



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

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

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### **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 loss of approximately RMB1.0 million for the financial period ended 30 June 2015 ("1H 15").

The net loss was the result of a contraction in sales revenue, which did not generate sufficient gross profits to cover operating and administrative costs during the financial period under review. 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 30 June 2015 stood at RMB36.2million. The Group still has unutilized banking facilities of approximately RMB105.5 million with its principal bankers as at 1H 15.

Details of the Group's 1H 15 unaudited financial results are contained in the Company's announcement on 6 August 2015 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 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 continues to plague the industry as smaller unknown brands/ 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 its 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.

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.

By Order of the Board

Chen Xizhong  
Executive Chairman  
6 August 2015