



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

QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL

Introduction

Pursuant to Listing Rule 1313(2), the Company wishes to provide the following quarterly update on the Company and its subsidiaries (collectively the "Group").

Update on Financial Performance and Position

For the financial period ended 31 March 2017 ("1Q 17"), the Group registered an unaudited net loss of approximately RMB6.6 million.

With the continued weakness of the domestic and global economy, the Group, together with the distributors had been facing an uphill challenge in pushing Dapai's products amidst the current weak domestic market. The OEM segment had also been seen to slow down in 1Q 17.

In 1Q 17, the Group continued to encounter demand contraction and overall sales had dropped as consumer sophistication continued to grow. With the decline in demand and falling production (in terms of units of products manufactured and sold), fixed manufacturing overheads will continue to affect gross profit margins of our products.

Group's cash and bank balances as of 31 March 2017 stood at RMB11.9 million. The Group still has unutilised banking facilities of approximately RMB55.9 million with its principal bankers as at 31 March 2017.

Details of the Group's three (3) months financial period ended 31 March 2017 unaudited financial results are contained in the Company's announcement on 15 May 2017 to the Singapore Exchange Securities Trading Limited.

Future Direction

The Management is not optimistic about any change in this consumer preference and anticipates that the operating and economic environment will continue to be very challenging.

The Group will also be closely monitoring the current trade debt situation and will be particularly selective and stringent in future sales. This is to mitigate any further potential doubtful debts risks and exposure which might arise. By adopting such a strategy, this could potentially bring about a negative impact on the sales and financial performances of the Group going forward.

In addition, the Management is also contemplating on exploring and implementing certain operational process consolidations so as to streamline operations, reduce costs and reposition itself to improve the ability of the Group to weather the current adverse operating conditions. This may result in a potential impairment charge in certain related asset classes, if excess idle capacity continues to set in.

As at 31 March 2017, the Group had been maintaining and renewing its short term borrowings to manage its negative working capital position. As at the date of this announcement, 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. However, given the unfavourable operating environment that the Group is operating under and the adverse performance of the Group in the previous financial year and in the current reporting period. The Group might face delays and/or difficulties in the periodic renewal of its banking facilities. This would severely affect the operations, financial performance, the carrying values of its assets and the going concern assumption under which the financial statements of the Group have been prepared under.

Notwithstanding the above, the Group still has unutilized credit facilities amounting to approximately RMB55.9 million with its principal bankers at the end of the reporting period. Therefore, the Management believes that it will be able to meet its short term obligations and to continue to operate as a going concern.

On 5 April 2016, SGX- ST also approved the Company's application for extension of time ("EOT") till 5 September 2016 to meet the requirements of listing rule 1314 for exit from the Watch-list based on the financial entry criteria. Subsequently, a further application was made to SGX- ST on 1 September 2016, and was approved on 8 September 2016 for a further six (6) months extension till 5 March 2017.

On 5 March 2017, the Company made a further application to SGX- ST for another EOT. On 22 March 2017, the EOT was granted and the Company was given another three (3) months to 4 June 2017 to meet the requirements for removal from the Watch-list, inter alia:

- have additional time to shore up its general working capital and allow it to pursue new opportunities (including but without limitation a new reverse takeover initiative) with a view of returning to profitability; and
- have additional time to complete the ongoing special audit.

Please refer to the announcement dated 22 March 2017 for more information.

Currently, the special audit is still on-going and while the Company is looking for new opportunities to help it exit the Watch-list, given the circumstances, unless a further extension can be granted, the prospects of doing so appears challenging.

In the meantime, shareholders of the Company and potential investors should exercise caution when trading in the shares, and where in doubt as to the action they should take, they should consult their financial, tax, legal or other professional advisers.

By Order of the Board

Chen Xizhong
Executive Chairman
15 May 2017