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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 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 second quarter ended 30 June 2012 as follows:

	For the second quarter of 2012	For the first half of 2012
Same store sales growth rate <i>(YoY % change)</i>	+14%	+17%
Net addition of points-of-sale	+217 <i>(added 245 directly-managed stores, and reduced 28 franchised outlets)</i>	+366 <i>(added 411 directly-managed stores, and reduced 45 franchised outlets)</i>
		As at 30 June 2012
Total number of points-of-sale for core brands		5,968

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

Despite the slowdown in retail sales growth in Mainland China and the high-base effect of the corresponding period last year, the Group’s core brands business achieved double-digit growth in same store sales year-on-year for the second quarter of 2012. Sales growth was driven by the increase in sales volume. The average selling price saw a mid-single-digit decrease during the period due to the aggressive promotional efforts. Supported by ample stock supply, the double-digit same store sales growth is attributable to the Group’s continuous efforts in improving its product development and marketing.

However, intense promotional efforts, together with rising production cost, led to pressure on the Group’s gross profit margin when compared to that of the corresponding period last year. Rising employee and rental costs, driven by the Group’s accelerated store opening pace focusing on directly-managed stores, added further pressure to its cost structure and profitability. In addition, affected by the weakness in the department store channel, the performance of the Group’s mid- to high-end brands is expected to decline in the first half of the year as compared to the same period last year. Accordingly, the Group expects a low single-digit percentage point margin contraction at the operating level.

Recognising the cost pressure and current retail environment, the management is focusing on a number of cost control and efficiency improvement measures both at the retail and back-office levels. In addition, several system enhancement projects were initiated, in areas such as merchandising and planning, in an effort to improve efficiency. The management believes that effects of these improvement measures and projects will enhance the Group's competitiveness which will be duly reflected in its performance in the coming years.

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 July 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*