



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

UNAUDITED SECOND QUARTER
AND HALF YEAR FINANCIAL STATEMENTS
AND DIVIDEND ANNOUNCEMENT

FOR THE PERIOD ENDED 30 JUNE 2015



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

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter			Half Year		
	2015	2014	%	2015	2014	%
	RMB'000	RMB'000	Change	RMB'000	RMB'000	Change
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	61,854	104,044	(40.6)	125,655	152,609	(17.7)
Cost of sales	(49,663)	(79,273)	(37.4)	(100,434)	(114,762)	(12.5)
Gross profit	12,191	24,771	(50.8)	25,221	37,847	(33.4)
Other operating income	764	369	107.0	1,622	742	118.6
Selling and distribution expenses	(1,700)	(1,212)	40.3	(2,550)	(2,804)	(9.1)
Administrative expenses	(10,261)	(12,281)	(16.4)	(17,720)	(20,012)	(11.5)
Finance costs	(3,492)	(3,459)	1.0	(6,680)	(7,278)	(8.2)
(Loss)/ profit before taxation	(2,498)	8,188	NM	(107)	8,495	NM
Taxation	(546)	(2,116)	(74.2)	(877)	(2,116)	(58.6)
(Loss)/ profit attributable to shareholders	(3,044)	6,072	NM	(984)	6,379	NM
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss)/ income attributable to shareholders	(3,044)	6,072	NM	(984)	6,379	NM
Gross profit margin	19.7%	23.8%		20.1%	24.8%	
(Loss)/ profit before tax margin	-4.0%	7.9%		-0.1%	5.6%	
Net (loss)/ profit margin	-4.9%	5.8%		-0.8%	4.2%	
Basic and fully diluted EPS (RMB cents)	(0.31)	0.61		(0.10)	0.64	

NM - Not meaningful



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**UNAUDITED SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS
AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2015**

1(a)(i) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

Notes to statement of comprehensive income:

	Second Quarter			Six Months		
	2015 RMB'000 Unaudited	2014 RMB'000 Unaudited	% Change	2015 RMB'000 Unaudited	2014 RMB'000 Unaudited	% Change
(a) Income statement includes the following:						
Amortisation of land use rights	149	149	-	298	298	-
Amortisation of intangible assets	7	7	-	14	14	-
Depreciation of property, plant and equipment	3,380	4,192	(19.4)	6,829	8,389	(18.6)
Depreciation of investment property	423	-	NM	846	-	NM
Interest expenses	3,492	3,459	1.0	6,680	7,278	(8.2)
Exchange (gains)/ losses	(627)	(425)	47.5	(1,003)	(660)	52.0
(b) Other operating income comprises:						
Interest income	11	43	(74.4)	66	132	(50.0)
Government awards and incentives	-	25	(100.0)	-	251	(100.0)
Rental lease income	686	228	NM	1,372	228	NM
Other sundry income	67	73	(8.2)	184	131	40.5

NM - Not meaningful



1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	As at 30 June 2015 RMB '000 Unaudited	As at 31 December 2014 RMB '000 Audited	As at 30 June 2015 RMB '000 Unaudited	As at 31 December 2014 RMB '000 Audited
Non-Current assets				
Land use rights	26,014	26,312	-	-
Intangible assets	73	87	-	-
Property, plant and equipment	165,176	171,915	-	-
Investment property	31,167	32,013	-	-
Investment in subsidiaries	-	-	100,506	100,509
	222,430	230,327	100,506	100,509
Current assets				
Inventories	67,835	49,531	-	-
Trade receivables	46,871	60,040	-	-
Prepayment and other receivables	13,624	21,346	-	43
Short term investment	6,000	-	-	-
Cash and bank balances	36,150	36,920	74	101
	170,480	167,837	74	144
Less: Current Liabilities				
Trade and bills payables	43,348	15,228	-	-
Accrued liabilities and other payables	9,629	8,185	3,185	2,832
Amount due to director	3,931	11,229	1,941	-
Interest-bearing bank borrowings	200,496	226,378	-	-
Income tax payables	1	655	-	-
	257,405	261,675	5,126	2,832
Net current liabilities	(86,925)	(93,838)	(5,052)	(2,688)
Net assets	135,505	136,489	95,454	97,821
Share capital and reserves				
Share capital	5,042	5,042	5,042	5,042
Share premium	475,527	475,527	475,527	475,527
Merger reserve	65,939	65,939	65,939	65,939
Statutory reserves	166,883	166,883	-	-
Accumulated losses	(577,886)	(576,902)	(451,054)	(448,687)
Total equity	135,505	136,489	95,454	97,821



