

# DAHPNE INTERNATIONAL HOLDINGS LIMITED

達 芙 妮 國 際 控 股 有 限 公 司

## Daphne FY2008 Interim Results Turnover Up 34% to HK\$2,348.6 million Profit Grows 40% to HK\$258.4 million

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### Actively Expanding Brand Business to Grow Market Share

(27 August 2008 – Hong Kong) – Daphne International Holdings Limited (“Daphne” or the “Group”, formerly known as Prime Success International Group Limited), an integrated footwear group with huge growth potential in the Greater China (stock code: 210), today announced its interim results for the six months ended 30 June 2008.

Under the backdrop of the continuous growth of retail market in China during the review period, the Group’s brand business delivered satisfactory performance with a significant growth of 34% in overall turnover, reaching HK\$2,348.6 million. The profit attributable to equity holders of the Company surged by 40% to HK\$258.4 million. The gross margin and the net margin recorded were 51% and 11% (2007: 48% and 11%) respectively. During the period, earnings per share was HK15.78 cents, 40% higher than the corresponding period last year. The Board of Directors proposed an interim dividend of HK2.5 cents per share for the year ending 31 December 2008.

**Mr. Chen Ying-Chieh, Chairman of Daphne**, said, “During the period under review, “Daphne” and “Shoebox” recorded particularly outstanding results, which were regarded as the core income derivatives. International footwear brands, namely “Arezzo”, “Sofft” and “Born”, were also officially introduced in the Mainland China market during the period. To better reflect our strong sales network and clear market positioning, the Group changed its name on 18 June 2008. We have confidence in the long-term development of our brand business.”

#### Company-owned Brands

The Group further raised “Daphne” brand’s awareness in Mainland China and Taiwan and added 212 points-of-sale for the first half of 2008. As at 30 June 2008, “Daphne” had 1,695 stores, 541 counters and 350 franchised outlets. The brand, which recorded a same store sales growth rate of 16% during the period under review, was the major growth driver of the Group. The gross profit margin and operating profit margin grew satisfactorily during the period.

Seeing the increase in “Daphne” brand’s awareness, the Group continued to adopt innovative strategies to promote its popularity. During the period under review, the Group continued to appoint the popular girl pop group “S.H.E” and Ms. Rene Liu as the spokespersons for “Daphne - D18” and “Daphne - D28” respectively. **Mr. Chen Hsien Min, Managing Director of Daphne**, said, “The Group recognises the importance of brand image, and via creative promotional activities including sponsoring concerts, TV programmes and earthquake relief events, the Group successfully captured the attention of the mass public to the brand in Mainland China and increased the market penetration effectively.”

“Shoebox” is another core development focus of the Group, 97 points-of-sale were added during the review period, bringing the total number of stores to 443 as at 30 June 2008. With the “one-stop-shop” brand image suiting to the needs for quality footwear, the brand continues to be well-received by Mainland consumers. The turnover of “Shoebox” for the period under review more than doubled that of the last corresponding period. Benefiting from economies of scale, “Shoebox” brand business performed well above expectation and recorded a remarkable increase in operating profit.

#### **Licensed brands**

Spurred by the Beijing 2008 Olympic Games, the Group captured the vast opportunities of the famous global sportswear brands. During the period, the sportswear brand products distributed by the Group including “adidas” and “Nike”, generated stable income for the Group. For the six months ended 30 June 2008, the Group had 152 “adidas” points-of-sale and 9 “Nike” points-of-sale in operation.

In April this year, the Group secured exclusive distribution rights for two international footwear brands in Mainland China. During the period under review, the Group launched the famous global brands “Arezzo” and “Sofft” (including its subsidiary brand “Born”) in Mainland China by adding 2 and 3 points-of-sale respectively. The Group will continue to enhance the brand awareness of these international brands in China and to offer a wider variety of choices for comfortable and stylish footwear to female consumers.

#### **OEM business**

On the other hand, due to the slowing down of the US economy and consumption market, the Group’s OEM business saw a drop in both order volume and turnover compared with the last corresponding period. Though the business reported a loss during the period under review, its share in the Group’s overall operation has been diminishing and will not render significant adverse impact on the Group’s overall results.

**Mr. Chen Ying-Chieh** concluded, “Looking ahead, the Group sees through the huge market potential in its brand business. We will focus on developing our own brands to increase the market share and profits. We have every confidence that we will be able to generate impressive returns for shareholders in the coming years.”

### **About Daphne**

Established in 1987, Daphne International Holdings Limited (formerly known as Prime Success International Group 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 Sang Composite Mainland Index, effective on 11 September 2006. The Group is principally engaged in the manufacturing, marketing and distribution of footwear and apparel products under its own or licensed brands and on an OEM basis. Its major markets include China, the US and Europe. In 1990, the Group launched its footwear business in China under the brand name “Daphne” which is now a leading ladies’ footwear brand in China. Currently the Group operates over 3,000 outlets, comprising “Daphne”, “Shoebox”, “adidas”, “Nike”, “Arezzo”, “Sofft” and “Born” brands, in Mainland China and Taiwan.

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***(N.B.: Enclosed please find the Consolidated Profit & Loss Account of Daphne International Holdings Limited.)***

**Daphne International Holdings Limited**  
**2008 Interim Results**  
**Consolidated Profit & Loss Account**

	<b>Unaudited</b>	
	<b>For the 6 months ended 30 June 2008</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>TURNOVER</b>	<b>2,348,637</b>	1,750,640
Cost of sales	<b>(1,155,127)</b>	(903,753)
<b>GROSS PROFIT</b>	<b>1,193,510</b>	846,887
Other income	<b>9,537</b>	14,921
Other (losses)/gains – net	<b>(1,052)</b>	11,765
Selling and distribution expenses	<b>(704,737)</b>	(516,056)
General and administrative expenses	<b>(140,385)</b>	(110,307)
<b>OPERATING PROFIT</b>	<b>356,873</b>	247,210
Finance costs	<b>(5,931)</b>	(5,514)
Share of profit of an associated company	<b>137</b>	77
<b>PROFIT BEFORE TAXATION</b>	<b>351,079</b>	241,773
Taxation	<b>(91,344)</b>	(54,764)
<b>PROFIT FOR THE PERIOD</b>	<b>259,735</b>	187,009
Attributable to:		
Equity holders of the Company	<b>258,429</b>	184,395
Minority interests	<b>1,306</b>	2,614
	<b>259,735</b>	187,009
<b>DIVIDENDS</b>	<b>40,947</b>	40,947
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>HK15.78 cents</b>	HK11.26 cents