

**2 0 1 7**

**INTERIM RESULTS PRESENTATION**

30 August 2017

---

# Disclaimer

The information contained in this presentation is intended solely for your personal reference. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning Daphne International Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group”). The Company makes no representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information contained herein.

In addition, the information contains projections and forward-looking statements that may reflect the Group’s current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the Group’s assumptions are correct. It is not the intention to provide, and you may not rely on this presentation as providing, a complete or comprehensive analysis of the Group’s financial position or prospects.

This presentation does not constitute an offer or invitation to purchase or subscribe for any securities or financial instruments or to provide any investment service or investment advice, and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto.



# Summary of 1H 2017

- Sales of the Group decreased by 19.6%
  - YoY decrease of POS by 16.4%
  - Negative SSSG by 10.7%
- Group's gross margin and operating margin were comparable to 1H 2016
- Reduction of operating expenses (-19.7%) in line with sales decrease
- Operating loss narrowed by 17.7%
- E-commerce continued growth and remained profitable
- Inventory level and inventory turnover days continued to decrease
  - Inventory level reduced to HK\$1,254.7 million from HK\$1,414.5 million
  - Inventory turnover days decreased to 200 days from 232 days
- Financial position remains solid with net cash of HK\$607.4 million
- Group store network had a net closure of 330 POS
- Brand revamp rolled out as scheduled
- Initiated organisational restructuring to improve brand management and support business transformation



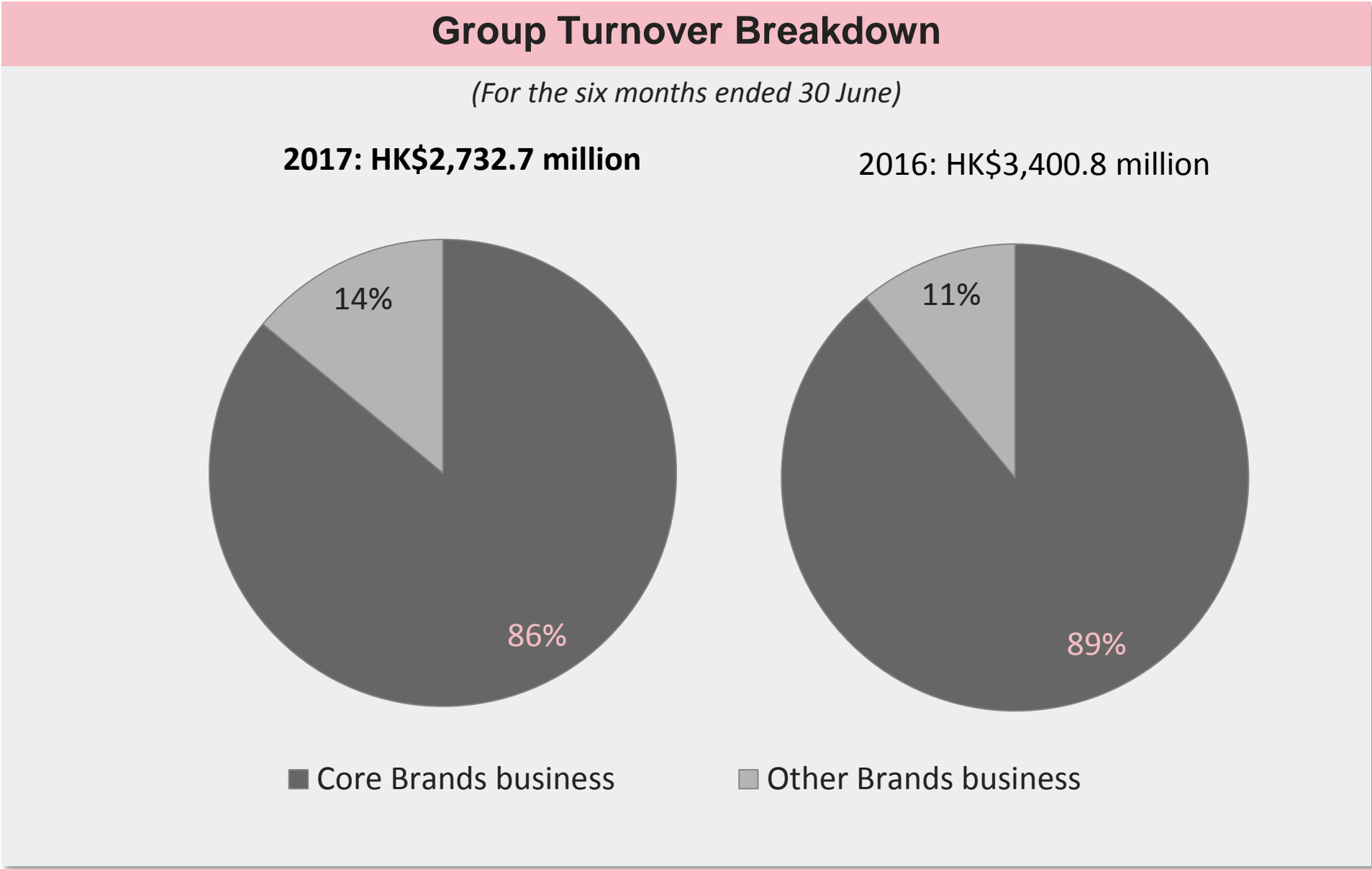
---

# Financial Review

# Group Financial Highlights

<i>(HK\$ million)</i>	1H 2017	1H 2016	Change
<b>Turnover</b>	2,732.7	3,400.8	-19.6%
<b>Gross profit</b>	1,522.0	1,884.2	-19.2%
<b>Operating loss</b>	(205.2)	(249.5)	-17.7%
<b>Loss attributable to shareholders</b>	(209.5)	(163.6)	+28.0%
<b>Basic loss per share <i>(HK cents)</i></b>	(12.7)	(9.9)	+28.3%
<b>Interim dividend per share <i>(HK cents)</i></b>	Nil	Nil	-
<b>Gross margin</b>	55.7%	55.4%	+0.3ppt
<b>Operating margin</b>	-7.5%	-7.3%	-0.2ppt
<b>Net margin</b>	-7.7%	-4.8%	-2.9ppt

