



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

UNAUDITED FIRST QUARTER
FINANCIAL STATEMENTS
AND DIVIDEND ANNOUNCEMENT

FOR THE PERIOD ENDED 31 MARCH 2017



**UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND
ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017**

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	First Quarter		
	2017	2016	%
	RMB'000	RMB'000	Change
	Unaudited	Unaudited	
Revenue	11,164	36,669	(69.6)
Cost of sales	(10,360)	(27,604)	(62.5)
Gross profit	804	9,065	(91.1)
Other operating income	904	750	20.5
Selling and distribution expenses	(1,905)	(881)	116.2
Administrative expenses	(3,970)	(6,478)	(38.7)
Finance costs	(2,411)	(2,053)	17.4
(Loss)/ profit before taxation	(6,578)	403	NM
Income tax expense	-	-	-
(Loss)/ profit attributable to shareholders	(6,578)	403	NM
Other comprehensive income	-	-	-
Total comprehensive (loss)/ income attributable to shareholders	(6,578)	403	NM
Gross profit margin	7.2%	24.7%	
(Loss)/ profit before tax margin	(58.9%)	1.1%	
(Loss)/ profit after tax margin	(58.9%)	1.1%	
Basic EPS (RMB cents)	(0.55)	0.04	
Fully diluted EPS (RMB cents)	(0.55)	0.04	

NM: Not Meaningful



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

Notes to statement of comprehensive income:

	First Quarter		
	2017	2016	%
	RMB'000	RMB'000	Change
	Unaudited	Unaudited	
(a) Income statement includes the following:			
Amortisation of land use rights	149	149	-
Amortisation of intangible assets	7	7	-
Depreciation of property, plant and equipment	1,794	3,328	(46.1)
Depreciation of investment property	853	423	101.7
Interest expenses	2,411	2,053	17.4
Exchange gain	86	(58)	NM
(b) Other operating income comprises:			
Interest income	6	5	20.0
Rental lease income	638	686	(7.0)
Government awards and subsidies	132	-	NM
Other sundry income	128	59	116.9



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

	The Group		The Company	
	As at 31 March 2017 RMB '000 Unaudited	As at 31 December 2016 RMB '000 Audited	As at 31 March 2017 RMB '000 Unaudited	As at 31 December 2016 RMB '000 Audited
Non-Current assets				
Land use rights	24,975	25,124	-	-
Intangible assets	26	33	-	-
Property, plant and equipment	64,266	66,047	-	-
Investment properties	34,456	35,309	-	-
Investment in subsidiaries	-	-	8,509	13,924
	123,723	126,513	8,509	13,924
Current assets				
Inventories	33,274	28,106	-	-
Trade receivables	55,428	58,092	-	-
Prepayments and other receivables	5,041	4,823	528	-
Cash and bank balances	11,881	16,061	2,288	6,447
	105,624	107,082	2,816	6,447
Less: Current Liabilities				
Trade payables	4,172	4,736	-	-
Accrued liabilities and other payables	14,211	10,317	3,454	5,935
Loans from a director	6,025	6,025	6,025	6,025
Interest-bearing bank borrowings	203,090	204,090	-	-
	227,498	225,168	9,479	11,960
Net current liabilities	(121,874)	(118,086)	(6,663)	(5,513)
Net assets	1,849	8,427	1,846	8,411
Share capital and reserves				
Share capital	5,998	5,998	5,998	5,998
Share premium	481,903	481,903	481,903	481,903
Merger reserve	65,939	65,939	65,939	65,939
Statutory reserves	166,883	166,883	-	-
Accumulated losses	(718,874)	(712,296)	(551,994)	(545,429)
Total equity	1,849	8,427	1,846	8,411



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

Amount repayable in one year or less, or on demand

	As at 31 March 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
	RMB '000	RMB '000	RMB '000	RMB '000
Interest bearing bank borrowings	203,090	-	204,090	-

Amount repayable after one year

Not applicable.

