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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 Third 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 third quarter ended 30 September 2014 as follows:

Core Brands Business	For the third quarter of 2014	For the first three quarters of 2014
Same store sales growth rate <i>(YoY % change)</i>	+6.3%	-1.8%
Net increase/decrease of points-of-sale (“POS”)	+77 <i>(Added 103 directly-managed stores, and reduced 26 franchised stores)</i>	-8 <i>(Added 85 directly-managed stores, and reduced 93 franchised stores)</i>

Core Brands Business	As at 30 September 2014
Total number of points-of-sale	6,311

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

For the third quarter of 2014, same store sales of the Group’s Core Brands business grew by 6.3% year on year, representing an improvement over the 2.4% year on year decline for the second quarter. Overall, the same store sales growth of the Core Brands for the first three quarters of 2014 was -1.8% year on year, a lift versus -12.2% for the same period in 2013.

The sales improvement was attributable to the Group’s enhanced brand appeal supported by new brand ambassadors, and increased marketing efforts. The Group also pursued more aggressive promotions during the season-end clearance sales period, which led to a growth in same store sales of the third quarter. In addition, the improvement was also partially driven by a low base effect, as the same store sales growth was -18.1% year on year for the third quarter last year.

The same store sales growth was mostly volume-driven, which helped improve our inventory level. However, deeper discounts during the season-end clearance sales period and more proactive destocking of off-season items during the quarter led to a low single-digit drop in average selling price, and a contraction in gross profit margin.

* *for identification purpose only*

The Group resumed expansion of the sales network, with a net increase of 77 POS during the third quarter (with an addition of 103 directly-managed stores, and a reduction of 26 franchised stores), and therefore had a total of 6,311 POS under its Core Brands business as at 30 September 2014.

Looking ahead, the Group will maintain its best endeavours to sustain the sales momentum in the remaining months of the year, despite different base effect of the fourth quarter and the absence of benefits from an early Chinese New Year (Chinese New Year fell in January in 2014, but will be in February in 2015).

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, 17 October 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.