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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 2015 and
Preliminary Profit Preview for the First Half of 2015**

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 2015, and a preliminary profit preview of the Group for the six months ended 30 June 2015. 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 2015 as follows:

	For the second quarter of 2015	For the first half of 2015
Same store sales growth rate (“SSSG”) <i>(YoY % change)</i>	-17.7%	-16.9%
Net addition/reduction of points-of-sale	-167 <i>(reduced 141 directly-managed stores and 26 franchised stores)</i>	-181 <i>(reduced 117 directly-managed stores and 64 franchised stores)</i>

	As at 30 June 2015
Total number of points-of-sale	6,221

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

For the second quarter of 2015, the same store sales growth of the Group’s Core Brands business recorded a year-on-year decline of 17.7%. As a result, the same store sales growth of the Core Brands for the first half of 2015 is -16.9%.

Due to the sluggish retail environment, the Group was cautious about its store network development during the period. This resulted in a net reduction of 167 points-of-sale (“POS”) during the second quarter (net closures of 141 directly-managed POS and 26 franchised stores), bringing the total number of POS for Core Brands Business to 6,221 as of 30 June 2015.

* *for identification purpose only*

Business Review of the Group for the First Half of 2015

During the first half of the year, the consumer sentiment remained soft, yet the erratic weather with delayed spring and summer seasons further dampened the appetite for shopping. This led to intensified competition in the mass market segment for ladies' shoes as some aggressive peers offered deep discounts much earlier. However, the Group upheld its discounting policy until the adverse effect of the weather subsided.

Turnover of the Core Brands business recorded a decline of low-teens percentage year-on-year for the first half of the year, as a result of a negative same store sales growth performance and net store closures. A net reduction of 181 POS was recorded for the Core Brands during the first half of 2015.

In an attempt of further market segmentation, the Group refined Daphne product range into 7 product series in this spring/summer season to broaden its appeal to customers and to increase its differentiation from the competitors. The Group also added one of the top young actresses in Mainland China, Cecilia Lau, to its group of spokespersons (including the popular Korean actress, Jun Ji-Hyun, and pop singer and actor, Nicholas Tse) to endorse one of its core product lines - Cosmopolitan. By increasing the association of the product lines with the spokespersons, it helped build a strong brand image, and improved the marketing efforts.

Gross profit margin expanded due to the improved sales mix during the first half of the year, which is in line with expectations. However, the decrease in sales exerted significant pressure on operating margin and the inventory management. Furthermore, given the high fixed cost structure of the Group's retail operation, profit margin is significantly affected due to negative operating leverage.

The Group's e-commerce business continued to achieve sales growth, and maintained its profitability. It has also strengthened its partnership with major online shopping platforms, especially Tmall, which will increase its competitiveness over its online peers in the future. Moreover, the Group remained committed to its O2O ("online-to-offline") initiatives which will offer stronger support to its online sales, allowing the Group to provide faster delivery and more efficient service, and to enhance overall inventory management.

The mid- to high-end brand portfolio improved its performance during the period under review, compared with that of the same period last year.

Preliminary Profit Preview

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, for the six months ended 30 June 2015, the Group is expected to have a significant decline in profit. The decline in profit was mainly attributable to:

- Decline in same-store sales
- Decreased sales
- Negative operating leverage which resulted from the high fixed-cost structure of the Group's retail operation

The visibility of the market outlook in the second half of the year now is low. To cope with the challenges ahead, the management team now dedicated itself to taking necessary steps to improve the results of 2015 as well as building stronger fundamentals to pursue long-term growth. In view of the impact on the retail sector posed by e-commerce, as well as the intensified competition both online and offline, emphases of the Group's improvement programme will be placed on boosting sales, inventory management, expense control and accelerating its e-commerce growth. The Group is stepping up its promotional activities for the remainder of the summer season. Store network development will be maintained at a cautious pace, and adjustment will be made in its offline distribution channels. The Group is working on an expansion plan for its e-commerce business and will allocate more resources to fuel its growth and O2O initiatives, which will include deepening its collaboration with various e-commerce platforms. While the performance for the first half is below expectations, the Group endeavours to improve its performance for the second half of the year.

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 2015, 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 interim results of the Group for the six months ended 30 June 2015 are expected to be published in August 2015.

Shareholders and potential investors of the Company 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, 23 July 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. Huang Shun-Tsai, Mr. Kuo Jung-Cheng and Mr. Lee Ted Tak Tai being the independent non-executive directors.