



2012 Interim Results Presentation

16 August 2012

DAPHNE INTERNATIONAL HOLDINGS LIMITED
達芙妮國際控股有限公司

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Highlights of 2012 Interim Results

- Group's turnover increased by 28.9% to HK\$5,079.5 million (1H 2011: HK\$3,939.3 million)
- Turnover of core brands business registered a growth of 33.4% to HK\$4,639.7 million
- Same store sales growth of core brands business increased by 17%
- Group's gross profit increased by 27.8% to HK\$3,083.3 million
- Profit attributable to shareholders was HK\$ 482.6 million, an increase of 9.6% from HK\$440.2 million for the same period last year
- Basic earnings per share is 29.4 HK cents, an increase of 9.2%
- Interim dividend per share is 9.0 HK cents, 12.5% higher than that for the corresponding period last year
- Total number of points-of-sale increased by 416 to 6,581
- The proportion of directly-managed stores under core brands increased to 83% from 81% as at year end of 2011
- The Group was ranked second for the award of the Best Mid-Cap Companies in China 2012 by FinanceAsia, a leading financial publication in the region



Financial Review

DAPHNE GROUP

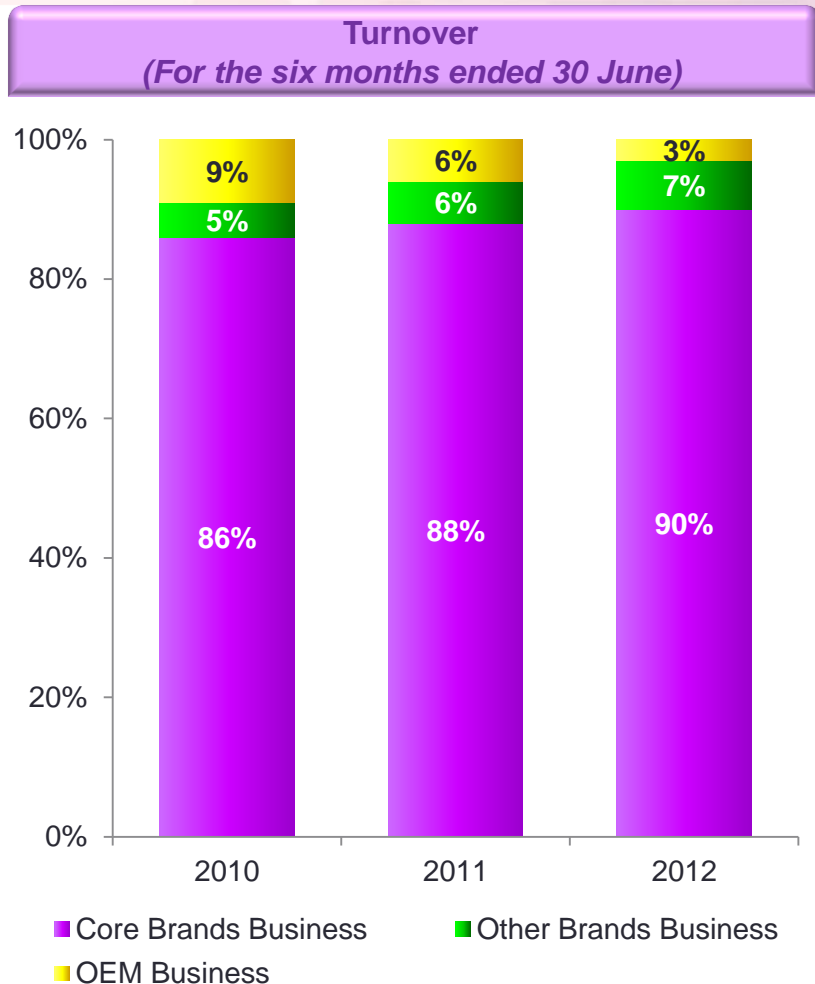


Group Financial Highlights

(HK\$ million)	For the six months ended 30 June		
	2012	2011	Change
Turnover	5,079.5	3,939.3	+28.9%
Gross profit	3,083.3	2,412.4	+27.8%
Operating profit	699.6	630.2	+11.0%
Profit attributable to shareholders	482.6	440.2	+9.6%
Basic EPS (HK cents)	29.4	26.9	+9.2%
Interim dividend per share (HK cents)	9.0	8.0	+12.5%
Gross profit margin	60.7%	61.2%	-0.5ppt
Operating profit margin	13.8%	16.0%	-2.2ppt
Net profit margin	9.5%	11.2%	-1.7ppt

Group Turnover

- **Core Brands segment, being the Group's focus, increased its proportion in Group's turnover to 90%**
- **Other Brands segment, with a higher growth rate than that of the Group, increased its proportion to the Group's turnover to 7%**
- **OEM segment gradually reduced its proportion**



Group Operating Margin

■ Group gross profit margin decreased by 0.5 ppt

- Increased promotional efforts to boost sales
- Offset by improved business mix with a reduced proportion of OEM business as the Group focuses on higher-margin own brands business

■ General increase in rental and labour costs

■ Mid- to high-end brands are in the investment phase

■ Increase investment in management systems in an effort to improve productivity and management efficiency

➡ **Operating profit margin decreased by 2.2 ppt to 13.8%**

Other Key Financial Indicators

- Increased CAPEX and inventory led to lower cash and bank balances
- No convertible bonds were converted during 1H 2012
- Current ratio remained healthy, reflecting sound financial structure

(HK\$ million)	As at 30 Jun 2012	As at 31 Dec 2011	Change
Cash and bank balances	1,550.0	1,795.7	-13.7%
Shareholders' equity	4,391.6	4,035.9	+8.8%
Bank loan	7.1	7.0	+1.0%
Convertible bonds	613.5	605.9	+1.3%
Net gearing ratio (%)	Net cash	Net cash	-
Current ratio (times)	2.9	3.1	-0.2

Other Key Financial Indicators

■ Higher CAPEX due to:

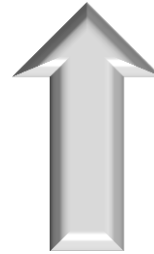
- More store openings and related expenditures
- More investments in self-used properties, e.g. warehouses