Details of any collateral

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

	As at 31 March 2017 RMB '000	As at 31 December 2016 RMB '000
Land Use Right	14,646	14,736
Property, Plant and Equipment	50,000	50,920
Investment property	23,474	24,162



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

CONSOLIDATED STATEMENT OF CASH FLOWS

	First Quarter	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Cash flows from operating activities		
(Loss)/ profit before taxation	(6,578)	403
Adjustments for:		
Depreciation of property, plant and equipment	1,794	3,328
Depreciation of investment property	853	423
Amortization of land use rights	149	149
Amortization of intangible assets	7	7
Interest income	(6)	(5)
Interest expenses	2,411	2,053
Operating (losses)/ profits before working capital changes	(1,370)	6,358
(Increase)/ decrease in inventories	(5,168)	11,703
Decrease in trade receivables	2,664	1,806
Increase in prepayments and other receivables	(218)	(3,406)
Decrease in trade and bills payables	(564)	(2,377)
Increase in accrued liabilities and other payables	3,894	3,373
Net cash (used in)/ generated from operations	(762)	17,457
Income taxes	-	(284)
Net cash (used in)/ generated from operating activities	(762)	17,173
Cash flows from investing activities		
Acquisition of property, plant and equipment	(13)	-
Interest received	6	5
Net cash (used in)/ generated from investing activities	(7)	5
Cash flows from financing activities		
Proceeds from bank borrowings	73,000	90,074
Repayment of bank borrowings	(74,000)	(75,251)
Advances to third party	-	(22,000)
Decrease in bank deposits pledged	5,722	-
Interest expenses	(2,411)	(2,053)
Net cash generated from/ (used in) financing activities	2,311	(9,230)
Net increase in cash and cash equivalents	1,542	7,948
Cash and cash equivalents at beginning of the period	9,619	6,161
Cash and cash equivalents at end of the period	11,161	14,109
Cash and bank balances at end of the period	11,881	14,109
Less: fixed deposits pledged	(720)	-
Cash and cash equivalents at end of the period	11,161	14,109



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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2016 (Audited)	5,042	475,527	65,939	166,883	(572,045)	141,346
Issuance of new shares	956	6,376	-	-	-	7,332
Total comprehensive income for the year	-	-	-	-	(140,251)	(140,251)
At 31 December 2016 (Audited)	5,998	481,903	65,939	166,883	(712,296)	8,427
Total comprehensive loss for the period	-	-	-	-	(6,578)	(6,578)
At 31 March 2017 (Unaudited)	5,998	481,903	65,939	166,883	(718,874)	1,849

	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 2016 (Audited)	5,042	475,527	65,939	-	(453,118)	93,390
Issuance of new shares	956	6,376	-	-	-	7,332
Total comprehensive income for the year	-	-	-	-	(92,311)	(92,311)
At 31 December 2016 (Audited)	5,998	481,903	65,939	-	(545,429)	8,411
Total comprehensive loss for the period	-	-	-	-	(6,565)	(6,565)
At 31 March 2017 (Unaudited)	5,998	481,903	65,939	-	(551,994)	1,846



- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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 immediate preceeding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings, held against the total number of shares outstanding in a class that is listed at the end of the current financial period reported on and as at the end of the corresponding period of the immediate preceeding financial year.

There were no changes to the issued and paid-up share capital of the Company since the end of the previous period reported on, up to 31 March 2017.

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

	As at 31 March 2017	As at 31 March 2016
Number of shares	1,190,700,000	992,250,000
Issued and paid up capital (S\$)	2,579,850	992,250

There were no outstanding convertibles or treasury shares held as at 31 March 2017 and 31 March 2016.

There were no subsidiary holdings as at 31 March 2017 and 31 March 2016.

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

	As at 31 March 2017	As at 31 December 2016
Total number of issued shares	1,190,700,000	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 2016.

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

Not applicable.

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

	First Quarter	
	2017	2016
Basic earning per share (RMB cents)	(0.55)	0.04
Weighted average number of ordinary shares ('000)	1,190,700	992,250

The basic earnings per share has been calculated based on net profit attributable to shareholders divided by the weighted average number of ordinary shares of 1,190,700,000 and 992,250,000 for the first quarter ended 31 March 2017 and 31 March 2016, respectively.

