1,895</u>	<u>1,895</u>	<u>1,895</u>

Notes to the Financial Statements

31 December 2014

28 Financial Instruments (cont'd)

(b) Fair Value

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from discounted cash flow models and option pricing models as appropriate.

The Group presents financial assets measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the Group's investment property is classified under Level 3 of the fair value measurement hierarchy and the details are disclosed in Note 15.

Fair value of the Group's/Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amount of the Group's and Company's financial assets and financial liabilities with a maturity of less than one year, which are primarily trade and other receivables, cash and bank balances and trade and other payables, and loans from a director is a reasonable approximation of fair value because of their relatively short term period of maturity.

29 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of net debts (total liabilities excluding income tax payable, less cash and bank balances) and equity of the Group (comprising all components of shareholders' equity).

The Group is not subject to any externally imposed capital requirements for the financial years ended 31 December 2014 and 2013, other than the statutory reserve requirements of the Group's subsidiaries in the PRC as disclosed in Note 21.

Notes to the Financial Statements

31 December 2014

29 Capital Risk Management (cont'd)

The Group monitors capital with reference to a net debt-to-equity ratio, which as at the statement of financial position date is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Total debts	261,020	247,894
Less: Cash and bank balances	(36,920)	(15,261)
Net debt	224,100	232,633
Total equity	136,489	127,162
Net debt-to-equity ratio	1.64	1.83

Shareholding Statistics

As at 23 March 2015

Issued and fully paid-up capital	: S\$992,250
Number of shares issued	: 992,250,000 shares
Class of shares	: Ordinary share of S\$0.001 each
Voting rights	: One vote per share

The Company does not have any treasury shares.

Distribution of shareholdings as at 23 March 2015

Size of shareholdings			No. of shareholders	%	No. of Shares	%
1	-	99	4	0.29	140	0.00
100	-	1,000	73	5.22	71,023	0.01
1,001	-	10,000	328	23.44	2,144,933	0.22
10,001	-	1,000,000	933	66.69	111,852,332	11.27
1,000,001 and above			61	4.36	878,181,572	88.50
Total			1,399	100.00	992,250,000	100.00

Based on the information available to the Company as at 23 March 2015, approximately 47.48% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

Twenty largest shareholders as at 23 March 2015

No.	Name of shareholders	No. of shares	%
1	Capital Line Investments Limited	507,000,000	51.10
2	UOB Kay Hian Pte Ltd	121,858,000	12.28
3	HL Bank Nominees (S) Pte Ltd	17,605,000	1.77
4	He Quanjie	17,475,000	1.76
5	Lim & Tan Securities Pte Ltd	16,232,000	1.64
6	Chen Xizhong	14,100,000	1.42
7	Tay Ah Kee	12,839,520	1.29
8	Raffles Nominees (Pte) Ltd	10,783,000	1.09
9	DBS Nominees Pte Ltd	10,207,500	1.03
10	Phillip Securities Pte Ltd	10,069,000	1.02
11	OCBC Securities Private Ltd	9,455,000	0.95
12	Citibank Nominees Singapore Pte Ltd	7,981,700	0.80
13	HSBC (Singapore) Nominees Pte Ltd	6,951,000	0.70
14	Tng Kay Lim	6,250,000	0.63
15	Lok Chee Chiang (Luo Zhiqiang)	6,081,000	0.61
16	Lin Tian Song	5,000,000	0.50
17	Maybank Kim Eng Securities Pte Ltd	4,908,052	0.50
18	Daniel Tan Poon Kuan	4,800,000	0.48
19	DBS Vickers Securities (S) Pte Ltd	4,217,000	0.43
20	Lim Chye Huat @ Bobby Lim Chye Huat	4,015,000	0.41
Total:		797,827,772	80.41

Shareholding Statistics

As at 23 March 2015

Substantial shareholders	Direct Interest	%	Deemed Interest	%
Capital Line Investments Limited #	507,000,000	51.10	–	–
Chen Xizhong #	14,100,000	1.42	507,000,000	51.10

