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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 2014 and Preliminary Profit Review for the Year of 2014

The board of directors (the "Board") of Daphne International Holdings Limited (the "Company", together with its subsidiaries, the "Group") announces the unaudited operational data and information of the Group's Core Brands Business for the fourth quarter ended 31 December 2014, and the preliminary profit review of the Group for the year ended 31 December 2014. This announcement is made pursuant to provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Operational Update for the Fourth Quarter of 2014

Core Brands Business	**For the fourth quarter of 2014**	**For the year of 2014**
Same-store sales growth rate (*YoY % change*)	-7.5%	-3.4%
Net increase of points-of-sale ("POS")	+91 *(Added 172 directly-managed stores, and reduced 81 franchised stores)*	+83 *(Added 257 directly-managed stores, and reduced 174 franchised stores)*

Core Brands Business	**As at 31 December 2014**
Total number of points-of-sale	6,402

Note: Core Brands Business refers to the operation of "Daphne" and "Shoebox" brands in Mainland China

* *for identification purpose only*

For the fourth quarter of 2014, the same store sales of the Group's Core Brands Business recorded a year-on-year decline of 7.5%, as soft consumer sentiment still overshadowed in Mainland China. December was particularly weak due to the base effect as well as a lack of the boost from pre-Chinese-New-Year shopping spree which was present in the same period last year (Chinese New Year will be in February in 2015 but was in January in 2014). In addition, more intense competition from the aggressive regional players and the dilution from the major online shopping events in the fourth quarter also contributed to the weak sales performance of its retail business. As a result, the same store sales growth for the second half of 2014 was -1.3%, improved from -5.5% in the first half of the year, and the full year's same store sales growth of the Core Brands Business was -3.4% (2013: -10.4%). Moreover, the annual turnover of the Core Brands Business was almost flat when compared to that of last year.

The net increase in the number of the Group's points-of-sale ("POS") was 91 during the fourth quarter, including the net openings of 172 directly-managed POS, and the net closure of 81 franchised stores, bringing the total number of POS for Core Brands Business to 6,402 as at 31 December 2014. Prompted by the improved performance of new stores and format, the Group stepped up the opening of directly-managed stores in the second half of the year, and therefore concluded the year of 2014 with a net increase of 83 POS for the Core Brands Business.

Average selling price ("ASP") saw a mid-single-digit decrease during fourth quarter of the year, when compared to that of the same period last year. Lower ASP, resulted from aggressive clearance of old stocks, exerted a significant drag on the gross profit margin. New products' gross profit margin was essentially maintained by adopting careful segmentation in its promotion strategy, despite the competitors' move to step up discounts at a faster pace.

Preliminary Profit Review of the Group for 2014

Based on a preliminary review of the unaudited consolidated management accounts and the information currently available, the Board wishes to inform the shareholders of the Company and potential investors that, profit attributable to owners of the Company for the second half year of 2014 is expected to be lower than or comparable to that of the same period last year.

The full-year profit of the Group is adversely affected mainly by the following factors:

- Consumer demand and sentiment in Mainland China continued to be weak
- Calendar shift of an important shopping period before the Chinese New Year (which falls into the next fiscal year)
- Decline in gross profit margin resulted from aggressive inventory destocking
- Negative same store sales growth
- Increase in staff costs aggravated the negative operating leverage

As the Group has been undergoing transition to adapt to the slower market growth which could probably be the new norm for China, it made great efforts during the year to introduce new measures to increase competitiveness. Progress was made in the following areas.

One of the priorities for 2014 was to improve the inventory, therefore the Group made rigorous efforts to liquidate old stocks, and inventory turnover days as at the end of December 2014 was under control. The overall inventory value saw a material reduction and cash flow situation was also improved. Although such destocking led to a contraction of the Group's retail gross profit margin, the Group believes it would help clear the path to healthier inventory level and improvement in gross profit margin in the coming year.

The celebrity-driven marketing strategy implemented in 2014 has successfully refreshed the brand image, improved the store traffic, and provided a strong support to the growth of its e-commerce. Store image was enhanced through store renovation and the launch of a new store design.

The Group's e-commerce maintained strong growth momentum throughout the year. It achieved a sales growth of more than double and increased its contribution to the Group's turnover. In Alibaba's most important online shopping event "Singles' Day 2014", "Daphne" brand ranked top in Tmall's ladies' shoes category. The Group strengthened the partnership with key online shopping platforms including Tmall, VIP.com and JD.com. The Group's online customer base was also broadened with the support of more interactive and diversified online promotions.

The mid- to high-end brands business delivered better performance with a marginal operating profit against an operating loss in previous year, as the Group kept its focus on projecting more distinguished brand image and product offerings, and increasing the stores' sales efficiency.

The above progress has made the Group confident that it is steering towards the right direction. As the Group is entering into a new phase of development, it is committed to striving for better growth and profitability in medium and long term, by promoting advancement along those strategic initiatives in inventory management, supply chain management and merchandising, sales productivity and efficiency, brand image and marketing, and e-commerce.

The Group wishes to remind investors that as the Company is still in the process of finalising its results for the year ended 31 December 2014, 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 Company. The final results of the Group for the year ended 31 December 2014 is expected to be published in March 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, 22 January 2015

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.