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

Amount repayable in one year or less, or on demand

	As at 30 June 2015 (Unaudited)		As at 31 December 2014 (Audited)	
	Secured RMB '000	Unsecured RMB '000	Secured RMB '000	Unsecured RMB '000
Interest- bearing bank borrowings	200,496	-	226,378	-

Amount repayable after one year

Not applicable.

Details of any collateral

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

	As at 30 June 2015 (Unaudited) RMB '000	As at 31 December 2014 (Audited) RMB '000
Land Use Rights	26,014	26,312
Property, Plant and Equipment	100,658	104,296



1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Second Quarter		Half Year	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities				
Profit/ (loss) before taxation	(2,498)	8,188	(107)	8,495
Adjustments for:				
Depreciation of property, plant and equipment	3,380	4,192	6,829	8,389
Depreciation of investment property	423	-	846	-
Amortization of land use rights	149	149	298	298
Amortization of intangible assets	7	7	14	14
Interest income	(11)	(43)	(66)	(132)
Interest expenses	3,492	3,459	6,680	7,278
Operating profit before working capital changes	4,942	15,952	14,494	24,342
(Increase)/ decrease in inventories	(14,797)	21,216	(18,304)	11,748
Decrease/ (increase) in trade receivables	20,685	(39,020)	13,169	(17,384)
Decrease in prepayments and other receivables	1,975	3,271	7,722	3,015
Increase/ (decrease) in trade and bills payables	2,069	(14,082)	28,120	(4,285)
Increase /(decrease) in accrued liabilities and other payables	2,135	1,729	1,442	(1,288)
Net cash generated from/ (used in) operations	17,009	(10,934)	46,643	16,148
Income tax paid	(875)	(1,339)	(1,530)	(1,339)
Net cash generated from/ (used in) operating activities	16,134	(12,273)	45,113	14,809
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	(744)	(89)	(1,308)
Acquisition of short term investment	(6,000)	-	(6,000)	-
Interest received	11	43	66	132
Net cash generated from/ (used in) investing activities	(5,989)	(701)	(6,023)	(1,176)
Cash flows from financing activities				
Bank loans obtained/ (repaid), net	12,628	20,865	(25,882)	10,984
Loan repayment to Director	(1,967)	(3,865)	(7,298)	(3,865)
(Increase)/ decrease in bank deposits pledged	(14,638)	14,000	(21,294)	3,000
Interest expenses	(3,492)	(3,459)	(6,680)	(7,278)
Net cash (used in)/ generated from financing activities	(7,469)	27,541	(61,154)	2,841
Net increase/ (decrease) in cash and cash equivalents	2,676	14,567	(22,064)	16,474
Cash and cash equivalents at beginning of the period	9,080	9,168	33,820	7,261
Cash and cash equivalents at end of the period	11,756	23,735	11,756	23,735
Cash and bank balances at end of the period	36,150	28,735	36,150	28,735
Less: fixed deposits pledged	(24,394)	(5,000)	(24,394)	(5,000)
Cash and cash equivalents at end of the period	11,756	23,735	11,756	23,735