# Group Turnover Breakdown



*Note: Core Brands business refers mainly to the operations under the brands “Daphne” and “Shoebox” in Mainland China  
Other Brands Business refers mainly to the Group’s e-commerce and operation under mid- to high-end brands*

# Group Gross Margin

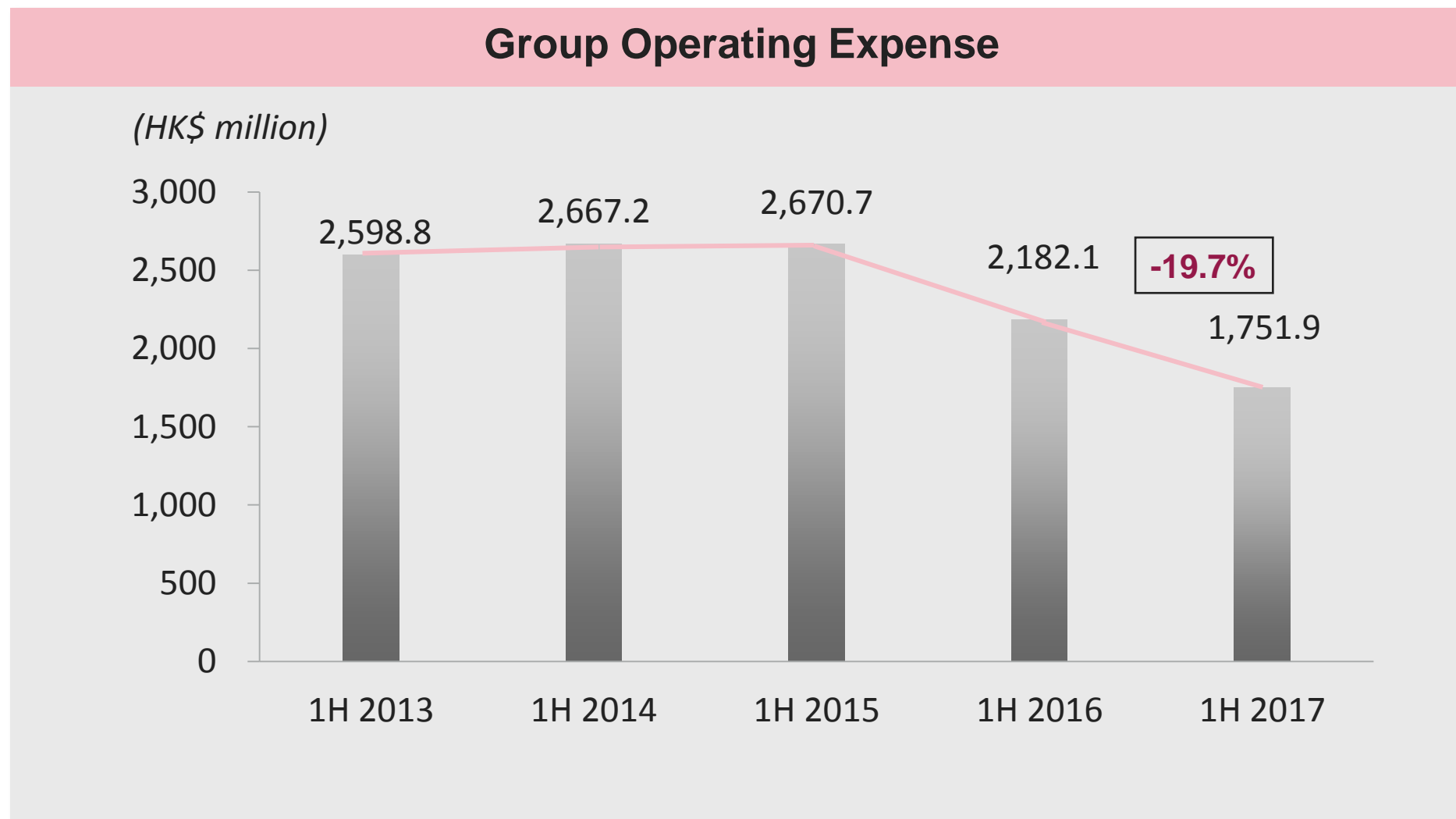
- Group's gross margin improved by 0.3ppt YoY, although the women shoes' mass market was still very competitive in 1H 2017
  - Increased weighting of new products in the sales mix
  - Upheld stable pricing policy for new products