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



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

	As at 31 March 2017 Unaudited	As at 31 December 2016 Audited
Net assets value per share based on existing issued capital as at the respective period (RMB cents)	0.16	0.71
Number of ordinary shares in issue at the end of financial period/year ('000)	1,190,700	1,190,700

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

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

Commentary on Financial Results

Revenue, Cost of Sales and Gross Profit

For the first quarter ended 31 March 2017 ("1Q 17"), the Group recorded revenue of RMB11.2 million, a decrease of RMB25.5 million or 69.6%, from RMB36.7 million for the first quarter ended 31 March 2016 ("1Q 16"). The backpack segment formed the entire revenue for 1Q 17. Sales revenue for the period was mainly derived from OEM segment which contributed approximately RMB9.8 million (1Q 16: RMB12.2 million), while domestic sales only contributed approximately RMB1.4 million (1Q 16: RMB 24.4 million). This significant decline in overall sales was due mainly to the continued slow down in domestic consumption of local branded products.

Volume for backpacks decreased by approximately 1.1 million units or 78.4% from 1.4 million (1Q 16) units to 0.3 millions units (1Q 17).

Comparing 1Q 17 and 1Q 16, the average selling price ("ASP") for backpacks had increased by RMB10.4 or 40.9% from RMB25.4 in 1Q 16 to RMB35.8 in 1Q 17 as compared to the corresponding period. This increase was due largely to better price negotiation for our OEM segment as the customers had requested for urgent production and delivery.

Cost of sales during the period 1Q 17 had decreased by RMB17.2 million or 62.5%, as a result of the decrease in volume of the total number of units sold during the period.

The Group only generated a gross profit amounting to RMB0.8 million in 1Q 17, as compared to RMB9.1 million in 1Q 16. This significant decline in gross profit was due

to the drop in quantity produced and sold (1Q 17: 0.3 million units; 1Q 16: 1.4 million units) during the period, and therefore with the smaller base, the fixed manufacturing overheads (mainly direct labour and depreciation) had been distributed over a smaller quantity in 1Q 17, had resulted in the higher cost allocation per unit when compared to 1Q 16.

In 1Q 17, the gross profit margin had declined from 24.7% to 7.2%. The decline in gross profit margin was due to the decline in the quantity produced and sold, therefore, with the fixed manufacturing overheads being allocated over the smaller quantity, lead to the driving down of the profit margin for 1Q 17.

Other operating income

The marginal increase in other operating income of RMB0.2 million for 1Q 17 was due to the government awards and subsidies and other income generated in the period under review.

Operating expenses

(a) Selling and distribution expenses

Our selling and distribution expenses had increased by approximately RMB1.0 million or 116.2% from RMB0.9 million in 1Q 16 to RMB1.9 million in 1Q 17. This increase was due mainly to:

- an increase in logistical, customs and related charges, of approximately RMB 1.0 million, incurred for air freight of our OEM products sold to two (2) customers. These charges were incurred in relation to sales made to these customers in the previous financial year. In 1Q 17, upon the final acceptance of the finished goods and remittance of funds for payments of trade receivables by the customers, certain charges were netted off from the proceeds received by the Group. The customers indicated that there were additional customs and related charges that were incurred by them and that the charges were supposed to be borne by the Group. After verification and confirmation of the charges between the Group and the customers, these charges were recorded as additional expenses in 1Q 17; and
- an increase in reimbursements of specific and special materials costs, amounting to approximately RMB0.3 million to customers for OEM products sold in 1Q 17. These specific and special materials were to be requisite through the customers to cater to their specific requirements and production needs, and thereafter, reimburse the material costs back to the customers, for purchasing on behalf of the Group. These reimbursements of special material costs were finalized and agreed upon between the Group and customers, after final acceptance of the finished goods, whereby the Group and customers had verified and agreed to the computed total special materials utilised and costs (including wastage and damages during production).