	<i>For the six months ended 30 June</i>		
	2012	2011	Change
Average Inventory Turnover (days)	202	149	+53
Average Debtors Turnover (days)	12	11	+1
Average Creditors Turnover (days)	79	71	+8
Cash Conversion Cycle (days)	135	89	+46
CAPEX (HK\$ million)	329.3	146.1	+125.3%
Effective Tax Rate (%)	25.8%	27.4%	-1.6ppt

Inventory Strategy to Drive Sales

■ Strong support from inventory supply

- Drive higher sales growth
- Increase market share
- Facilitate accelerated store opening plan
 - Directly-managed stores for core brands increased by 789 (+19%) stores as compared to the store number as at 30 June 2011
- Expand customer base
- Pave the way for sales target of 2H 2012



<i>Core Brands</i>	1H 2012
Turnover growth (YoY)	+33%
SSS growth (YoY)	+17%

■ Inventory turnover days was 202 days

- Inventory turnover days for Core Brands lower than the Group's average

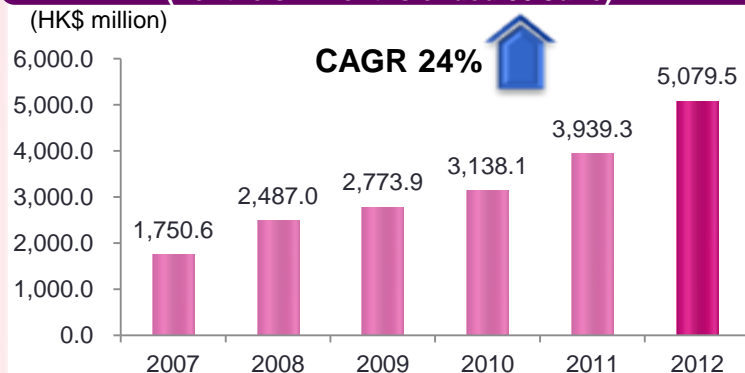
Group Inventory turnover days	(days)
1H 2012	202
FY 2011	172
1H 2011	149

■ If taking into account the future sales growth, inventory turnover days as at 30 June 2012 would be comparable to that as at year end of 2011 on a forward looking basis

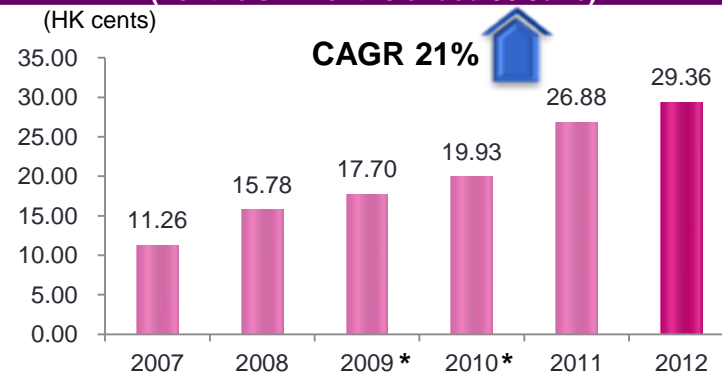
■ Step up measures to enhance inventory level

Proven Solid Growth

Turnover
(For the six months ended 30 June)

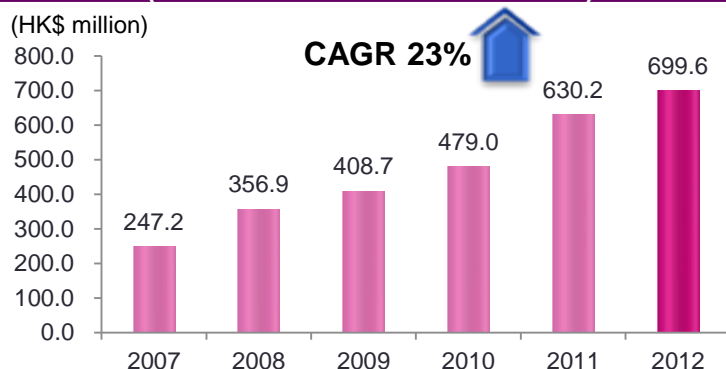


Basic EPS
(For the six months ended 30 June)

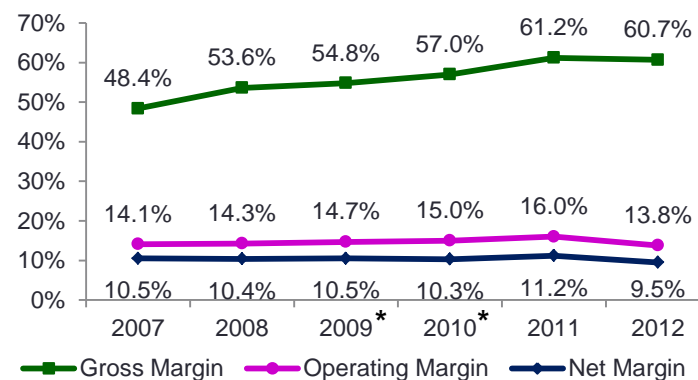


* Amount excluding fair value loss on warrants

Operating Profit
(For the six months ended 30 June)



Margins
(For the six months ended 30 June)