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

STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Group						
At 1 January 2014 (Audited)	5,042	475,527	65,939	166,883	(586,229)	127,162
Total comprehensive income for the year	-	-	-	-	9,327	9,327
At 31 December 2014 (Audited)	5,042	475,527	65,939	166,883	(576,902)	136,489
Total comprehensive income for the period	-	-	-	-	(984)	(984)
At 30 June 2015 (Unaudited)	5,042	475,527	65,939	166,883	(577,886)	135,505

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Company						
At 1 January 2014 (Audited)	5,042	475,527	65,939	-	(443,654)	102,854
Total comprehensive loss for the year	-	-	-	-	(5,033)	(5,033)
At 31 December 2014 (Audited)	5,042	475,527	65,939	-	(448,687)	97,821
Total comprehensive income for the period	-	-	-	-	(2,367)	(2,367)
At 30 June 2015 (Unaudited)	5,042	475,527	65,939	-	(451,054)	95,454



- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes to the issued and paid-up share capital of the Company since the end of the previous period reported on, up to 30 June 2015.

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

	As at 30 June 2015	As at 30 June 2014
Number of shares	992,250,000	992,250,000
Issued and paid up capital (S\$)	992,250	992,250

There were no outstanding convertibles or treasury shares held as at 30 June 2015 and 30 June 2014.

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

	As at 30 June 2015	As at 31 December 2014
Total number of issued shares	992,250,000	992,250,000

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

Not applicable.



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

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

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

Not applicable.

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

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

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

Not applicable.

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

	Second Quarter		Half Year	
	2015	2014	2015	2014
Basic earnings/(loss) per share (RMB cents)	(0.31)	0.61	(0.10)	0.64
Weighted average number of ordinary shares ('000)	992,250	992,250	992,250	992,250

The basic earnings/loss per share has been calculated based on net profit/loss attributable to shareholders divided by the weighted average number of ordinary shares of 992,250,000 for the second quarter and half year ended 30 June 2015 and 30 June 2014.

The basic and diluted earnings/loss per share is the same as there were no dilutive ordinary shares in issue as at 30 June 2015.



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

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

	The Group	
	As at 30 June 2015 Unaudited	As at 31 December 2014 Audited
Net assets value per share based on existing issued capital as at the respective period (RMB cents)	13.66	13.76
Number of ordinary shares in issue at the end of financial period/year ('000)	992,250	992,250

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

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

Commentary on Financial Results

Revenue, Cost of Sales and Gross Profit

For the second quarter ended 30 June 2015 ("2Q 15"), the Group recorded a revenue of RMB61.9 million, a decrease of approximately RMB42.2 million or 40.6%, from RMB104.0 million, as compared to the second quarter ended 30 June 2014 ("2Q 14").

For the six months ended 30 June 2015 ("1H 15"), the Group recorded a revenue of RMB125.7 million, a decrease of approximately RMB27.0 million or 17.7%, from RMB152.6 million for the six months ended 30 June 2014 ("1H 14"). The backpack segment formed almost the entire revenue for 2Q 15 and first half of the financial year 2015 ("FY 2015"), with insignificant contributions from the luggage segment as the Group continues to focus on backpacks segment.

The decline in overall revenue for 2Q 15 and 1H 15 was due to a contraction in the consumption of our backpacks products within the domestic market. Domestic revenue constituted approximately RMB20.1 million, which was 32.5% of the total revenue for 2Q 15, as compared to RMB77.1 million (74.1%) of total revenue for 2Q 14. OEM revenue performed relatively better as contribution was RMB41.8 million,



which was 67.5% of 2Q 15 revenue, as compared to RMB27.0 million (25.9%) for 2Q 14.

Comparing 2Q 15 to 2Q 14 and 1H 15 to 1H 14, both financial periods' volume for backpacks had decreased by approximately 1.7 million units or 50.0% from 3.4 million units to 1.7 millions units and, approximately 1.5 million units or 29.1% from 5.1 million units to 4.0 millions units, respectively.

This contraction in revenue and sales volume was due largely to the swing in consumer preferences towards more renowned international brand named products, when comparing to domestic brand named products in the PRC. In addition, smaller unknown brand named competitors had also undercut prices to remain competitive, resulting in consumers switching to their products. Therefore, Dapai's brand of products, being positioned in the middle segment of these two tiers of competitors, experienced such demand contraction.