# Group Operating Expense

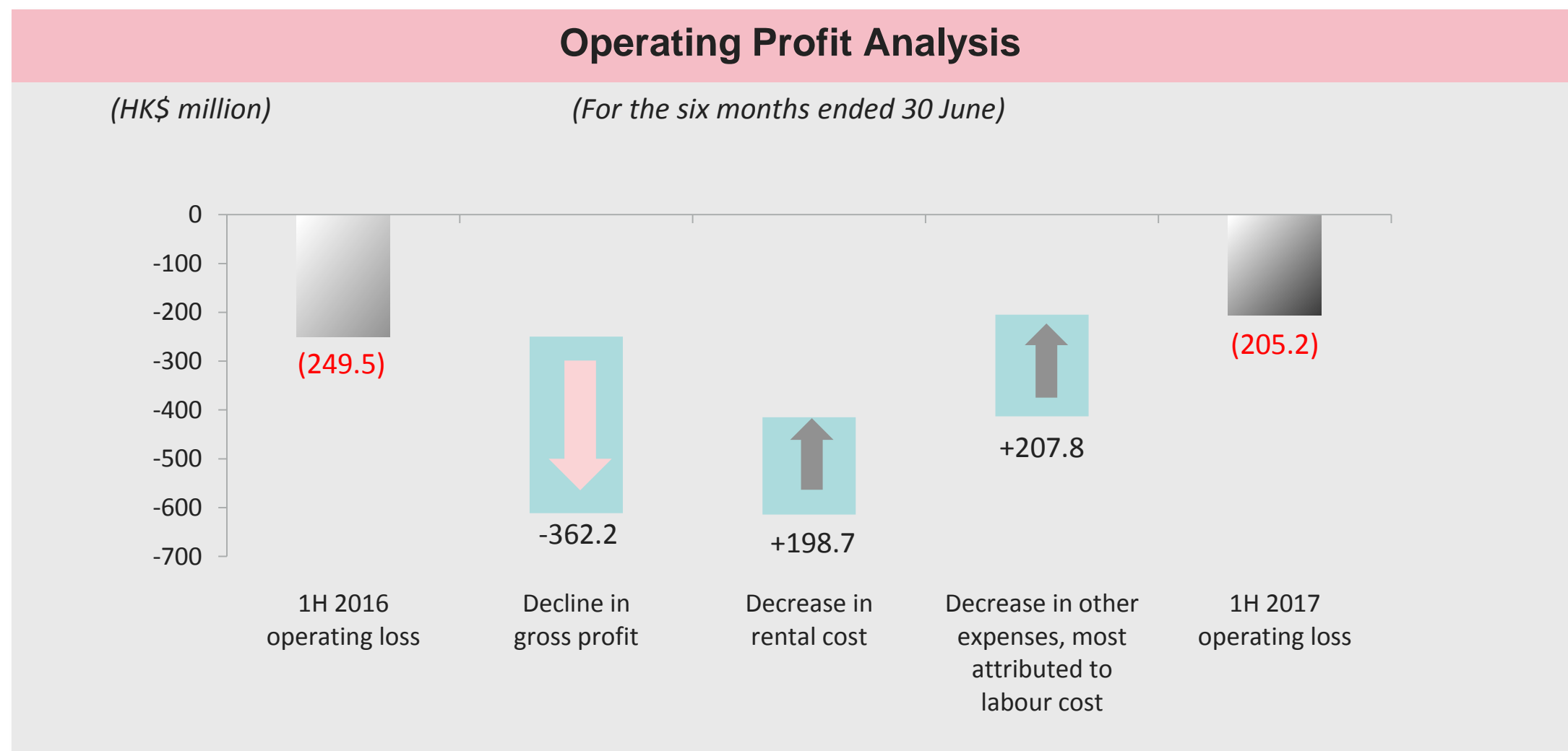
- Decreased by 19.7% YoY
- Group operating expense decreased in line with the decline in turnover





