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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 2016 and  
Profit Warning for the First Half of 2016**

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 second quarter ended 30 June 2016, and a profit warning of the Group for the six months ended 30 June 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 XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The unaudited operational data and information of the Group’s Core Brands business for the second quarter ended 30 June 2016 is as follows:

<b>Core Brands Business</b>	<b>For the second quarter of 2016</b>	<b>For the first half of 2016</b>
Same store sales growth rate (“ <b>SSSG</b> ”) ( <i>YoY % change</i> )	-15.9%	-11.7%
Net addition/reduction of points-of-sale (“ <b>POS</b> ”)	-274 <i>(Reduced 261 directly-managed stores and 13 franchised stores)</i>	-450 <i>(Reduced 400 directly-managed stores and 50 franchised stores)</i>

<b>Core Brands Business</b>	<b>As at 30 June 2016</b>
Total number of POS	5,147

*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 six months ended 30 June 2016, the Group expects to record a loss. The loss was mainly attributable to:

- Decreased sales, due to significant net store closures and negative same-store sales, as consumer demand was still sluggish during the period under review, and store traffic was adversely affected by unfavourable weather which was marked by frequent rain storms and flooding in China during the second quarter of the year
- Material drop in gross profit margin as a result of higher sales mix of aged products

Despite the expected loss of the Group for the six months ended 30 June 2016, the Board considers that the Group's overall financial position remains stable. In the meantime, the Group is committed to its improvement programme, including the rationalisation of its store network and inventory, continued investment in its e-commerce, and stringent expense control, with the aim of improving the full-year performance.

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 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 interim results of the Group for the six months ended 30 June 2016 is expected to be published in August 2016.

**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**  
**Chen Ying-Chieh**  
*Chairman*

Hong Kong, 21 July 2016

*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.*