* Amount excluding fair value loss on warrants

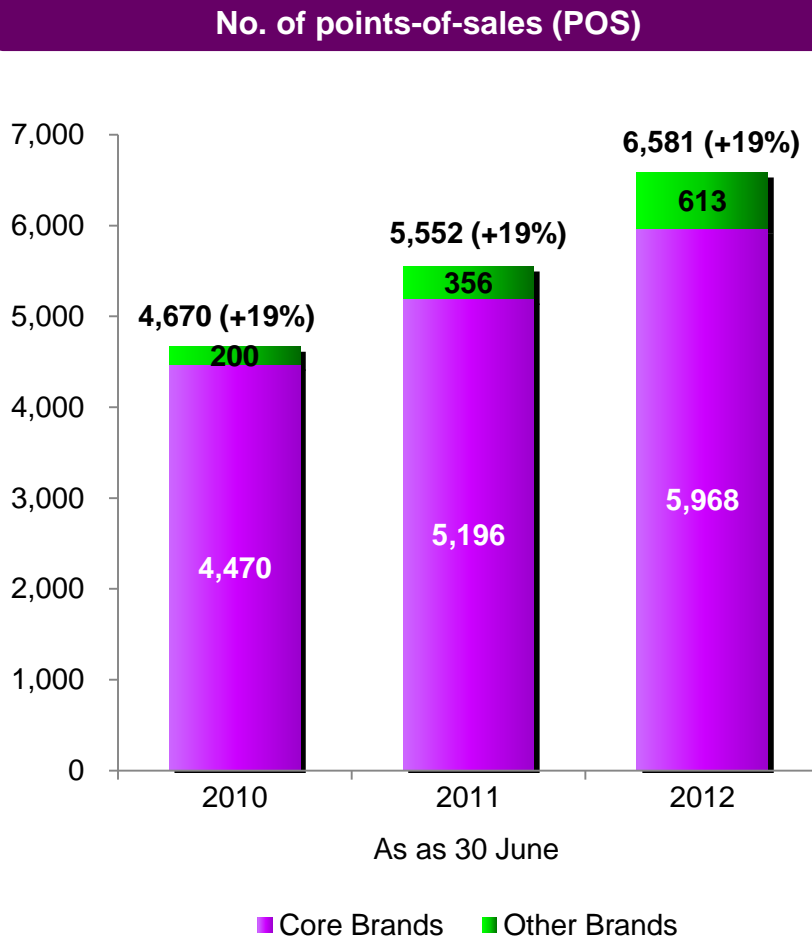
Business Review

DAPHNE GROUP



Group Retail Network

- Continued sales network expansion to maintain leading market position
- Store openings during 1H 2012 in line with expectation
- Net increase of POS in 1H 2012:
 - Core brands: +366
 - Other brands: +50



Group Retail Network – Distribution

- Focus on directly-managed stores
- Pace of expansion for directly-managed stores on track

	As at 30 Jun 2012	Proportion	As at 31 Dec 2011	Proportion	Change	% Change
Core Brands POS	5,968	91%	5,602	91%	+366	+6.5%
- Directly-managed POS	4,958	76%	4,547	74%	+411	+9.0%
- Franchised POS	1,010	15%	1,055	17%	-45	-4.3%
Other Brands Directly-managed POS	613	9%	563	9%	+50	+8.9%
Total	6,581	100%	6,165	100%	+416	+6.7%

Core Brands Sales Network – by City Tier

	As at 30 Jun 2012	Proportion	As at 31 Dec 2011	Proportion	Change	% Change
Tier 1 cities	668	11%	614	11%	+54	+8.8%
Tier 2 cities	1,222	20%	1,100	19%	+122	+11.1%
Tier 3 cities	908	15%	863	15%	+45	+5.2%
Tier 4-6 cities	3,170	54%	3,025	55%	+145	+4.8%
Total	5,968	100%	5,602	100%	+366	+6.5%

 **The Group maintained greater representation in lower tier cities**

Core Brands Business - Performance



ShoeBox



Core Brands business continued to grow, with turnover up 33.4% YoY, despite the slow economic growth

Operating margin was mainly affected by:

- Increased promotional efforts to boost sales volume
- Mild drop in average selling price
- Increase in rental and labour costs

(HK\$ million)	For the six months ended 30 June		
	2012	2011	Change
Turnover	4,639.7	3,477.8	+33.4%
Gross profit	2,821.8	2,171.9	+29.9%
Gross margin	60.8%	62.5%	-1.7 ppt
Operating profit	778.1	683.3	+13.9%
Operating margin	16.8%	19.6%	-2.8 ppt

Core Brands Business – Same Store Sales Growth



Same Store Sales Growth		
1Q 2012	2Q 2012	1H 2012
+22%	+15%	+17%
1Q 2011	2Q 2011	1H 2011
+1%	+32%	+17%

- Same store sales growth was solid, considering the high base in 2Q 2011
- Sales growth was driven by increase in volume
- Average selling price decreased by 3.9% to RMB 196

Other Brands Business

■ Sales growth mainly driven by mid- to high-end brands business

- Attributable to the considerable addition of stores last year

■ Performance affected by the weakness in department store channel

■ Mid- to high-end brands business, as the next growth engine of the Group, is in the investment phase requiring continued efforts and commitment

(HK\$ million)	For the six months ended 30 June		
	2012	2011	Change
Turnover	332.6	239.0	+39.1%
Gross profit	192.4	148.4	+29.7%
Gross margin	57.9%	62.1%	-4.2 ppt
Operating (loss)	(40.2)	(30.3)	-32.9%
Operating margin	(12.1%)	(12.7%)	+0.6 ppt

AEE
爱意

AEROSOLES
爱柔仕

dulala
杜拉拉

ALDO

Ameda
爱魅moda

Manufacturing Business

- Turnover from OEM business decreased by 38.2% to HK\$145.4 million (1H 2011: HK\$235.3 million)
- Gradually allocate more capacity to production of own brands
- OEM business, currently accounting for approximately one-fourth of the Group's production capacity, will gradually phase out

Outlook & Strategies

DAPHNE GROUP



2H 2012 Outlook

	Positive	Negative
Market	<ul style="list-style-type: none"> ■ Inflation trending down ■ PRC government to launch new policies to encourage domestic consumption 	<ul style="list-style-type: none"> ■ Uncertainties in the European and US economies ■ General slowdown in local economy affects consumption sentiment ■ General increase in rental and labour costs
The Group	<ul style="list-style-type: none"> ■ Strengthen Autumn/Winter product offerings and marketing efforts ■ Continued focus and improvement on operating efficiency ■ Effects of cost control measures to be reflected in due course ■ Benefits of new management systems will be gradually reflected in the coming quarters and years 	<ul style="list-style-type: none"> ■ Last year's high base (24% SSS growth in 2H 2011)

2H 2012 Action Plan

- **Initiatives to improve operational efficiency**
 - **Sales operation management**
 - **Sales channel management**
 - **Supply chain management**
 - **Product development**
 - **Marketing**
- **Realignment for mid- to high-end brands**
- **Cost control management**

Sales Operation Management

- **Strengthen sales operation**
 - Optimise staff scheduling to increase manpower productivity
 - Invest in training to improve customer service
 - Strengthen store operation management system
- **Enhance store appeal:**
 - Adopt new store design
 - Improve visual merchandising
- **Consolidate underperforming stores**



Sales Channel Management

- **Expand sales network**
 - Maintain full-year store opening target of 700 stores for core brands (i.e. target 334 store addition in 2H 2012)
 - Monitor market conditions closely and adjust expansion pace accordingly
- **Core brands (Daphne and Shoebox) remain the focus of network expansion**
- **Tighten control of rental costs**
- **Improve the rental-to-sales ratio**



