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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 2013**

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 2013 as follows:

	<b>For the third quarter of 2013</b>	<b>For the first three quarters of 2013</b>
<b>Same store sales growth rate</b> <i>(YoY % change)</i>	-18.1%	-12.2%
<b>Net addition of points-of-sale</b>	-17 <i>(added 23 directly-managed stores, and reduced 40 franchised stores)</i>	+195 <i>(added 286 directly-managed stores, and reduced 91 franchised stores)</i>

	<b>As at 30 September 2013</b>
<b>Total number of points-of-sale for Core Brands</b>	6,564

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

For the third quarter of 2013, the same store sales of the Group’s Core Brands business recorded a year-on-year decline of 18.1%, amidst a soft consumer market in Mainland China.

The weak sales in the third quarter of 2013 was attributed to extremely hot weather in July and August in China, the diminished foot traffic to street stores, keen competition, and the underlying soft consumer sentiment.

Discounts were adjusted as compared to the same period of last year, the retail gross margin was hence improved. However, operating deleverage continued due to the weakened sales performance, and resulted in a material contraction in operating margin during the period.

The management considers that the visibility of the following quarter’s market outlook is still low, and challenges will prevail in the second half of 2013. The Group remains cautious about the performance of the second half of 2013.

In view of the sluggish market environment, the management is focusing on improving sales productivity, internal efficiency and cost control. Measures to enhance sales operation management and frontline staff training will be stepped up. Consolidation of non-performing stores will be accelerated. Progress of various system enhancement projects has been registered, and the major Retail Management System will be in operation for one of the Core Brands in the fourth quarter of 2013. Once this system is fully and smoothly implemented in the overall Core Brands business in 2014, sales productivity and inventory management will be further improved. Marketing efforts will be strengthened to bolster brand image and provide stronger support to sales growth. The management believes these efforts will increase the Group's competitiveness in the tough market and strengthen its performance in the medium and long term.

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 & CEO*

Hong Kong, 16 October 2013

*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*