The average selling price ("ASP") for backpacks had also increased by RMB5.9 or 19.4% from RMB30.6 (2Q 14) to RMB36.5 (2Q 15) and had also increased by RMB4.9 or 16.4% from RMB30.1 (1H 14), to RMB35.0 (1H 15). This increase in ASP was due largely to the higher quality product mix being sold by our distributors during the financial periods under review.

The decrease in cost of sales in 2Q 15 and 1H 15, by RMB29.6 million or 37.4%, and by RMB14.3 million or 12.5%, respectively, was directly correspondent to the contraction in sales volume in 2Q 15 and 1H 15.

The Group had generated a gross profit of RMB12.2 million in 2Q 15 and RMB25.2 million in 1H 15, as compared to RMB24.8 million in 2Q 14 and RMB37.8 million in 1H 14. The decline in gross profit was due largely to the contraction in sales volume, thus affecting the gross profit generated in the financial periods under review.

In 2Q 15 and 1H 15, gross profit margin declined to 19.7% and 20.1% from 23.8% (2Q 14) and 24.8% (1H 14) respectively. As mentioned above, the Group had managed to market a product mix of slightly higher quality than those in the previous corresponding periods, this in turn, resulted in slightly higher raw material costs, which partially impacted the margins in the financial periods under review.

Although ASP had increased for 1Q 15 and 1H 15, this increase was not sufficient to offset the overall decline in sales volume and higher raw material costs, thus resulting in the overall decline in the gross profit and gross profit margin.

Other operating income

The increase in other operating income of RMB0.4 million and RMB1.1 million for 2Q 15 and 1H 15 was due to the collection of rental lease income for the leasing of the Anhui facility which was partially offset by a cessation in awards, incentives and subsidies awarded by the local provincial government in 1H 15 (1Q 14: RMB0.2 million).



Operating expenses

(a) Selling and distribution expenses

Our selling and distribution expenses increased by RMB0.5 million or 40.3% from RMB1.2 million in 2Q 14 to RMB1.7 million in 2Q 15. The increase was due mainly to the increase in:

- advertising and promotional expenses of RMB0.1 million; and
- delivery and related expenses (port charges) of RMB0.4 million, which arose due to the increase in export activities.

Our selling and distribution expenses decreased marginally by RMB0.2 million or 9.1% from RMB2.8 million in 1H 14 to RMB2.6 million in 1H 15. The decrease was due mainly to the decrease in:

- advertising and promotional expenses of RMB0.4 million; and
- other expenses of RMB0.4 million.

However, the above decrease was partially offset by an increase in delivery and related expenses of RMB0.6 million. This increase in delivery and related expenses relates to the increase in port charges due to the increase in export activities of our products.

(b) Administrative expenses

Our administrative expenses decreased by approximately RMB2.0 million, from RM12.3 million in 2Q 14 to RMB10.3 million in 2Q 15. This was due mainly to a decrease in:

- salaries and related expenses of RMB0.4 million;
- depreciation expenses of RMB0.6 million; and
- other expenses of RMB0.7 million.

Contributing to the overall decrease in 2Q15 administrative expenses was an increase in foreign exchange gain of RMB0.3 million.

Our administrative expenses had decreased by approximately RMB2.3 million, from RM20.0 million in 1H 14 to RMB17.7 million in 1H 15. This was due mainly to a decrease in:

- salaries and related expenses of RMB0.9 million;
- depreciation expenses of RMB0.3 million; and
- other expenses of RMB0.7 million.

Contributing to the overall decrease in 1H15 administrative expenses was an increase in foreign exchange gain of RMB0.4 million.

(c) Finance costs

In 2Q 15, the Group's finance costs remained comparable. While for 1H 15, our finance costs decreased marginally by RMB0.5 million. The decrease in interest



expense was due mainly to the decrease in the bank borrowings outstanding for the period, notwithstanding that additional bank borrowings were drawn down in 2Q 15 and 1H 15 in June 2014, whereby only minimal borrowing interest had been incurred.