Product Development

■ Enhance product portfolio

- Increase the product variety in each season to offer more diversified and fashionable selection
- Provide a more balanced product portfolio and a broader price range
- Strengthen best-selling product offerings through enhanced sales analysis

■ Improve product design and development

- Deploy new design software to enhance design and development efficiency



Supply Chain Management

■ Enhance inventory management

- Monitor market conditions and actual sales closely and adjust seasonal procurement and replenishment accordingly
- Adjust the procurement and stocking of mid- to high-end brands in accordance with its store opening plan
- Employ a wider range of channels to drive inventory turnover

■ Continue to consolidate raw materials procurement to enhance production and cost efficiency

■ Introduce new retail management system

- Adopt customer-oriented retail management
- Centralise product planning and related financial analysis
- Centralise product portfolio development and allocation planning, to improve overall inventory management efficiency



Marketing

■ Launch integrated marketing campaign for Core Brands

- Strengthen out-store promotions
- Roll out 25th anniversary promotion campaign
- Introduce large-scale thematic promotional activities

■ Broaden marketing reach

- Increase the variety of new media deployed to adapt to the changing consumer behavior



Realignment for Mid- to High-end Brands

- Remain as a long-term growth driver but will cautiously adjust its execution and expansion to match the changing market environment

- Cater to the growing middle-class
- Broaden customer base
- Enable Daphne customers to trade up

- Face challenges recently from keen competition and weakness in the department store channel

■ 2H 2012 plan:

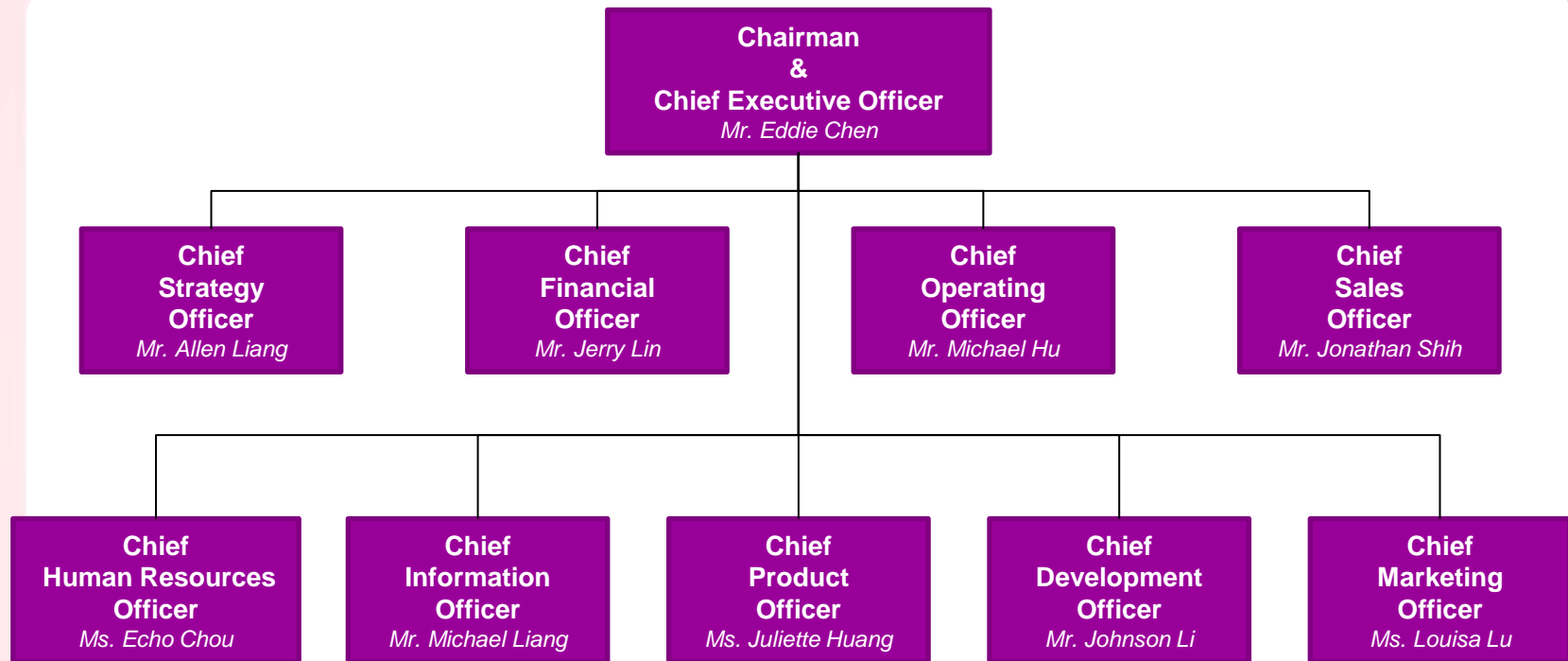
- Adjust expansion pace according to individual brand's performance
- Review and consolidate existing retail network
- Strengthen the differentiation of each brand
 - Enhance product design and development
 - Increase the diversity of the design team
 - Reinforce the brand identity of each brand



Cost Control Management

- **Accelerate staff scheduling optimisation to improve labour productivity**
- **Tighten control on the rental costs**
- **Optimise human resources structure to ensure competitiveness and efficiency**
- **Improve cost control, monitoring and variance analysis to build a cost-conscious culture**
- **Invest in management systems to enhance long-term operational efficiency and effectiveness**

