



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 year ended 31 December 2016 ("FY 16"), the Group registered an unaudited net loss of approximately RMB107.7 million.

The Group's sales revenue continued to contract for the financial year FY 16. With the continued weakness of the domestic and global economy, the Group, together with the distributors are 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 FY 16. The political and economical uncertainties facing European Union (Brexit) brought about unanticipated slow down that had affected the global economy negatively.

For FY 16, the Group further encountered demand contraction and overall sales had not picked up as consumer sophistication continued to grow, whereby consumer preferences are toward the renowned international brand names.

The lacklustre and sluggish economy (domestic and global) continued to affect the Group's sales performance and brought about a significant decline in sales revenue and gross profits. In addition, an increase in the provision for doubtful debts and additional impairment charges on the property, plant and equipment and investment properties, further contributed to the overall increase in operating expenses and led to the Group suffering net losses after tax for the year ended 31 December 2016.

Group's cash and bank balances as of 31 December 2016 stood at RMB16.1 million. The Group still has unutilized banking facilities of approximately RMB69.0 million with its principal bankers as at 31 December 2016.

Details of the Group's full year ended 31 December 2016 unaudited financial results are contained in the Company's announcement on 1 March 2017 to the Singapore Exchange Securities Trading Limited.

Future Direction

The Board of Directors, together with the Management, would like to highlight that the trend of a slow down in demand will continue to affect overall sales performance as consumers continue to choose from the renowned international brands over domestic brands. The Management does not foresee any change in this consumer preference in the near future and anticipates that the foreseeable future to remain difficult and challenging.

In addition, the ongoing uncertain global economic climate will also further impact the sales performance of its OEM segment.

The Group will continue to work closely with its distributors, to its best endeavours, to market the right product mix by offering appropriate discount schemes, attract smaller/ individual wholesaler/ distributors, etc to cautiously expand and improve the sales and partnering channels. The Group will also be closely monitoring the current trade debt situation and will be particularly selective and stringent in future sales in the upcoming financial quarters. 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 performances of the Group going forward. The Board of Directors and Management will be providing an update as and when new information arises.

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, as excess idle capacity sets in.

With reference to the Company's announcements from February to September 2016, the Company had made an application to the SGX-ST for the listing and quotation of the placement shares, and also announced that it had entered into a Memorandum of Understanding ("MOU") with the controlling shareholder of Smart Traffic Co., Ltd ("Smart Traffic"), in relation to the proposed acquisition by the Company of a substantial interest in Smart Traffic held by the controlling shareholder in connection with the potential reverse takeover of the Company, and the transfer of listing of and quotation for the shares from the SGX-ST Main Board to the SGX-ST Catalist ("Proposed Acquisition").

Pursuant to the MOU, the parties will negotiate in good faith the terms and conditions of the definitive agreements with the view to executing the same by no later than 31 March 2016 (or such date as may be agreed by the parties). Subsequently, on 1 April 2016, the Company announced that an extension of time till a further date, mutually agreeable by all parties, to enter into definitive agreement(s) in relation to the Proposed Acquisition.

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, to seek a further EOT to complete the signing of the definitive agreements and also the potential reverse takeover with Smart Traffic. On 8 September 2016, SGX- ST approved the EOT and a further six (6) months extension till 5 March 2017 was granted. In the announcement dated 14 September 2016, Further Extension of Time to meet Requirements Under Rule 1314 of the Listing manual of the SGX- ST to exit from SGX- ST Watch- List – Supplemental Announcement, it was highlighted that the Propose Transaction remains ongoing and in connection therewith:

- the Company had appointed relevant professional advisers;
- the Company's professional advisers had made physical visits to Smart Traffic's premises, and are conducting ongoing due diligence on Smart Traffic;
- the Company is also engaging the SM Controlling Shareholder on its due diligence into the Company; and
- the Company and Smart Traffic are negotiating the definitive transaction agreements.

With the impending deadline (5 March 2017) approaching for the above second EOT, the Board of Directors are currently in the midst of consultation with its legal counsels for a subsequent application for further EOT to meet the requirements of listing rule 1314 for exit from the Watch-list based on the financial entry criteria.

On 22 April 2016, the Company completed the placement of 198,450,000 new ordinary shares and the net proceeds of approximately S\$1.5 million will be applied for the purpose of the Proposed Acquisition and related due diligence purposes.

On 7 December 2016, the MOU in relation to the Proposed Acquisition had been terminated and all negotiations had ceased.

Save as previously disclosed, no material development that may have a significant impact on the financial position of the Group has occurred since the last update.

The Company will make further announcement(s) to update shareholders as and when appropriate.

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
1 March 2017