However, the above increase was partially offset by:

- a reduction in exhibition expenses of RMB0.1 million;
- a reduction in salaries and related costs of RMB0.1 million, which was due to a



reduction in head count as sales activities had significantly slowed down in 1Q 17; and

- an increase in reimbursement of costs of approximately RMB0.1 million incurred on behalf by the Group for an OEM customer. These costs mainly relate to material costs, logistic costs, quality control testing and other related costs which were incurred in the previous financial year for the customer. Only subsequent to the year end, these costs were finalized and agreed between the Group and the customers and therefore, had been captured and recognized in 1Q 17.

(b) Administrative expenses

Our administrative expenses had decreased by approximately RMB2.5 million, from RMB6.5 million in 1Q 16 to RMB4.0 million in 1Q 17. This was due mainly to:

- decrease in salaries and related expenses of RMB0.7 million;
- decrease in traveling and business expenses of RMB0.1 million;
- decrease in depreciation expenses of RMB0.7 million; and
- a recovery of impairment of loss on other receivables, of RMB1.2 million.

The above reduction was partially offset by an increase in other expenses of RMB 0.2 million, which was due largely to exchange losses due to the weakening of the RMB against the USD.

(c) Finance costs

Our finance costs had increased by RMB0.4 million from RMB2.1 million in 1Q 16 to RMB2.4 million in 1Q 17. The increase in 1Q 17 interest expense was due mainly to the higher average bank borrowing balances during the period of 1Q 17, when compared to 1Q 16 and therefore, higher interest expenses were incurred over the period under review.

(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 properties.

Land use rights amounted to RMB25.0 million and RMB25.1 million as at 31 March 2017 and 31 December 2016, 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 RMB64.3 million and RMB66.0 million as at 31 March 2017 and 31 December 2016, 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 period.

The net book value of investment properties amounted to RMB34.4 million and RMB35.3 million as at 31 March 2017 and 31 December 2016, respectively. The decrease was due depreciation charged during the period.

Current Assets

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

The increase in inventories was due mainly to the Group replenishing the raw material inventory levels after utilizing the previously built up in FY 16, which had been converted to finished goods as at 31 March 2017. The replenishing of the new and different raw materials (to cater to new designs and requirements by the OEM customers) was in preparation of the upcoming months' sales.

Trade receivables amounted to RMB55.4 million and RMB58.1 million as at 31 March 2017 and 31 December 2016, respectively. The reduction was due mainly to collections during the period under review. Included in the trade receivables balances at the end of the reporting period, is a major customer, Xiamen Yushang Trading Co. Ltd ("Yushang"), which had approximately RMB38.0 million of trade receivables past due. This amount had not been collected to date as the customer was still in the midst of renewing their bank facilities and does not have sufficient cash flow to make payments to the Group. The management of the operating PRC subsidiaries and the Executive Chairman had followed up conversations with Yushang and understand that Yushang is actively in discussions with their banks and also understands the renewal process was only delayed and is hopeful that it will be renewed. Therefore, it is of the opinion of the Executive Chairman that no provision for doubtful debt is required as at 31 March 2017 and will continue to closely monitor the debt collection situation.

Prepayments and other receivables amounted to RMB5.0 million and RMB4.8 million as at 31 March 2017 and 31 December 2016, respectively. The marginal increase of RMB0.5 million during the period was due mainly to an increased in security deposit placed with professional firm for the special audit, which was partially offset by a decrease in VAT recoverable of RMB0.3 million due to utilisation during the period under review.

Current Liabilities

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

Trade payables amounted to RMB4.2 million and RMB4.7 million as at 31 March 2017 and 31 December 2016, respectively. The decrease was due mainly to the Group making payments to trade payables.

Accrued liabilities and other payables amounted to RMB14.2 million and RMB10.3



million as at 31 March 2017 and 31 December 2016, respectively. Accrued liabilities and other payables comprised mainly accrued liabilities (mainly accrued wages, insurance and staff welfare), advance payments from customers (mainly deposits received from overseas customers), and other payables. The increase was due largely to additional deposits and advances received during the period, which will be utilized in the upcoming financial quarters.