Experienced Management Team



 **All executives possess over 17 years of functional experience, mostly in consumer and retail sectors**

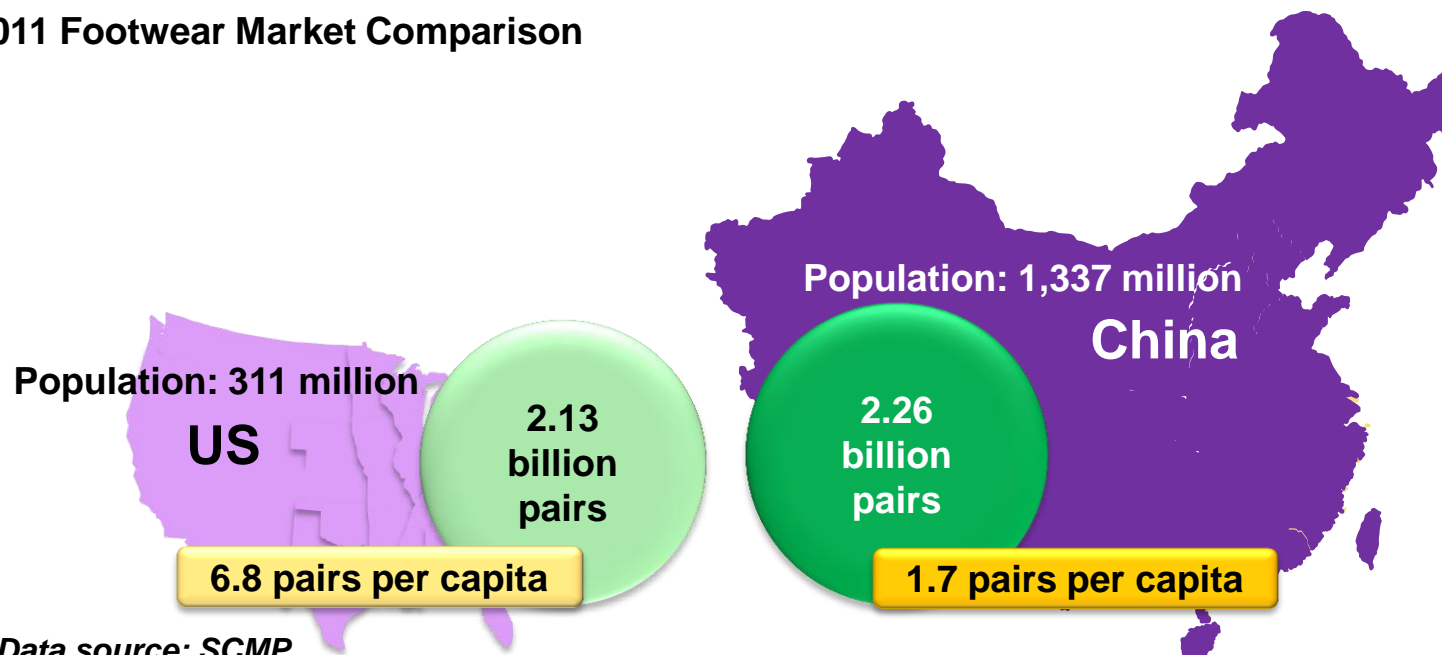
Growing Market Potential of China

- Continuous urbanisation boosts consumption growth
 - Urbanisation rate in China exceeded 50% for the first time in 2011 and reached 51.27%
 - Total urban population reached 690 million in 2011
- Increasing disposable income
 - Disposable income for urban population rose by 9.7% in 1H 2012
- Continued government policy to promote domestic consumption

Data source: National Statistics Bureau, PRC

China Footwear Market Potential

2011 Footwear Market Comparison

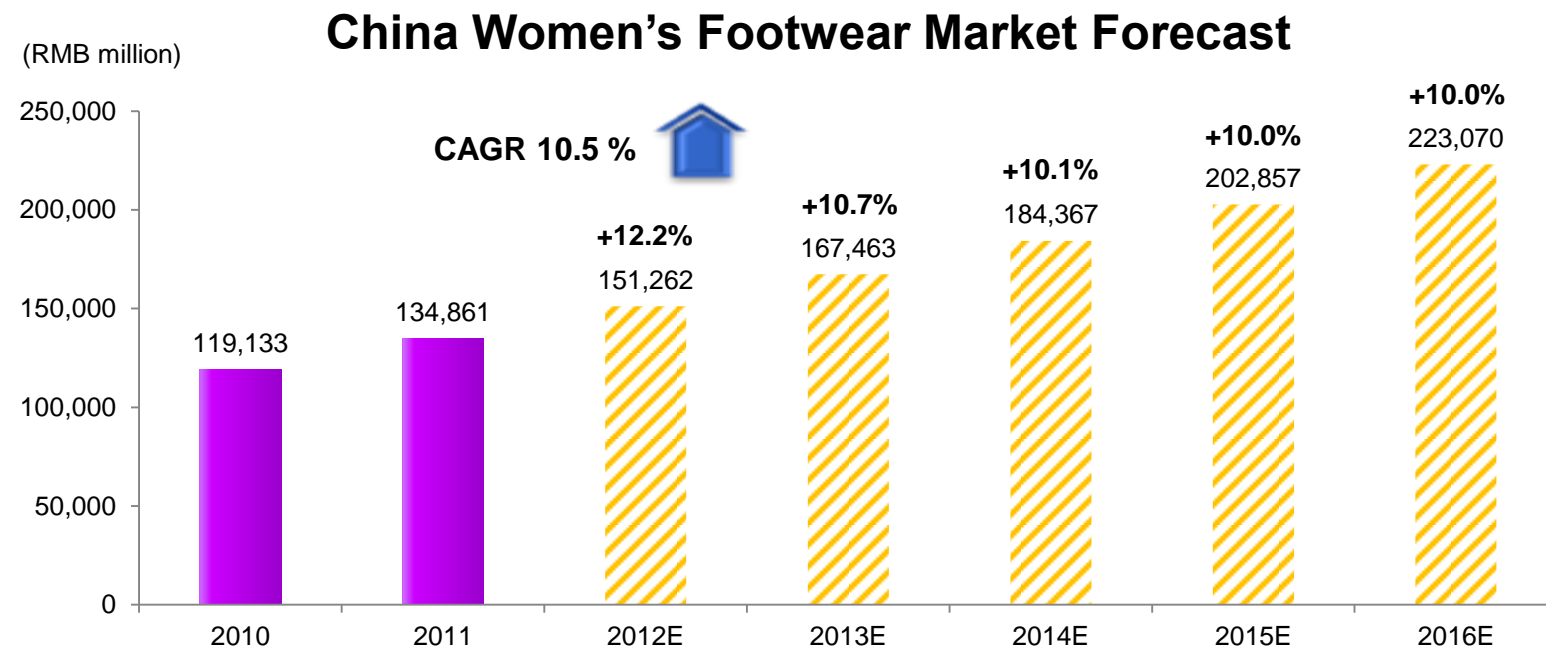


Data source: SCMP

Footwear consumption per capita in China is low

- China Footwear market size reached 2.26 billion pairs, surpassing the US (2.13 billion pairs) as the largest footwear market in the world
- China's population (1,337 million) is four times that of the US (311 million)
- Footwear consumption per capita in China was only 1.7 pairs, approximately 25% of US level, implying vast growth potential

