



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

The Group registered an unaudited net profit of approximately RMB0.4 million for the financial period ended 31 March 2016 ("1Q 16").

The Group's sales revenue continued to contract for the financial period 1Q 16, however, it managed to generate gross and net profits after tax, which was due largely to Group's efforts in implementing cost control policies, coupled with the Group's continued effort in right sizing the labour force.

The contraction in sales 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, price competition from smaller unknown brand names had also undercut their prices to remain competitive, resulting in consumers switching to their lower priced products. Therefore, Dapai's brand of products, being positioned in the middle segment of these two tiers of competitors, experienced such demand contraction.

Group's cash and bank balances as of 31 March 2016 stood at RMB14.1 million. The Group still has unutilized banking facilities of approximately RMB59.8 million with its principal bankers as at 31 March 2016.

Details of the Group's 1Q 16 unaudited financial results are contained in the Company's announcement on 13 May 2016 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 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 continues to affect the industry as smaller unknown brand names/ players are cutting prices just to remain competitive.

The Group will continue to work closely with our distributors, to its best endeavours, to market the right product mix so as to continue to turn in a positive financial performance and cashflow position.

With reference to the Company's announcements from February to April 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 Catalyst ("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 till 5 September 2016 to meet the requirements of listing rule 1314 for exit from the Watch-list based on the financial entry criteria.

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

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
13 May 2016