The loans from a director was due to advances given to the Company for making payments for operating activities at the listed holding entity level.

Interest-bearing bank borrowings remained comparable between the two (2) periods and amounted to RMB203.1 million and RMB204.1 million as at 31 March 2017 and 31 December 2016, respectively. The decrease was due to the repayment of borrowings during the financial period.

Commentary on Cash Flow

Cash and cash equivalents amounted to RMB11.9 million and RMB14.1 million as at 31 March 2017 and 31 March 2016, respectively.

For 1Q 17, net cash used in operating activities amounted to approximately RMB0.8 million.

The net cash generated from financing activities was mainly due to the decrease in bank deposits pledged of RMB5.7 million, while partially offset by:

- net repayments of bank borrowings of RMB1.0 million; and
- interest expenses of approximately RMB2.4 million.

As a result, the net increase in cash and cash equivalents for 1Q 17 amounted to approximately RMB1.5 million.

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

Based on the Company's discussion presented in Note 10 of the unaudited results announcement dated 1 March 2017, there were no variances when compared to the unaudited results presented herein. The Group continued to underperform due to the lacklustre domestic and global economy.

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.

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. Domestic sales had declined significantly in 1Q 17 and the OEM segment had also slowed down in 1Q 17.

As seen in the 1Q 17's financial performance, 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.

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 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 has unutilised credit facilities amounting to approximately RMB55.9 million with its principal bankers. 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, and 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.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been recommended or declared for the quarter ended 31 March 2017.

13. Interested Person Transactions

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

Loan from a director, Mr. Chen Xizhong, amounting to RMB6.0 million was still outstanding as at 31 March 2017. 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. Utilisation of the Placement Proceeds

The following table sets out the breakdown of the use of proceeds from the placement as at date of the announcement:

<i>Purpose of Proceeds (\$'000)</i>	<i>Amount allocated</i>	<i>Amount transferred</i>	<i>Amount utilised</i>	<i>Balance</i>	<i>% used</i>
- Due Diligence for the Proposed Acquisition	306	-	(160)	146	52%
- Costs and expenses (including professional fees) to be incurred for the Proposed Acquisition ⁽¹⁾	1,222	(1,082)	(140)	-	100%
- Listing (share issue) expenses *	60	7	(67)	-	100%
- General working capital **	-	1,075	(760) ***	315	71%
	<u>1,588</u>	<u>-</u>	<u>(1,127)</u>	<u>461</u>	<u>71%</u>

* S\$7,000.00 out of the amount allocated for costs and expenses to be incurred for the Proposed Acquisition has been re-allocated to listing (share issue) expenses.

** S\$1,075,000.00 out of the amount allocated for costs and expenses to be incurred for the Proposed Acquisition has been re-allocated to general working capital on 14 December 2016, after termination of the Proposed Acquisition.

*** These amounts were paid during the financial period and mainly in relation to payments of accrued salaries, directors' fees, professional fees and continual listing expenses.

⁽¹⁾ Details of the Proposed Acquisition can be found in the Company's announcement released on 16 February 2016, and its subsequent termination in the announcement released on 7 December 2016.

15. Negative Assurance

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

We, Chen Xizhong and Tan Chade Phang, being two of the directors of Dapai International Holdings Co. Ltd. (the "Company"), do hereby confirm on behalf of the Directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Company and of the Group for the first quarter ended 31 March 2017 to be false or misleading in any material aspect.



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

**UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND
ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017**

Confirmation by the Board pursuant to Rule 720(1) of the Listing Manual

On behalf of the Board of Directors of the Company, we confirm that we have procured all the required undertakings to comply with the Exchange's listing rules from all the Directors and Executive Officers of the Company.

On behalf of the Board of Directors

Chen Xizhong
Executive Chairman

Tan Chade Phang
Independent Director

15 May 2017

BY ORDER OF THE BOARD

Chen Xizhong
Executive Chairman

15 May 2017