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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 2015 and  
Profit Warning for the Full Year 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 fourth quarter ended 31 December 2015, and a profit warning of the Group for the financial year ended 31 December 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 fourth quarter ended 31 December 2015 is as follows:

	<b>For the fourth quarter of 2015</b>	<b>For the full year of 2015</b>
<b>Same store sales growth rate (“SSSG”)</b> <i>(YoY % change)</i>	-20.2%	-18.5%
<b>Net addition/ reduction of points-of-sale (“POS”)</b>	-405 <i>(reduced 384 directly-managed stores and 21 franchised stores)</i>	-805 <i>(reduced 692 directly-managed stores and 113 franchised stores)</i>

	<b>As at 31 Dec 2015</b>
<b>Total number of POS</b>	5,597

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

For the fourth quarter of 2015, the same store sales of the Group’s Core Brands business recorded a year-on-year decline of 20.2%. As a result, the same store sales growth of the Core Brands for the full year of 2015 is -18.5%.

The sales during the period were mainly affected by:

- Soft consumer sentiment along with weakening economy in China
- Unusually warm winter
- Dilution of store traffic from the Single’s Day online promotions in November
- More competitive retail environment resulted from earlier launch of deep discounts by peers

\* *for identification purpose only*

The average selling price recorded a single-digit drop during the period. Moreover, the gross profit margin was under pressure. The benefits from increasing store closures were yet to be reflected in the operating margin. Therefore, the operating margin saw a further drag.

The Group continued the rationalization of its store network, with net closures of 405 POS during the fourth quarter (with a reduction of 384 directly-managed stores and 21 franchised stores). During the financial year of 2015, the Group recorded net closures of 805 stores, including 692 directly-managed stores and 113 franchised stores, and concluded the year with a total number of 5,597 POS (5,056 directly-managed stores and 541 franchised stores) as at 31 December 2015.

Daphne continued to rank top in the ladies' footwear segment for Alibaba's "Single's Day" online shopping event. This reflected Daphne's strong brand equity in China. The Group's e-commerce business unit achieved sales growth in the fourth quarter, as well as for the year ended 31 December 2015. However, the contribution of its online business to the Group's turnover was still small, therefore its e-commerce sales growth could not offset the impact from the dilution of store traffic during the year under review.

### **Profit Warning**

The Board wishes to inform the shareholders and potential investors of the Company that, based on preliminary review of the unaudited consolidated management accounts of the Group and the information currently available, the Group expects to record a material loss attributable to equity holders of the Company for the year ended 31 December 2015. Such loss is mainly attributable to (i) significant drops in both sales and gross profit; (ii) increased negative operational leverage; and (iii) certain operational charges related to, among others, inventory, personnel and store rationalization.

The Board wishes to remind the shareholders and potential investors of the Company that as the Company is still in the process of finalizing its results for the year ended 31 December 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 Group. The announcement of annual results of the Group for the year ended 31 December 2015 is expected to be published in late March 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, 26 January 2016

*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.*