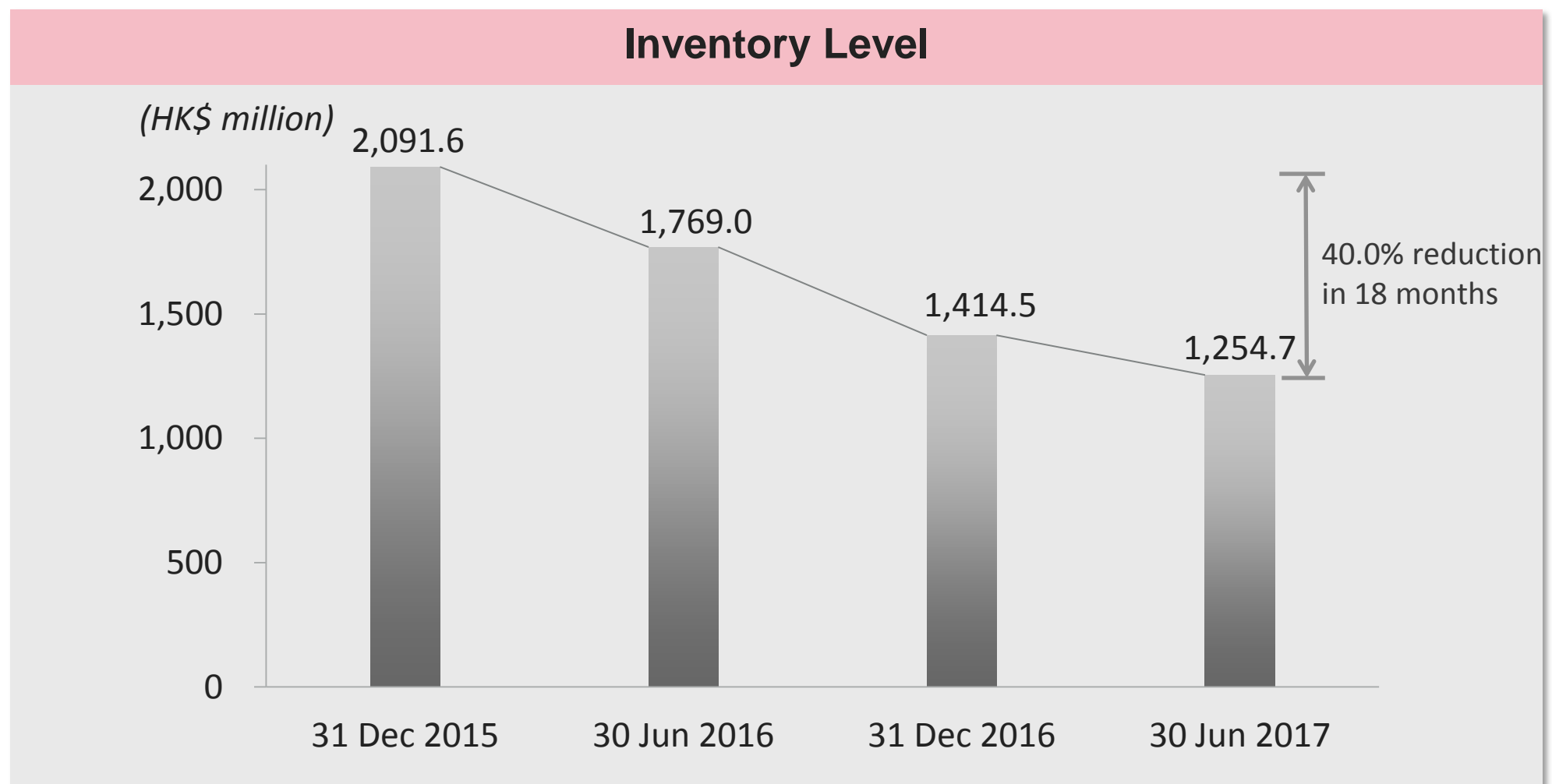
# Group Operating Profit Analysis

- Group gross margin increased by 0.3ppt YoY
- Group operating margin dropped by 0.2ppt YoY



# Inventory Level and Turnover Days

- Group inventory turnover days was 200 days, decreased by 32 days (2016: 232 days)
- Group inventory level continued to decrease to HK\$1,254.7 million, a reduction of HK\$159.8 million, as compared to that of 31 December 2016



# Working Capital and Capital Expenditure

- Capital expenditure decreased by 30.6% YoY
  - Less new store openings and renovation in 1H 2017

	1H 2017	1H 2016	Change
Average inventory turnover (days)	200	232	-32
Average debtors turnover (days)	15	14	+1
Average creditors turnover (days)	138	124	+14
Cash conversion cycle (days)	77	122	-45
Capital expenditure (HK\$ million)	45.3	65.3	-30.6%

# Other Key Financial Indicators

- The Group maintained its net cash position

	As at 30 Jun 2017	As at 31 Dec 2016	Change
Cash and bank balances (HK\$ million)	850.2	989.5	-14.1%
Bank loans (HK\$ million)	242.8	296.7	-18.2%
Equity attributable to shareholders (HK\$ million)	3,283.8	3,371.4	-2.6%
Current ratio (times)	2.7	2.4	+0.3
Net gearing ratio (%)	Net cash	Net cash	-

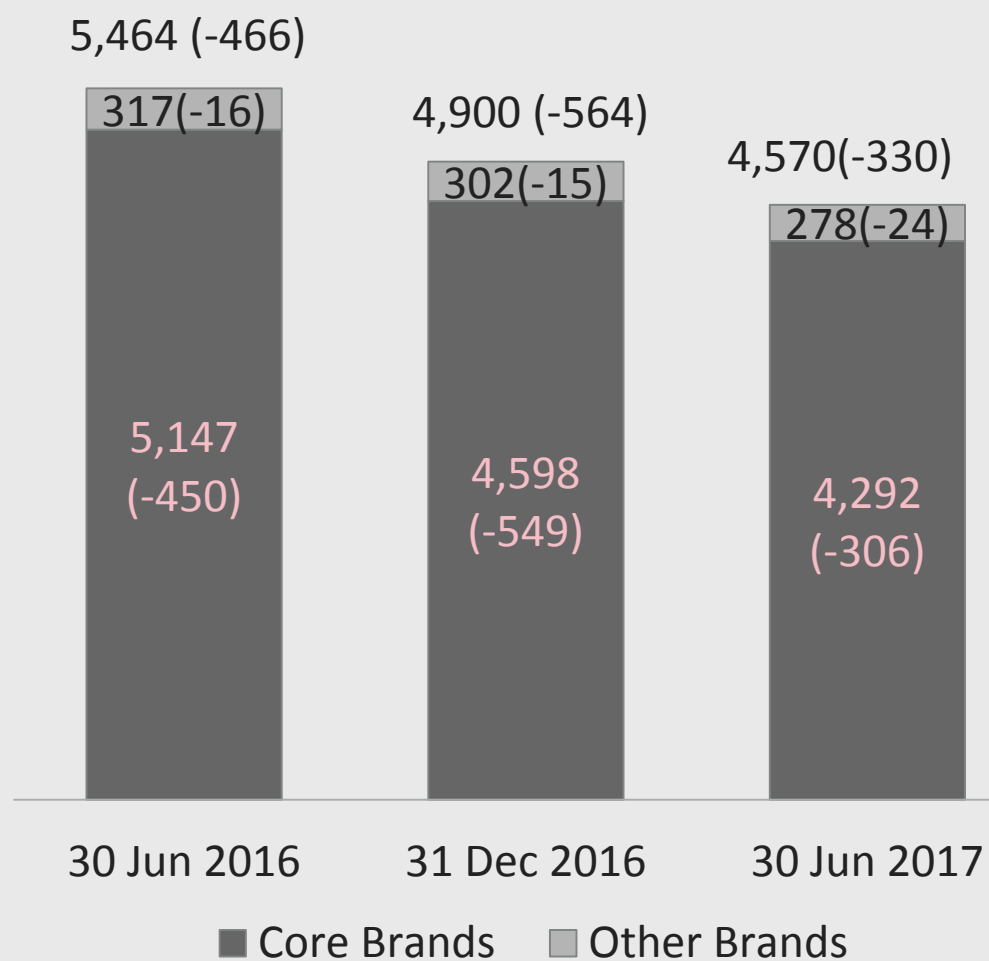


---

# Operational Highlights

# Group Sales Network

## Number of Points-of-Sales (POS)



- Continued store rationalisation
    - Core Brands had a net reduction of 306 POS, bringing the total to 4,292
    - Other Brands had a net closure of 24 POS
- (For the six months ended 30 June)*