(d) Taxation

Taxation in 2Q 15 and 1H 15 was due to the local tax authorities' initial partial assessment of the profits from the first half of FY 2015, for one of its profitable subsidiary, which amounted to RMB0.7 million. In addition, upon the finalisation of the previous financial year's tax assessments for a certain subsidiary in 2Q 15, an underprovision of tax of RMB0.2 was charged by the tax authorities.

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

Commentary on Financial Position

Non-current assets

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

Land use rights amounted to RMB26.0 million and RMB26.3 million as at 30 June 2015 and 31 December 2014, respectively. They comprised mainly the land use rights for Dapai (China) Bags Co., Ltd, Dapai (China) Co., Ltd and Dapai Anhui Co. Ltd ("Dapai Anhui"). The decrease was due mainly to the amortization of the land use rights during the financial period.

Net book value of property, plant and equipment amounted to RMB165.2 million and RMB171.9 million as at 30 June 2015 and 31 December 2014, respectively. Property, plant and equipment comprised mainly buildings, plant and machinery, furniture, fixtures, office equipment and motor vehicles. The decrease was due mainly to the depreciation charged during the financial period, amounting to RMB6.8 million.

The net book value of investment property amounted to RMB31.2 million and RMB32.0 million as at 30 June 2015 and 31 December 2014, respectively. The decrease was due to the depreciation charged during the financial period under review.

Current Assets

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

The increase in inventories was due mainly to the Group's holding onto raw materials that was meant for production in 2Q 15, however, due to the sudden contraction in sales, these raw materials were not utilized. Nonetheless, these raw materials can be utilised for future production, will not be subjected to obsolescence in the short term period.



Trade receivables amounted to RMB46.9 million and RMB60.0 million as at 30 June 2015 and 31 December 2014, respectively. The lower trade receivables as at 30 June 2015 was due to receipts in 2Q 15, coupled with the contraction in sales for 2Q 15, thus, lesser revenue and trade receivables were recognized. As at 30 June 2015, 95% of the trade receivables were current and not past due, while the remaining 5% was already past due. There is currently no exposure to any risks of default and therefore, no additional provision for doubtful debts had been provided in 1H 15.

Prepayments and other receivables amounted to RMB13.6 million and RMB21.3 million as at 30 June 2015 and 31 December 2014, respectively. The decrease of RMB7.7 million during the period was due mainly to the utilization of the deposits placed with suppliers, for the purchase of raw materials in FY 2014, upon receipt of the raw materials in 1H 15.

Short term investment, amounted to RMB6.0 million as at 30 June 2015, relates to a structured product purchased from Bank of China, which is a low to medium risk financial planning product, with a forecasted return of 4.75% per annum (non-guaranteed). This structured product will mature in the third quarter of FY 2015.

Current Liabilities

Our current liabilities comprised mainly trade and bills payables, accrued liabilities and other payables, amount due to director, interest-bearing bank borrowings and income tax payables.

Trade and bills payables amounted to RMB43.3 million and RMB15.2 million as at 30 June 2015 and 31 December 2014, respectively. The increase was due mainly to the Group taking up additional bills payables for its purchases of raw materials which stood at RMB24.4 million, as compared to RMB3.1 million as at 31 December 2014. In addition, to manage the cashflow position of the Group, payment terms from trade creditors were also maximized to conserve the cash position of the Group, thus leading to the increase in trade payables by approximately RMB3.7 million.

Accrued liabilities and other payables amounted to RMB9.6 million and RMB8.2 million as at 30 June 2015 and 31 December 2014, respectively. Accrued liabilities and other payables comprised mainly accrued liabilities (mainly accrued wages, insurance and staff welfare), other payables and advance payments from customers (mainly deposits received from overseas customers). The increase was due to higher accrued wages and customers' deposits received during 2Q 15.

