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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 2012

The board of directors (the “Board”) of Daphne International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) announces the unaudited operational information of the Group’s core brands business for the third quarter ended 30 September 2012 as follows:

	For the third quarter of 2012	For the first three quarters of 2012
Same store sales growth rate <i>(YoY % change)</i>	+5%	+12%
Net addition of points-of-sale	+180 <i>(added 209 directly-managed stores, and reduced 29 franchised stores)</i>	+546 <i>(added 620 directly-managed stores, and reduced 74 franchised stores)</i>

	As at 30 September 2012
Total number of points-of-sale for core brands	6,148

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

The Group’s core brands recorded 5% year-on-year same store sales growth during the third quarter of 2012, amidst softening consumer demand in China. The growth, achieved on top of a high base of 23% for the same period last year, was driven primarily by double-digit growth in sales volume.

As the Mid-Autumn Festival holiday was combined with the National Day holiday this year, the third quarter saw one less festive shopping period which affected sales performance of retail trade. The Group’s successful promotion for last year’s Mid-Autumn Festival in early September also contributed to a higher base.

The Company’s key focus in the third quarter was on the clearance of the Spring and Summer collection. With favourable customer response towards the clearance program, our inventory level has correspondingly improved. However, aggressive promotional efforts during the clearance period this year resulted in a lower blended average selling price which exerted downward pressure on margins during the third quarter. The prolonged clearance sales promotion in the third quarter also led to unfavourable product mix which further pressured margins.

Although the upward trend of rental and employee costs is still a challenge to the Group, the implementation of a number of cost control and efficiency improvement measures, and the roll out of system enhancement projects have progressed well during the period. Improvement in product design, product range and marketing also provided strong support to the upcoming winter season. The management team believes these efforts will enhance our competitiveness in a soft market and strengthen our performance in the fourth quarter.

The Board wishes to remind investors that information stated in this announcement is based on the unaudited operational information of the Group which has not been reviewed or audited by the Company's independent auditors.

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, 12 October 2012

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

* *for identification purpose only*