# Core Brands Sales Network

- Net reduction of 306 POS (including 259 directly-managed stores and 47 franchised stores)

## Number of POS

	As at 30 Jun 2017	As at 31 Dec 2016	Change	% Change	As at 30 Jun 2016	Change	% Change
Directly-managed POS	3,987 (93%)	4,246 (92%)	-259	-6.1%	4,656 (90%)	-669	-14.4%
Franchised POS	305 (7%)	352 (8%)	-47	-13.4%	491 (10%)	-186	-37.9%
Core Brands Total	4,292	4,598	-306	-6.7%	5,147	-855	-16.6%

## Quarterly change in the number of POS

	1Q 2017	2Q 2017	1H 2017
Directly-managed POS	-88	-171	-259
Franchised POS	-36	-11	-47
Core Brands Total	-124	-182	-306

# Core Brands Sales Network (cont'd)

- Maintained greater representation in lower tier cities

	As at 30 Jun 2017		As at 31 Dec 2016		Change	% Change
	No.	%	No.	%		
<b>Tier 1 Cities</b>	448	10%	514	11%	-66	-12.8%
<b>Tier 2 Cities</b>	1,062	25%	1,125	25%	-63	-5.6%
<b>Tier 3 Cities</b>	817	19%	890	19%	-73	-8.2%
<b>Tier 4-6 Cities</b>	1,965	46%	2,069	45%	-104	-5.0%
<b>Total</b>	<b>4,292</b>	<b>100%</b>	<b>4,598</b>	<b>100%</b>	<b>-306</b>	<b>-6.7%</b>



# Core Brands Business - SSSG



- Average selling price was RMB161, comparable to that of same period last year

	1Q 2017	2Q 2017	1H 2017
Same-store sales growth	-11.3%	-10.2%	-10.7%

# Core Brands Business - Performance

(HK\$ million)	1H 2017	1H 2016	Change
Turnover	2,465.1	3,113.6	-20.8%
Gross profit	1,294.9	1,649.7	-21.5%
Gross margin	52.5%	53.0%	-0.5ppt
Operating loss	(191.1)	(236.4)	-19.2%
Operating margin	-7.8%	-7.6%	-0.2ppt

- **Core Brands' turnover decreased by 20.8%**
  - YoY reduction of 16.6% POS
  - SSSG -10.7%
- **Gross margin decreased by 0.5ppt**
  - Positive impact on gross margin brought by stable pricing policy for new products was offset by the aggressive clearance effect of aged products
- **Operating margin decreased by 0.2ppt**
  - Decrease in sales
  - Decrease in gross profit
  - Negative operating leverage



# Other Brands Business - Performance

(HK\$ million)	1H 2017	1H 2016	Change
Turnover	380.9	388.8	-2.0%
Gross profit	222.0	221.2	+0.4%
Gross margin	58.3%	56.9%	+1.4ppt
Operating profit	4.1	1.7	+141.2%
Operating margin	1.1%	0.4%	+0.7ppt

- **Turnover of Other Brands business decreased by 2.0%**

- Turnover growth of e-commerce did not offset the decline of turnover in mid- to high-end brands and others
- Mid- to high-end brands and others had a YoY net decrease of 12.3% in POS

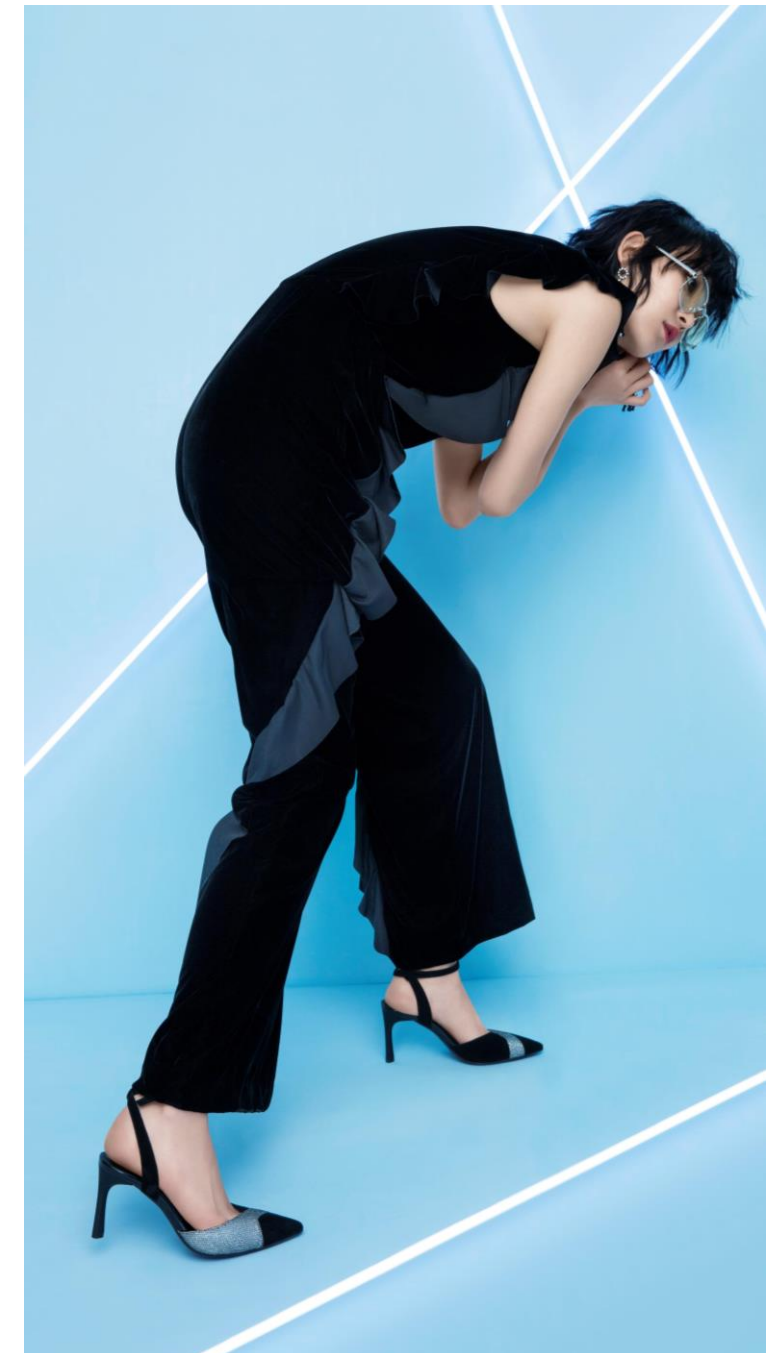
- **Overall gross margin of Other Brands business increased by 1.4ppt**

