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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 Second Quarter of 2017**

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 information of the Group’s Core Brands business for the second quarter ended 30 June 2017 as follows:

<b>Core Brands Business</b>	<b>For the second quarter of 2017</b>	<b>For the first half of 2017</b>
Same-store sales growth rate (YoY % change)	-10.2%	-10.7%
Net reduction of points-of-sale (“ <b>POS</b> ”)	-182 (171 <i>directly-managed stores and 11 franchised stores were reduced</i> )	-306 (259 <i>directly-managed stores and 47 franchised stores were reduced</i> )

<b>Core Brands Business</b>	<b>As at 30 June 2017</b>
Total number of POS	4,292

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

For the second quarter of 2017, the same-store sales decline of the Group’s Core Brands business was mostly driven by a decrease in sales volume.

The sales of the Group for the six months ended 30 June 2017 decreased due to the negative same-store sales growth and the material reduction in the number of stores compared with that for the same period in 2016. The Group’s gross profit margin and operating margin for the six months ended 30 June 2017 were comparable to those for the same period in 2016. However, the Group saw a decline in its net margin for the six months ended 30 June 2017 mainly because no deferred tax asset would be recognised for certain temporary differences and tax losses when compared to the same period in 2016. In addition, as the Group made good progress with its clearance of aged products and continued its prudent inventory management, the inventory level and inventory turnover days continued to decrease. Also, the Group’s financial position remains stable.

\* *for identification purpose only*

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 results for the six months ended 30 June 2017, 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 interim results of the Group for the six months ended 30 June 2017 are scheduled to be published in August 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**  
*Chairman*

Hong Kong, 26 July 2017

*As at the date of this announcement, the Board of the Company comprises three executive directors, namely Mr. Chang Chih-Kai, Mr. Chang Chih-Chiao 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.*