

[For Immediate Release]

**Daphne International Holdings Limited**  
**2013 Interim Results Announcement**

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**Group Turnover Increased by 1.7% to HK\$5,168.2 Million**  
**Turnover of Core Brands Business Grew by 2.1% to HK\$4,738.6 Million**

**Operational Highlights:**

- Group turnover grew 1.7% to HK\$5,168.2 million
- Turnover of core brands business registered 2.1% growth to HK\$4,738.6 million
- Proportion of directly-managed stores under the Core Brands increased to 86%
- Total number of points-of-sale increased reached 7,054, of which the number of Core Brands increased by 212 to 6,581

*\*Core Brands business refers to the business of “Daphne” and “Shoebox” in Mainland China*

(26 August 2013 – Hong Kong) – The leading ladies’ footwear retailer in China – **Daphne International Holdings Limited** (“Daphne” or the “Group”, stock code: 0210), announced today its interim results for the six months ended 30 June 2013.

For the six months ended 30 June 2013, the Group’s consolidated turnover amounted to HK\$5,168.2 million, representing an increase of 1.7% from HK\$5,079.5 million in the same period last year. The Group’s gross profit for the period was HK\$3,013.2 million, basically flat from HK\$3,083.3 million in the same period last year. Operating profit was down 35.6% to HK\$450.5 million (1H 2012: HK\$699.6 million).

Profit attributable to shareholders for the period amounted to HK\$310.3 million (1H 2012: HK\$482.6 million). Basic earnings per share were 18.82 HK cents (1H 2012: 29.36 HK cents). The Board recommended payment of an interim dividend of 6.0 HK cents (1H 2012: 9.0 HK cents) per share for the six months ended 30 June 2013. The dividend payout ratio is 31.9% (1H 2012: 30.7%).

As at 30 June 2013, the Group’s points-of-sale (POS) totaled 7,054, of which the number of POS for Core Brands increased by 212 to 6,581.

**Core Brands Business**

During the period under review, consumer sentiment in Mainland China remained soft. Poor weather conditions and the unusually cold spring season dampened store traffic, which exerted further downward pressure on the sales performance. As street stores dominated the Group’s sales network, the Group was under greater exposure to the impact of the prolonged unfavourable weather. The outbreak of the Avian flu in Eastern China during the period also casted certain negative effect to the foot traffic of the Group’s stores. Under the influence of several unfavourable factors, turnover of the Group’s “Daphne” and “Shoebox” Core Brands business in Mainland China still recorded growth of 2.1% to HK\$4,738.6 million (1H 2012: HK\$4,639.7 million), while same store sales growth was negative. During the period under review, average selling price slightly decreased by about 1% as compared to that of the same period last year, and thus was not a major contributing factor to the lower sales performance.

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To cope with the sluggish market environment, the Group slowed down the store opening pace during the period under review. As at 30 June 2013, the Group had 6,581 POS (including 5,690 directly-managed stores and 891 franchised stores) under its Core Brands, with a net increase of 212 POS during the period under review, as compared to 366 net store openings for the same period last year. By adding 263 directly-managed stores and reducing 51 franchised stores, the proportion of directly-managed stores increased to approximately 86% of the total store portfolio of the Core Brands, up from 83% for the same period last year.

Under such a slow-sales-growth environment, the larger fixed-cost base resulted from the increased proportion of directly-managed stores last year led to negative operating leverage. Together with the inflationary pressure in the rental and staff costs, the operating margin of the Core Brands business in the first half of the year decreased to 10.4%.

**Other Brands business**

The Other Brands business of the Group mainly refers to the operation of mid- to high-end brands, including own-brands and brands with exclusive distribution rights, in Mainland China, Hong Kong and Taiwan. Brands including “AEE”, “Ameda”, “ALDO”, and “AEROSOLE” in this business segment cater to the growing middle-class consumer segment and broaden the Group’s customer base in the long run. Affected by the general softness of the market, turnover of Other Brands business amounted HK\$328.8 million, similar to that of the same period last year (1H 2012: HK\$332.6 million). During the period, this business contributed approximately 6% (1H 2012: 7%) to the Group’s total turnover during the interim period. Consolidation of this segment continued during the period, including rationalization of store network and adjustment in brand positioning. Therefore, the Group reduced 39 POS to 473 POS for its Other Brands business as of 30 June 2013.

**Efficiency Improvement initiatives**

The Group remained committed to the efficiency improvement initiatives introduced earlier this year, despite the sluggish market environment during the period. The Group enhanced product design and adjusted product range to broaden the appeal of its offerings. It also improved staff training programs and store operation management to increase sales productivity. Customer Relations Management system (“CRM”) was utilized to enable more targeted marketing. Measures were also stepped up to monitor and control costs, especially on the labour and rental cost front.

To cope with the prevailing challenges in the current operating environment, the management team is dedicated to taking necessary steps to improve results of 2013, as well as building stronger fundamentals to achieve long-term growth. A comprehensive action plan has been formulated, with emphasis on increasing sales productivity and enhancing same store sales growth, strengthening product offerings and supply chain management, as well as bolstering brand image and increasing marketing efficiency.

Looking ahead, Mr. Eddie Chen, Daphne’s Chairman and Chief Executive Officer, concluded, “Despite the low visibility of the market outlook in the second half of the year, the Group is committed to implementing all key initiatives and believes their benefits will be gradually reflected in the medium term. Although the Group sees softness of the market leading into July and August, the management team is making efforts to strengthen and accelerate the launch of fall/winter collection in an effort to achieve sales increase for the season. In sum, the Group will make every effort to revive growth and improve its performance in the second half of 2013.”

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**About Daphne International Holdings Limited:**

Established in 1987, Daphne International Holdings Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1995 and has been admitted as one of the constituent stocks of the Hang Seng MidCap Index, effective on 7 March 2011, and one of the constituent stocks of MSCI Global Standard Indices – MSCI China Index with effect from 30 November 2011. The Group is principally engaged in the manufacturing, marketing and distribution of ladies' footwear under its own and exclusively-distributed brands, with over 7,000 points-of-sale in Mainland China, Taiwan and Hong Kong. Its core own-brand, "Daphne", is now a leading ladies' footwear brand in Mainland China, and another own-brand, "Shoebox", is also growing at a fast pace in the mass market of Mainland China.

Daphne ranked the second in the award of the Best Managed Mid-Cap Companies in China 2012 by *FinanceAsia*, a leading financial publication in Asia.

For further information, please visit [www.daphne.com.cn](http://www.daphne.com.cn) or contact:

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