- Increased weighting of new products in sales mix

- **E-commerce turnover continued growth and remained profitable**

- **Other Brands business recorded an operating profit of HK\$4.1 million**

- Increased contribution of the profitable e-commerce unit



---

# Outlook



# Brand Revamp - Full-fledged Uplifting



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

# Progress and Next Steps

Item	Progress Made in 1H 2017	Next Step
<b>1. New Brand Identity</b>	<ul style="list-style-type: none"> <li>Launched new logo and brand identity in Q2</li> <li>Gave a facelift to company website, product packaging, marketing collateral, online stores, official accounts on social media, etc to align with the new brand identity</li> </ul>	<p>➡ Ongoing efforts to monitor the consistency in projecting the new brand image nation-wide</p>





# Progress and Next Steps

Item	Progress made in 1H 2017	Next Step
<b>2. Brand Marketing</b>	<ul style="list-style-type: none"> <li>Efforts concentrated on core marketing programmes such as crossover projects and stopped the less cost effective marketing activities</li> <li>As part of brand marketing, the first major crossover project was to partner with an influential US fashion brand, Opening Ceremony (“OC”).</li> </ul>	<p>➡ Organise a 3-month integrated marketing program under ‘Pink Crush’ theme to launch OC crossover project (Jun - Aug)</p>



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

# DAPHNE X OPENING CEREMONY

## — Background

- Launch Date: 18 August, 2017
- Develop two seasonal collections for fall and winter of 2017
- Products were designed by OC, and produced, marketed and distributed by Daphne
- Daphne is the first brand that OC collaborates with in Mainland China



**ABOUT OPENING CEREMONY**

- An influential fashion brand from USA, that is highly regarded by fashionistas
- Founded by Carol Lim and Humberto Leon in 2002
- They are also Creative Directors of Kenzo and led its relaunch
- Strong social media following and opinion leader in the fashion industry
- Recent crossover projects: Adidas, Vans, Lane Crawford





# DAPHNE X OPENING CEREMONY

## — Launch Event

- 10 celebrities and KOLs, and more than 50 fashion media were invited
- Pop-up store opened from 19 to 25 August, 2017 at Shanghai Times Square





# DAPHNE X OPENING CEREMONY

## — Media Coverage

### 时尚COSMOPOLITAN

时尚COSMO V

6月21日 09:00 来自 微博 weibo.com

达芙妮继3月发布颠覆品牌固有形象的2017年春夏系列大片后，现今再次释出重磅消息，正式宣布联手美国顶尖时尚潮流品牌OPENING CEREMONY，推出跨界合作系列，让这个夏天掀起一场以PINK CRUSH为主题的潮流盛宴。



时尚头条

快讯：达芙妮品牌全面升级 将与潮牌OPENING CEREMONY推出跨界合作系列

2017-06-21

ELLE CHINA  
www.ellechina.com



达芙妮牵手OPENING CEREMONY开启品牌2.0时代

SHOW

嘉人

marie claire

FASHION

首页

时装趋势

嘉人美妆

嘉人观点

珠宝腕表

生活

杂志

专题

人首页 - 时装趋势 - 新鲜汇 - 牵手OPENING CEREMONY 达芙妮开启品牌

2017年06月21日 星期三

牵手OPENING CEREMONY 达芙妮开启品牌2.0时代

凤凰时尚

凤凰网时尚 > 时装 > 搭配全指南 > 正文

达芙妮牵手OPENING CEREMONY开启品牌2.0时代

< 返回

了不起日报

...

达芙妮知道吗达芙妮?! | 它居然要和Opening Ceremony出跨界合作系列了!

