



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

LEASE OF FACTORY PREMISES IN BENBU CITY, ANHUI PROVINCE, PEOPLE'S REPUBLIC OF CHINA

INTRODUCTION AND TERMS OF LEASE

The Company's subsidiary Dapai (Anhui) Co., Ltd. ("Dapai Anhui"), has entered into a factory lease agreement (the "lease agreement") with Anhui Sanda Textile Technology Co., Ltd ("Anhui Sanda"), pursuant to which, Anhui Sanda would lease from Dapai Anhui the factory premises located at No. 30, Fei He Bei Road, Mohekou Industrial Park, Wuhe County, Bengbu City, Anhui Province, People's Republic of China, including ancillary office cum dormitory and factory space with an aggregate built-in area of approximately 14,293 square meters ("Premises") for a period of one (1) year from 1 June 2014 to 31 May 2015 at the annual rental of RMB2.7 million.

The rental payable under the Lease Agreement was derived after a local commercial property agent's research taking reference from another nearby factory, with built-in area of 1,315 square meters, being leased out for RMB0.2 million per annum, which worked out to be approximately RMB132.0 per square meter, per annum. Based on the above rental per square meter, per annum, the Management believes that it was successful in negotiating for a higher rental per square meter of RMB192.0, per annum from Anhui Sanda.

RATIONALE

As disclosed previously by the Company's announcements on SGXNET dated 22 October 2010 and 9 November 2010 respectively, the Group had acquired land in Anhui Province with the intent of constructing a luggage manufacturing plant. The construction of the superstructure of the Anhui facility was completed in 2013. As the demand in the luggage segment remains very weak, the management then, had deferred its plans to complete the manufacturing facilities which would include the purchase of the requisite equipment to manufacture the luggage bags.

With the entry of the above lease agreement, the Group by leasing the Premises will be able to generate additional income and cash flows for the Group.

INFORMATION ON ANHUI SANDA

Anhui Sanda is a company incorporated in People's Republic of China. The principle activities of Anhui Sanda are that of manufacturing and distribution of wallpaper and related products.

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, and is considered an "interested person" as defined in Chapter 9 of Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") (the "Listing Manual"). Accordingly, the transactions as contemplated under the Lease Agreement is considered an "interested person transaction" as defined in Chapter 9 of the Listing Manual.

VALUE OF INTERESTED PERSON TRANSACTIONS

As at the date of this Announcement, save for the Lease Agreement mentioned above, the Group has not entered into any other "interested person transaction" as defined in Chapter 9 of the Listing Manual for the current financial year ending 31 December 2014. As previously disclosed, the Company has an outstanding loan from Mr. Chen Xizhong amounting to RMB15.0 million as at 31 March 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 aggregate rental payable in respect of Lease Agreement represents approximately 2.2% of the Group's latest audited net tangible assets for financial year ended 31 December 2013. As such, no shareholders' approval will be required under Chapter 9 of the Listing Manual.

Based on the internal research and comparisons performed by the Management, it was presented to the Audit Committee ("AC") and the Board of Directors ("BOD") that the above rental of RMB192.0 per square meter, per annum, is higher than a nearby factory which was leased out in late 2013. Based on the higher rental rate, which is approximately 45.4% higher than the nearby factory's lease, the AC and BOD is satisfied that it was based on normal commercial terms and is not prejudicial to the interest of the Company and minority shareholders.

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman

2 June 2014