The reduction in amounts due to a director was due to the repayments made during the financial period under review.

Interest-bearing bank borrowings amounted to RMB200.5 million and RMB226.4 million as at 30 June 2015 and 31 December 2014, respectively. The decrease was due mainly to the repayment of bank borrowings during 1H 15.

The reduction of income tax payables was due largely to the payment of last year's income tax payables.



Commentary on Cash Flow

Cash and cash equivalents amounted to RMB11.8 million and RMB23.7 million as at 30 June 2015 and 30 June 2014, respectively.

For 1H 15, net cash generated from operating activities amounted to approximately RMB45.1 million.

Cash used in investing activities amounted to approximately RMB6.0 million, relates to the purchase of a short term investment, with low to medium risk profile, due for maturity in the third financial quarter of FY 2015.

The net cash outflow used in financing activities was the repayment of bank borrowings, amounting to approximately RMB25.9 million and an increase in pledged bank deposits of RMB21.3 million. In addition, interest payments of RMB6.7 million and the repayment of RMB7.3 million to a Director, during the period further contributed to the overall cash used in financing activities. Therefore, resulting in the overall net cash used in financing activities of RMB61.2 million for the period ended 1H 15.

As a result, the net decrease in cash and cash equivalents for 1H 15 amounted to approximately RMB22.1 million.

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

The results reported for the financial period ended 30 June 2015 was in line with the profit warning announcement made on 28 July 2015.

In-addition, based on the Company's discussion presented in Note 10 of the unaudited results announcements dated 4 May 2015 and 18 February 2015, it was mentioned that the industry remains competitive and domestic customers, being exposed to international options, have a greater choice to choose from. This trend was visible in 2Q 15 and had affected the Group's sales performance. This resulted in a contraction of sales revenue of our Group's products as domestic sales performed dismally, leading to a net loss for the financial period ended 30 June 2015.



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

The Board of Directors, together with the management, would like to highlight that the trend of demand contraction might continue to affect domestic sales as consumers continue to choose from more renowned international brands, when compared to domestic brands. In addition, price competition continue to plague the industry as smaller unknown brand names/ players are cutting prices just to remain competitive. However, the management is cautiously optimistic that the Group would be able to work closely with our distributors to mitigate this trend in the near future.

In order to response to the market, the Group will be very selective in its product mix and also the volume of our products being marketed going forward. This will minimise the possibility of cannibalising our profit margins and also minimise exposure to over production, resulting in excess finished inventory.

The management remains vigilant in monitoring and controlling its manufacturing and other related expenses to ensure the Group's competitiveness and strive to return to profitability for the upcoming financial quarters.

As at 30 June 2015, the Group had been maintaining and renewing its short term borrowings to manage its negative working capital position. As at the date of this report, the management and the Executive Chairman, are not aware of any adverse circumstances that might cause the financial institutions to withdraw credit facilities granted to the Group. The Group still has unutilised credit facilities amounting to approximately RMB105.5 million with its principal bankers. Therefore, the Group believes that it will be able to meet its short term obligations and to continue to operate as a going concern.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.



12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been recommended or declared for the quarter ended 30 June 2015.

13. Interested Person Transactions

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Chen Yi	S\$297,000*	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 for the current financial period had been rounded up to the nearest thousand.*

Loan from a director, Mr. Chen Xizhong, amounting to RMB3.9 million was still outstanding as at 30 June 2015. The loan is unsecured, interest-free, and it is for the benefit of the Group's operational cashflow. The loan is repayable within 6 months of any notice of demand for repayment from the lender.

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



14. Negative Assurance

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

We, Chen Xizhong and Chua Meng Hing, being two of the directors of Dapai International Holdings Co. Ltd. (the "Company"), do hereby confirm on behalf of the Directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Company and of the Group for the second quarter ended and the six months period ended 30 June 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chen Xizhong
Executive Chairman

Chua Meng Hing
Independent Director

6 August 2015

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman
6 August 2015