(原创) 2017-06-27 SivA 了不起日报



全球潮流时尚榜 V

6月21日 14:49 来自 微博 weibo.com

今早看到一条消息震惊了,一直很喜欢的美国潮牌OPENING CEREMONY竟然要和达芙妮推出跨界合作系列...以前想买OC家的东西还要特地飞香港东京,这次终于能在自家门口愉快拔草了!!顺手搜了搜达芙妮转型后的图看,这时髦度,已经不是你我记忆中的那个达芙妮了

# DAPHNE X OPENING CEREMONY

## — Customer Feedback

 DaphneFashion 



楠楠帽  7

跨界合作有点意思，作为达芙妮忠诚粉丝，很看好这次的新品，期待中.....😏😏

7月28日



Mei by\*  6

好期待啊，家里的鞋子基本都是达芙妮的啦



7月28日





给你简讯  6

个性，达芙妮越来越棒



7月28日

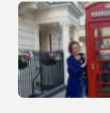
 包公子姐儿 




支寄琴  31

那个袜靴真的好好看啊，而且今年好流行啊

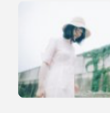
 Back 了不起日报 




Maya  8

终于要有买得起的OC了!!! 感动!!!

Yesterday



Loara  8

高三毕业时买过一双达芙妮坡跟鞋作为礼物给自己 后来达芙妮越来越大众化不青春就没再买过了 上个星期逛街路过一个简洁大方的店面 抬头一看达芙妮 哈哈震惊于是我倒回去又看了一下🤔🤔🤔

Yesterday



毛毛的褶子：想知道什么时候发售

8月1日 11:25



Lessing\_kumi：达芙妮你太棒了！就是喜欢这种感觉！

8月2日 12:30



Alaso\_梦颖嘻★：达芙妮崛起了！鞋子又好看又舒服。

6月21日 10:42



呦呼FF：达芙妮要变高大上了啊

6月23日 08:19



# Progress and Next Steps

Item	Progress made in 1H 2017	Next Step
<b>3. New Store Image</b>	<ul style="list-style-type: none"> <li>Launched the prototype store of the new image for Daphne in June 2017</li> </ul>	<p>➡ To formulate a roll-out plan for new-image store of Daphne</p>





# Progress and Next Steps

Item	Progress made in 1H 2017	Next Step
<b>4. Product Upgrade</b>	<ul style="list-style-type: none"> <li>Appointed the award-winning shoe designer to lead the Group's design function</li> <li>Expanded and restructured the design team</li> <li>Rearranged the product portfolio to adapt the recent market changes and latest fashion trend</li> </ul>	<ul style="list-style-type: none"> <li>➡ F/W 2017 season will include first batch of products designed by energised design team</li> <li>➡ To put emphasis on the "trendiness" in the product design</li> <li>➡ The uplift of product design will be intended to be gradual</li> </ul>





# Progress and Next Steps

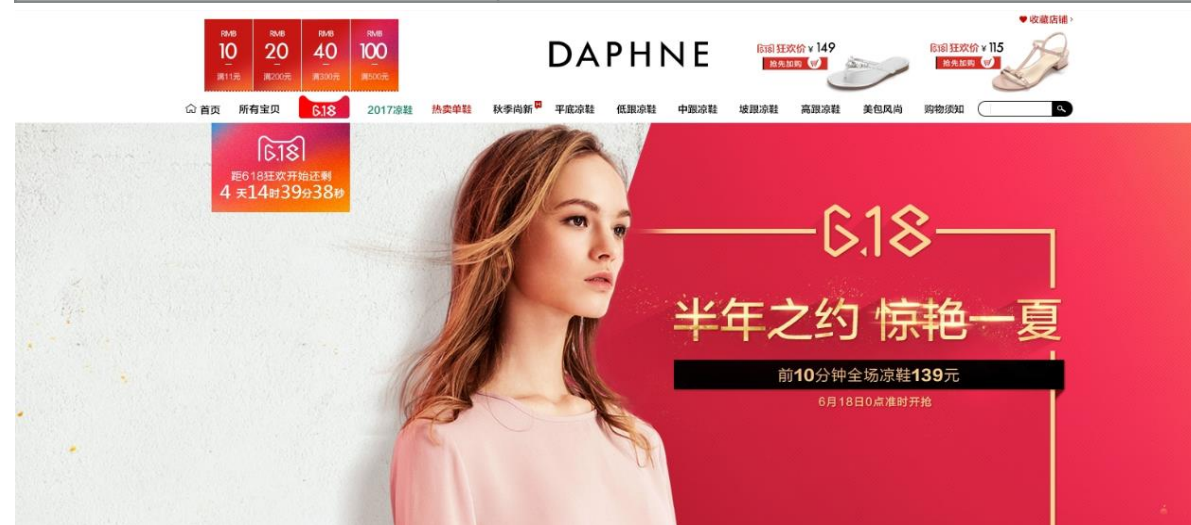
Item	Progress made in 1H 2017	Next Step
<b>5. Channel Mix</b>	<ul style="list-style-type: none"> <li>Continued store rationalisation and resulted 306 net closures under Core Brands</li> <li>Made channel adjustment according to refined brand positioning to ensure consistent brand image</li> </ul>	<ul style="list-style-type: none"> <li>➡ Continue optimisation of store network according to market situation and sales performance</li> <li>➡ Continue to adjust and optimise channel mix</li> </ul>
<b>6. Organisational Restructuring</b>	<ul style="list-style-type: none"> <li>Initiated organisational restructuring in late June, mainly to achieve a flatter structure of the brand management team</li> <li>To facilitate a consistent brand experience, and more effective internal communication</li> </ul>	<ul style="list-style-type: none"> <li>➡ The new structure will strengthen the brand differentiation and help achieve sustainable sales performance</li> </ul>