Capital Line Investments Limited is an investment holding company incorporated in the British Virgin Islands and is wholly owned by Mr Chen Xizhong. By virtue of Section 4 of the Securities and Future Act, Mr Chen Xizhong is deemed to be interested in the shares held by Capital Line Investments Limited in the Company.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Dapai International Holdings Co. Ltd. (the “**Company**”) will be held at RELC International Hotel, Room 604, Level 6, 30 Orange Grove Road, Singapore 258352, on Wednesday, 29 April 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2014 together with the Auditors’ Report thereon. **(Resolution 1)**
2. (a) To re-elect Mr Chen Xizhong, a Director retiring pursuant to Bye-Law 86 of the Company’s Bye-Laws. **(Resolution 2a)**

(b) To re-elect Mr Richard Tan Kheng Swee, a Director retiring pursuant to Bye-Law 86 of the Company’s Bye-Laws. [See Explanatory Note (i)] **(Resolution 2b)**
3. To approve the payment of Directors’ fees of S\$112,000/- for the financial year ending 31 December 2015, to be paid quarterly in arrears. **(Resolution 3)**
4. To re-appoint Messrs Moore Stephens LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

6. “That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:
 1. (i) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
 - (ii) make or grant offers, agreements or options that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares (collectively, the “Instruments”),
2. (notwithstanding that the authority conferred by paragraph 1 of this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that:

- a. the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph b. below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph b. below);

Notice of Annual General Meeting

- b. for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph a. above, the percentage of the total number of issued shares excluding treasury shares shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- c. in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws for the time being of the Company; and
- d. unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue shares pursuant to any Instrument made or granted by the Directors while this Resolution was in force notwithstanding that such authority has ceased to be in force at the time of issue of such shares.” [See Explanatory Note (ii)]. **(Resolution 5)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 10 April 2015

Notice of Annual General Meeting

Explanatory Notes:

- (i) Mr Richard Tan Kheng Swee, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee and will be considered independent. Save as disclosed herein, Mr Richard Tan Kheng Swee does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders (as defined in the Singapore Code of Corporate Governance 2012). The detailed information of Mr Richard Tan Kheng Swee can be found under the section entitled Board of Directors and page 9 of the Annual Report.
- (ii) **Ordinary Resolution 5** proposed in item 6 above, if passed, is to empower the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 5 (including shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 5, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities; (b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 5, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. Save as provided in the Bye-Laws, a member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. If a shareholder being a Depositor (who is not a natural person) whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishes to attend and vote at the Annual General Meeting, then it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758, at least 48 hours before the time of the Annual General Meeting. A Depositor who is a natural person needs not complete the Proxy Form if he/she intends to attend in person.
3. If a Depositor/shareholder wishes to appoint a proxy/proxies, then the Proxy Form must be deposited at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758, at least 48 hours before the time of the Annual General Meeting.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a shareholder of the Company:

- (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purposes of:
 - (a) the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof),
 - (b) the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and
 - (c) the Company (or its agents) complying with any applicable laws, listing rules, governmental or regulatory requirements, or guidelines or notices issued by any applicable governmental or regulatory authorities of any relevant jurisdiction, and/or complying with the Company's internal policies;(collectively, the "**Purposes**"),
- (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents) (collectively, the "**Third Parties**"), the shareholder
 - (a) has each of the Third Party's authority to provide such Third Party's personal data to the Company,
 - (b) is validly acting on each of their behalf, and

Notice of Annual General Meeting

- (c) has obtained the prior consent of such Third Party for the collection, use and disclosure by the Company (or its agents) of the personal data of such Third Party for the Purposes,
- (iii) warrants that all personal data that the shareholder provide to the Company is true, accurate and complete, and
- (iv) agrees that the shareholder will indemnify and at all times to keep the Company and its related corporations (together with their respective officers, employees and agents) (each an “**Injured Party**”) indemnified against any penalties, liabilities, claims, demands, losses and damages which may be suffered or incurred by the Injured Party or asserted against the Injured Party by any person or entity (including the shareholder and the shareholder’s employees, agents) whatsoever, in respect of any matter or event whatsoever arising out or, in the course of, by reason of or in respect of any shareholder’s breach of warranty and/or any action or omission by the shareholder that causes the Company and/or any of its related corporations to be in breach of the Personal Data Protection Act 2012 and all subsidiary legislation related thereto.



**DAPAI INTERNATIONAL
HOLDINGS CO. LTD.**