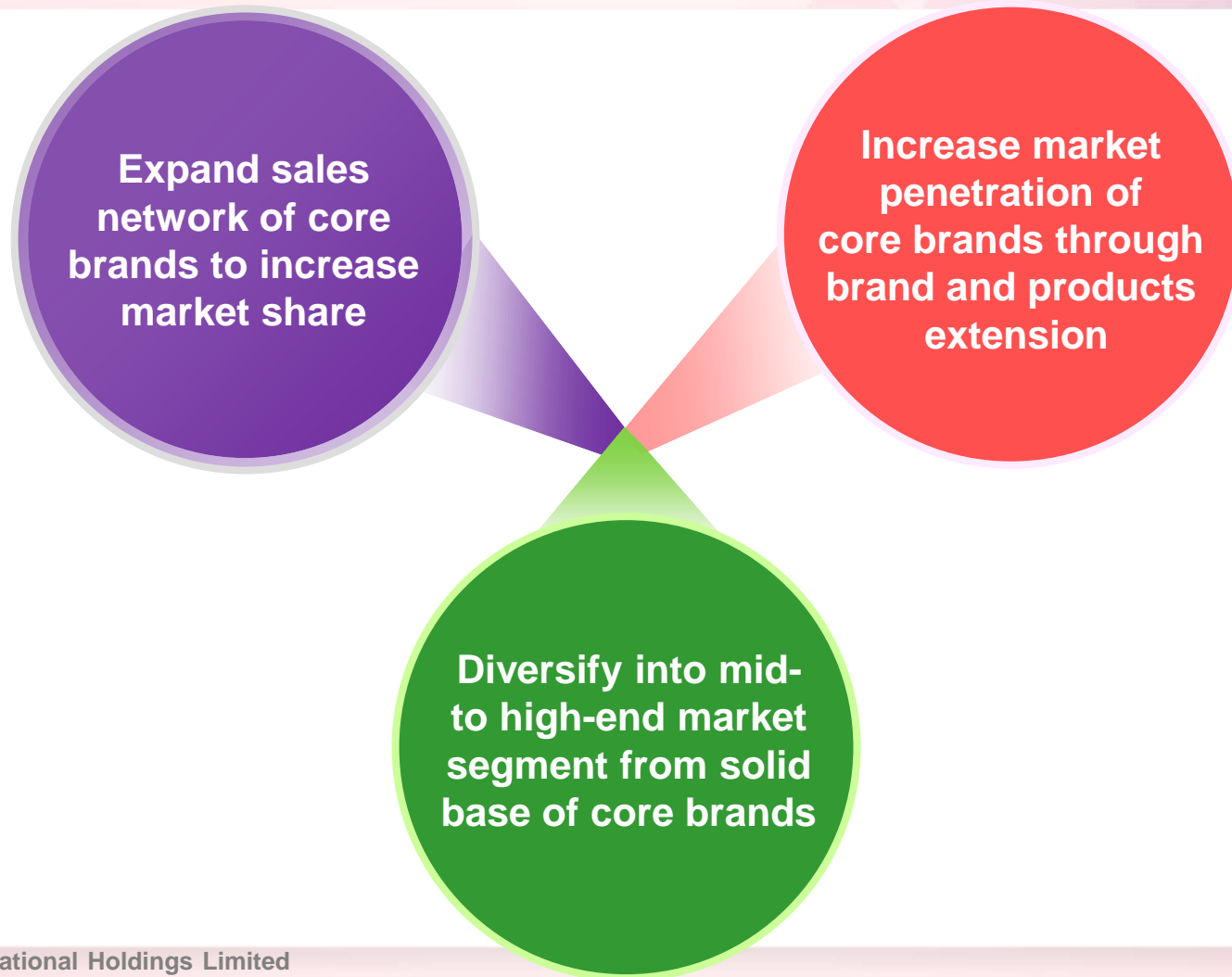
China Women's Footwear Market Prospect



Data source: Euromonitor

- **Euromonitor forecasts China women's footwear market to grow rapidly in the coming 5 years**
 - **Euromonitor forecasts China women's footwear market to reach RMB 223 billion by 2016, representing a CAGR of 10.5%**

Strategic Goals



Vision



A leading brand management company that provides ladies and their family members with trendsetting and quality products

Diversification Strategy



Brands

Products

Pricing

Sales Channels



Thank You

.....Q & A Session

DAPHNE INTERNATIONAL HOLDINGS LIMITED

達芙妮國際控股有限公司

Investor Relations Contact



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Appendix

DAPHNE GROUP



Growth Drivers

- **Continuous improvement in operational efficiency**
 - **More efficient supply chain management**
 - **More focused sales operation**
 - **More specialised sales channel management**
 - **Further enhancement in product design and development**
 - **Increasing the depth and breadth of marketing programmes**
 - **Strengthening brand management**
- **Strong professional management team**
- **More balanced business growth**