# Progress and Next Steps

Item	Progress made in 1H 2017	Next Step
<b>7. Revitalise CRM</b>	<ul style="list-style-type: none"> <li>Revitalised the CRM programme to build a better platform to improve connection with customers and expand customer base</li> <li>Increased frequency of communication and promotions to engage customers</li> <li>Enriched the customer loyalty programme to encourage repeat purchase</li> </ul>	<ul style="list-style-type: none"> <li>➡ To partner with online shopping sites to strengthen the customer management mechanism</li> <li>➡ Ongoing efforts to actively engage customers via social media platforms and online marketing, and encourage repeat purchase</li> </ul>
<b>8. Improve Sales Capability</b>	<ul style="list-style-type: none"> <li>Started offering brand management training to improve brand management skills with ultimate goal to enhance shopping experience</li> <li>Rolled out the training programme for new service standard to align with new brand image</li> </ul>	<ul style="list-style-type: none"> <li>➡ To provide sales staff with product briefing and training for the F/W 2017 product launch designed by the energised design team</li> <li>➡ Continue to review and update frontline sales staff training regarding sales skills and product knowledge</li> </ul>

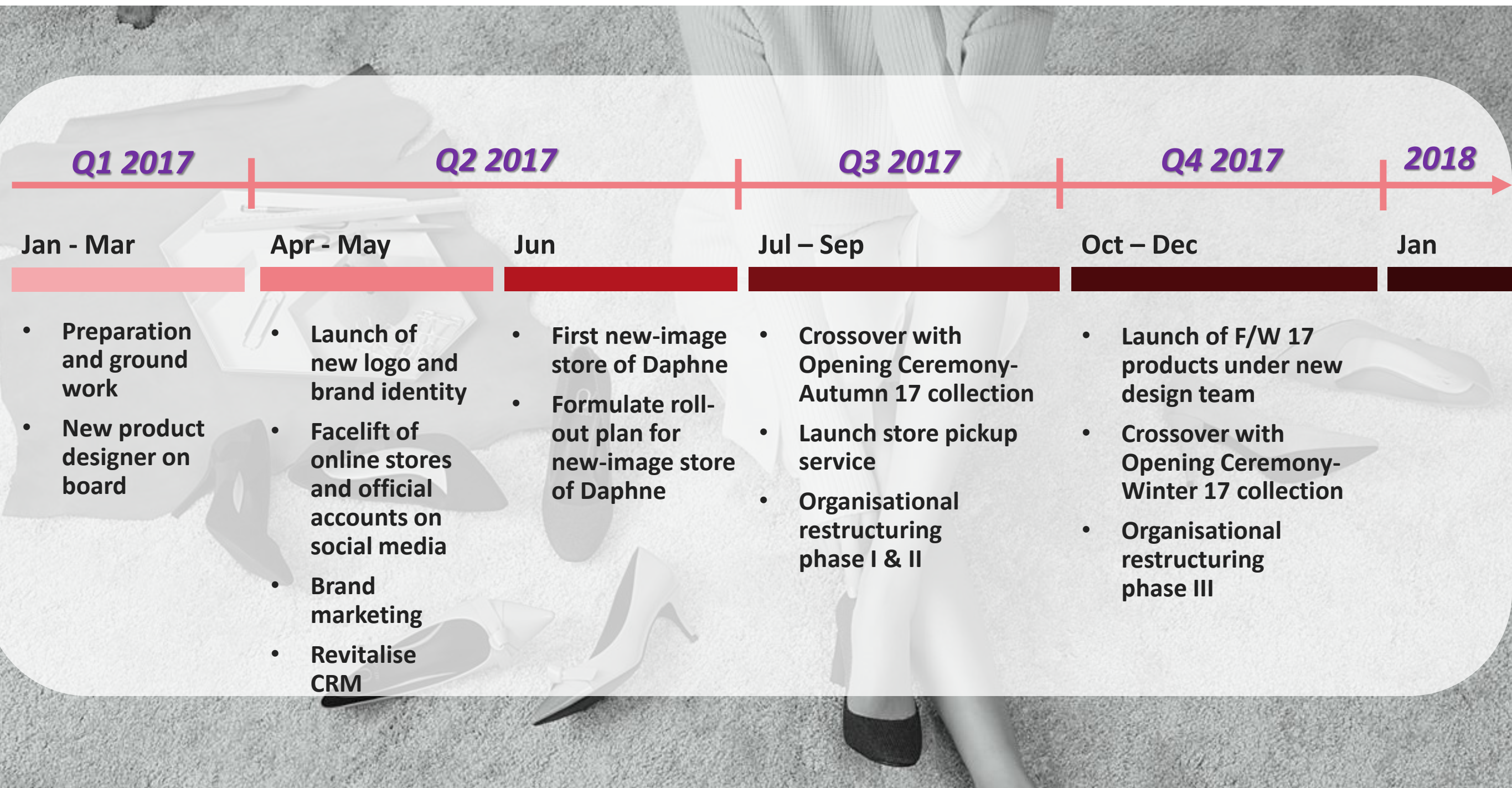
# Progress and Next Steps

Item	Progress Made in 1H 2017	Next Step
9. Expand E-commerce Business	<ul style="list-style-type: none"> <li>Continued to achieve sales growth and remained profitable</li> <li>Drove more interactions between online and offline ("O2O") e.g. marketing &amp; promotions, CRM, warehouse sharing, product delivery</li> <li>launched officially the store pickup service from the Group's selected stores for orders placed online</li> </ul>	<p>➡ Continue to drive omni-channel model by increasing online and offline interactions in various aspects</p>





# Timeline for Key Events







## Target

Revive the growth path and  
achieve turnaround ASAP

## Vision

To be the most popular mass-fashion brand  
with leading market share and customer reputation ,  
whilst creating superior shareholder's return





# Thank You

.....Q&A session

# Investor Relations Contact

**Ms. Macy Leung**

+852 2367 9022

[macyleung@daphneholdings.com](mailto:macyleung@daphneholdings.com)

**DAPHNE**

