



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 RMB0.2 million for the 9-months financial period ended 30 September 2015 ("9M 15").

Although the Group experienced a contraction in sales revenue for the financial period 9M 15, it managed to generate sufficient gross profits in the third financial quarter of 2015 ("3Q 15") to cover operating and administrative costs to revert from a profit before tax loss in 6-months financial period ended 30 June 2015 to a profit before tax in 9M 15. This was due largely to slightly higher average selling prices achieved, coupled with lower raw material costs and manufacturing overheads.

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 September 2015 stood at RMB19.9 million. The Group still has unutilized banking facilities of approximately RMB105.3 million with its principal bankers as at 9M 15.

Details of the Group's 9M 15 unaudited financial results are contained in the Company's announcement on 9 November 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 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 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 selective in its product mix and also the volume of 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 will remain vigilant in monitoring and controlling its manufacturing and other related expenses to ensure the Group's competitiveness and by working towards a favorable product mix, will strive to sustain its profitability for the upcoming financial quarter.

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
9 November 2015