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DAPHNE INTERNATIONAL HOLDINGS LIMITED
達芙妮國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 210)

**Unaudited Operational Update for the Fourth Quarter of 2016 and
Profit Warning for the Full Year of 2016**

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and Inside Information Provisions (as defined under the Listing Rules) under Part XIV A of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (“the **Board**”) of Daphne International Holdings Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) announces the unaudited operational data and information of the Group’s Core Brands business for the fourth quarter ended 31 December 2016, and a profit warning of the Group for the financial year ended 31 December 2016. This information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the information currently available. Such information has not been reviewed or audited by the independent auditors of the Group.

Unaudited Operational Data and Information

The unaudited operational data and information of the Group’s Core Brands business for the fourth quarter ended 31 December 2016 is as follows:

Core Brands Business	For the fourth quarter of 2016	For the full year of 2016
Same store sales growth rate <i>(YoY % change)</i>	-10.1%	-11.7%
Net addition/reduction of points-of-sale (“ POS ”)	-242 <i>(Reduced 126 directly- managed stores and 116 franchised stores)</i>	-999 <i>(Reduced 810 directly- managed stores and 189 franchised stores)</i>

Core Brands Business	As at 31 December 2016
Total number of POS	4,598

Note: Core Brands business refers to the operation of “Daphne” and “Shoebox” brands in Mainland China

* *for identification purpose only*

Profit Warning

Based on a preliminary review of the unaudited consolidated management accounts of the Group and the information currently available, the Board wishes to inform the shareholders and potential investors of the Company that, for the year ended 31 December 2016, the Group expects the net loss would increase by approximately more than 50%. The loss was mainly attributable to:

- Significant decrease in sales
- Negative same store sales growth
- Decreased gross profit margin resulted from aggressive clearance efforts and a higher weighting of aged products in the overall sales mix
- Certain operational charges related to inventory and store rationalisation

Nevertheless, the Group's net cash was improved and the inventory level decreased as a result of liquidation of aged inventory. Also, the Group's e-commerce continued to achieve sales growth.

The Board wishes to remind the shareholders and potential investors of the Company that as the Company is still in the process of finalising its annual results for the year ended 31 December 2016, the information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the information currently available. Such information has not been reviewed or audited by the independent auditors of the Group. The annual results of the Group for the year ended 31 December 2016 is expected to be published in late March 2017.

Shareholders and potential shareholders of the Company are cautioned not to unduly rely on such information, and are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Daphne International Holdings Limited
Chang Chih-Kai
Executive Director & Chief Executive Officer

Hong Kong, 24 January 2017

As at the date of this announcement, the Board of the Company comprises three Executive Directors, namely Mr. Chang Chih-Chiao, Mr. Chang Chih-Kai and Mr. Chen Tommy Yi-Hsun; one Non-executive Director, namely Mr. Chen Ying-Chieh; and three Independent Non-executive Directors, namely Mr. Huang Shun-Tsai, Mr. Kuo Jung-Cheng, and Mr. Lee Ted Tak Tai.