

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**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 2014**

The board of directors (“Board”) of Daphne International Holdings Limited (“Company”, together with its subsidiaries, “Group”) announces the unaudited operational data and information of the Group’s Core Brands business for the second quarter ended 30 June 2014 as follows:

<b>Core Brands Business</b>	<b>For the second quarter of 2014</b>	<b>For the first half of 2014</b>
<b>Same store sales growth rate (“SSSG”) (YoY % change)</b>	-2.4%	-5.5%
<b>Net addition of points-of-sale</b>	-32 <i>(reduced 6 directly-managed stores, and 26 franchised stores)</i>	-85 <i>(reduced 18 directly-managed stores, and 67 franchised stores)</i>

<b>Core Brands Business</b>	<b>As at 30 June 2014</b>
<b>Total number of points-of-sale</b>	6,234

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

For the second quarter of 2014, same store sales growth on a year-on-year basis for the Group’s Core Brands business is -2.4%, versus -9.5% of the first quarter. As a result, the same store sales growth of the Core Brands business for the first half of 2014 is -5.5%.

Foot traffic of street stores in May was adversely affected by particularly heavy rainstorms and associated widespread flooding across much of Mainland China, resulting in a drag in overall sales for the second quarter of the year.

The Group remained cautious in its store network development with a net reduction of 32 stores in the second quarter, and therefore concluded the first half of the year with a total of 85 net closures.

\* *for identification purpose only*

Average selling price was stable during the second quarter, as compared to that for the same period last year. This is also reflected in the narrowing of gross profit margin contraction as compared to that of the first quarter.

Opportunistic off-season items clearance continued to lead contraction of overall gross profit margin of the Core Brands business. Nevertheless, the progress of such clearance initiative is in line with our plan.

Celebrity-driven marketing campaigns including the one by Ms Jun Ji-Hyun, were launched in June, and we believe they help refresh the brand image and improve the store traffic.

Inflationary pressure on key operating costs such as rental and labour costs further affected the operating margin of the Core Brands business during the period.

With increased diversity of marketing activities, in particular those in connection with new product launches, the Group's e-commerce continued its solid sales momentum.

**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, 18 July 2014

*As at the date of this announcement, the Board comprises Mr. Chen Ying-Chieh, Mr. Chang Chih- Chiao, Mr. Chang Chih- Kai and Mr. Chen Tommy Yi-Hsun being the executive directors, Mr. Kim Jin-Goon being the non-executive director (with Mr. Lau Wai Kei, Ricky as the alternate); Mr. Huang Shun-Tsai, Mr. Kuo Jung-Cheng and Mr. Lee Ted Tak Tai being the independent non-executive directors.*