Competitive Advantages

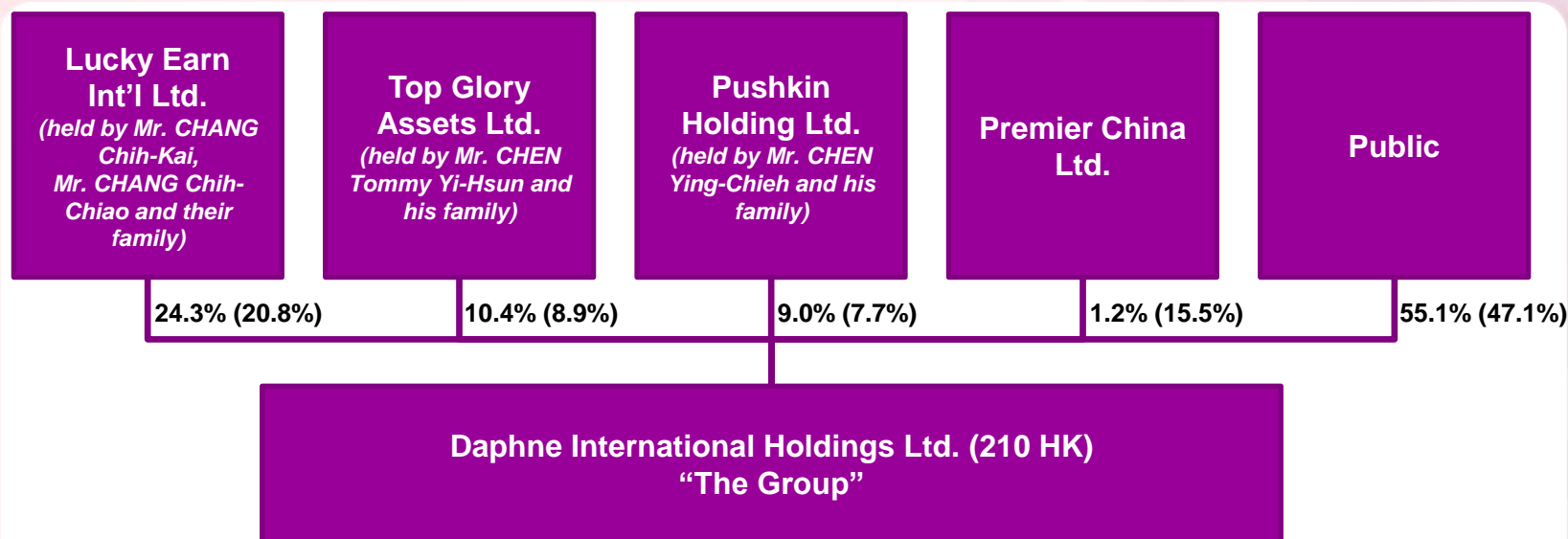
- **Leading retailer in ladies' footwear in China with strong own-brands, “Daphne” and “Shoebox”**
- **Unparalleled leadership position in the mass market**
- **Extensive nationwide sales network – reaching county level with over 6,500 outlets**
- **Vast directly-managed store network enables direct contact with customers, high autonomy and management control**
- **Solid base in mass market offers growth potential through diversification**
- **Sound financial position**
- **Experienced and professional management team**

Company Overview

- One of the leading ladies' footwear retailers in China
- Engages in product design & development, production, distribution, retail, and brand management
- Has 6,581 points-of-sales (POS) (*as at 30 June, 2012*)
- The Group's core brands (Daphne and ShoeBox) are distributed in nearly 6,000 POS in China, of which over 80% are directly managed POS
- Other than Daphne and ShoeBox, the Group's brand portfolio also includes AEE, Ameda, dulala, ALDO, AEROSOLE, etc.
- Listed on the Main Board in the Hong Kong Stock Exchange in 1995
- Market capitalisation is over HK\$12.5 billion (*as at 29 June, 2012*)

Shareholding Structure

As at 30 June, 2012



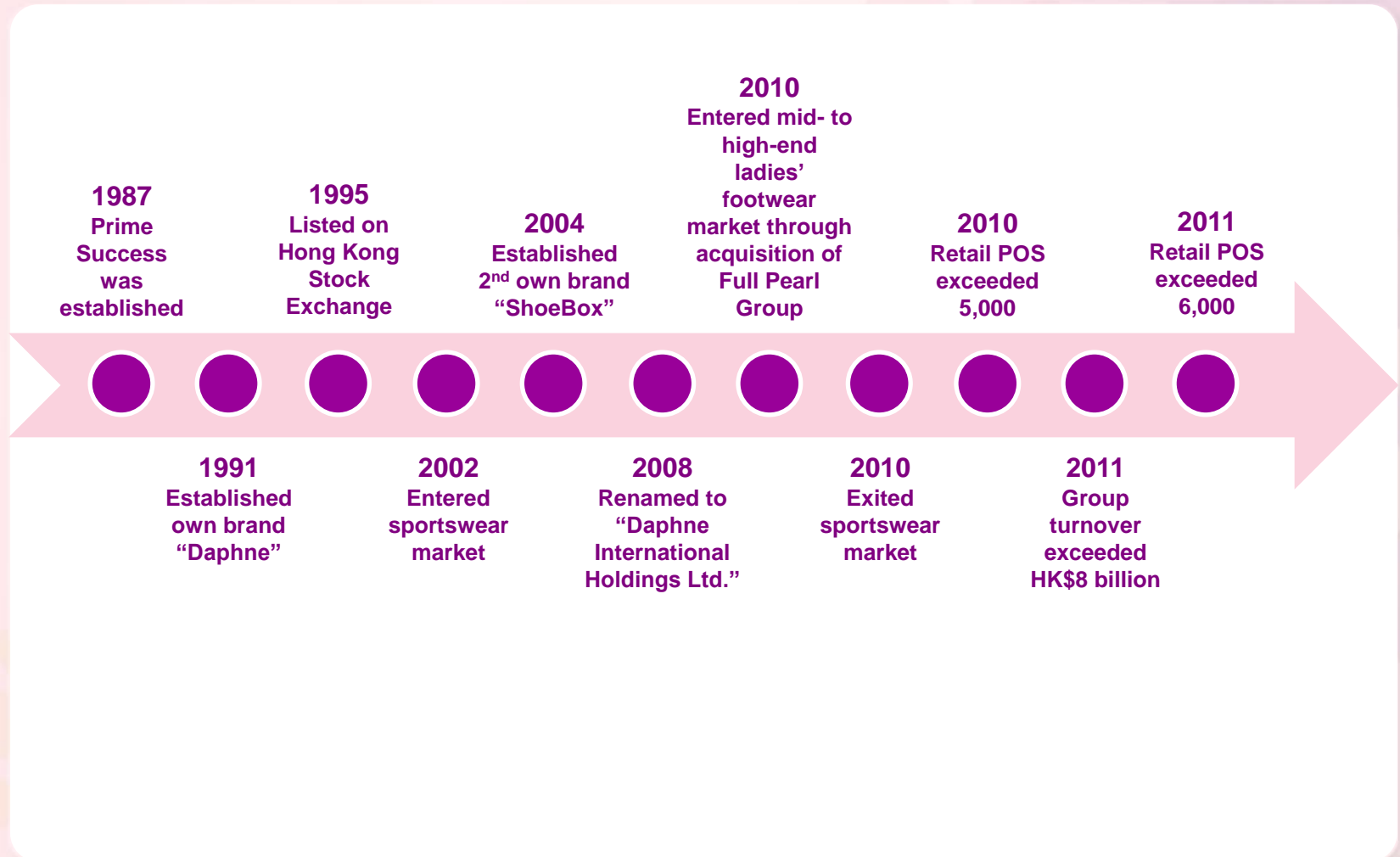
Notes:

1. Mr. CHEN Ying-Chieh is the Chairman and CEO of the Group
2. Mr. CHEN Tommy Yi-Hsun, Mr. CHANG Chih-Kai and Mr. CHANG Chih-Chiao are executive directors of the Group
3. Premier China Ltd. is a subsidiary of TPG Group Holdings (SBS) Advisors Inc.
4. Figures in the bracket indicate shareholding % after full conversion of convertible bonds and full exercise of warrants by Premier China Ltd.
5. Upon full conversion of convertible bonds and full exercise of warrants, Premier China Ltd. will obtain an additional 278,510,572 shares of the Company

Group's Brand Portfolio



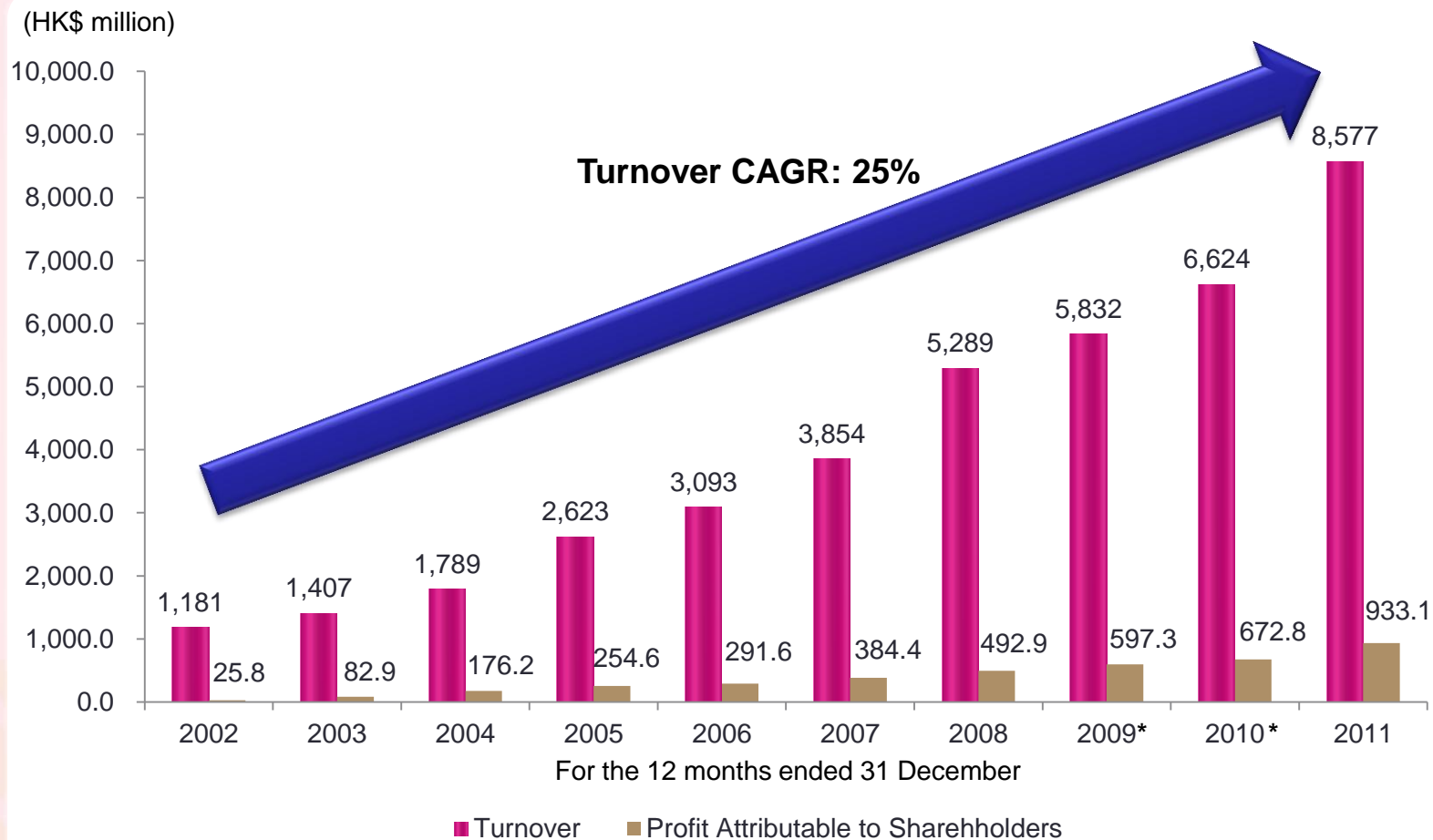
Group Milestones



Management Team - Profile

	Experiences	Date joined Daphne Group
<i>Chairman & CEO</i> Mr. CHEN Ying-Chieh, Eddie	Joined the Group since 1992 and has over 21 years of experience in the footwear industry	1992
<i>CFO</i> Mr. LIN Che Li, Jerry	Has over 18 years of financial planning and management experience at multi-national companies	Jan 2010
<i>COO</i> Mr. HU Huan Xin, Michael	Has over 21 years of supply chain and production management experience in consumer sector	Jan 2010
<i>Chief Marketing Officer</i> Ms. LU Ying, Louisa	Has over 19 years of brand development and marketing experience in consumer sector	Apr 2010
<i>Chief Product Officer</i> Ms. HUANG Hui Chun, Juliette	Has over 17 years of experience in the fashion industry	Sep 2010
<i>Chief Development Officer</i> Mr. LI Tao, Johnson	Has over 24 years of channel development experience in consumer sector	Dec 2010
<i>Chief Human Resources Officer</i> Ms. CHOU Wan Ching, Echo	Has over 22 years of human resources management experience in consumer sector	Feb 2011
<i>Chief Information Officer</i> Mr. LIANG Hai Xuan, Michael	Has over 17 years of information system management experience	Aug 2011
<i>Chief Strategy Officer</i> Mr. LIANG Sheuh Hvei, Allen	Has over 22 years of strategic development and operational management experience	Jan 2012
<i>Chief Sales Officer</i> Mr. SHIH Wen Che, Jonathan	Has over 27 years of experience in sales and general management in retail and service industries	Mar 2012

Consistent Turnover Growth



** Amount excluding fair value loss on warrants*