

DAPHNE INTERNATIONAL HOLDINGS LIMITED

達 芙 妮 國 際 控 股 有 限 公 司

Daphne 2009 Interim Turnover Up 11.5% to HK\$2,773.9 million Net Profit Maintained at HK\$261.4 million

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Brand Business Continues to Thrive Strategic Partnership with TPG to Take Daphne to New Heights

(31 August 2009 – 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 Greater China (stock code: 210), today announced its interim results for the six months ended 30 June 2009.

During the period under review, the Group achieved satisfactory results despite the challenges posted by the global economic downturn on retailers in the first few months. The Group proved to have strong competitiveness for maintaining business growth even during adverse times. It reported a 11.5% growth in turnover to HK\$2,773.9 million (2008: HK\$2,487.0 million) and profit attributable to shareholders managed to maintain a modest growth to HK\$261.4 million (2008: HK\$258.4 million). The improvement was mainly attributable to the consistently effective promotional strategies and increased economies of scale of the growing brand business. Basic earnings per share of the Group were HK15.96 cents (2008: HK15.78 cents). The Board of Directors declared payment of interim dividend of HK3.0 cents (2008: HK2.5 cents) per share for the six months ended 30 June 2009.

Mr. Chen Ying-Chieh, Chairman of Daphne, said, “The Group’s performance during the review period was in line with our expectation. Riding on our market leadership, guided by effective business objectives and adopting appropriate promotional strategies, the Group managed to deliver satisfactory results amid challenges. Our own brand “Daphne” and “Shoebox” remain as our key growth drivers, recording stable growth in turnover and profit margin and increasing market acceptance. We will continue to cautiously expand our retail networks to boost sales and enhance the images of our brands.”

TPG Capital (“TPG”) Strategic Investment

The Group signed an agreement with TPG in May this year with TPG committing to investing in Daphne through subscription of convertible bonds worth RMB550 million due 2014 with 100 million warrants. TPG will hold 278,510,572 shares, which is approximately 14.5% of the total enlarged issued share capital of Daphne, assuming full conversion of the bonds and exercise of the warrants subsequently.

Apart from bringing funds to the Group, Ms Mary Ma, Managing Director of TPG has been appointed as a Non-Executive Director of the Group. TPG's expertise advice will help enhance the supply chain and raise operational efficiency of the Group in the immediate future. The Group also expects its strategic partner to help boost its corporate governance and management transparency.

Own Brands

Supported by an expanding distribution network in China and Taiwan, "Daphne" performed to expectation and recorded a 13.5% growth in turnover during the review period. The Group added 228 points-of-sale to enlarge the footprint of the brand and as a result achieved same store sales growth of approximately 1%. As at 30 June 2009, "Daphne" operated a total of 3,077 points-of-sale including 1,845 stores, 655 counters and 577 franchised outlets. The brand appointed the famous girl pop group S.H.E and actress Ms Rene Liu as spokespersons for "Daphne-D18" and "Daphne-D28" respectively to continue to raise market awareness of "Daphne".

Mr. Chen Hsien Min, Managing Director of Daphne, said, "Our consistent promotional strategy has proven to be effective in putting our brands on top of the mind of consumers. Continually building on our well-established brand will undoubtedly contribute to the Group's sustaining growth."

Another core brand of the Group "Shoebox" managed performance exceeding expectation. It recorded a remarkable 65.9% growth in turnover and a 15% same store sales growth. The Group added 111 points-of-sale for the brand in the review period. "Shoebox" is a key growth driver of the Group and is expected to contribute to the Group's long-term success.

Licensed brands

The Group has made the strategic decisions to focus on ladies footwear business and gradually pull out from sportswear business. As a result of reducing the number of points-of-sale, the sales of sportswear brands including "adidas" and "Nike" declined. As at 30 June 2009, the Group operated 107 "adidas" and eight "Nike" points-of-sale.

The Group intends to build its name as a carrier of global trendy footwear brands by introducing international mid-to-high-end female footwear brands "Arezzo", "Sofft" and "Born" in China. During the review period, one more point-of-sale was added. The Group expects these brands to bring better sales when the economy starts to recover in the future.

Other businesses

The poor consumption sentiment resulting from the financial turmoil caused export order volume to drop. Nevertheless, the business remained profitable. The Group will trim the proportion of the export manufacturing business in its operational profile so as to minimize the impact of the slack business on its overall performance.

Entering the second half year, the Group expects that the business will show further improvement and it is ready to capture further benefits as the economy continues to revive. With an improving supply chain, the Group will be able to plan business development more effectively. It will seek to raise same store sales growth, taking full advantage of its extensive retail network, and to boost sales and increase brand penetration. The Group will also vie for opportunities to collaborate with other popular brands to enhance brand status.

Mr. Chen Ying-Chieh concluded, "We are delighted to see our businesses growing in line with expectation during the review period and are confident that by following our original plan of adding 350 "Daphne" and 250 "Shoebox" points-of-sale for the whole year, the Group is poised to capture opportunities when the market arises. The strategic investment and expertise from TPG will enable the Group to realize its full capability, heighten operational efficiency and stand strong as an industry leader. We will continue to strive to become a world-class company in the future and bring optimum results to shareholders."

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, apparel and accessories products under its own and licensed brands and on an OEM basis. Its major markets include China and the US. 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 nearly 4,000 outlets, comprising "Daphne", "Shoebox", "adidas", "Nike", "Arezzo", "Sofft" and "Born" brands, in Mainland China and Taiwan.

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For media enquiries:

Strategic Financial Relations Limited

Esther Chan	Tel: (852) 2864 4825	Email: esther.chan@sprg.com.hk
Doris Chan	Tel: (852) 2114 4950	Email: doris.chan@sprg.com.hk
Carrie Lui	Tel: (852) 2864 4806	Email: carrie.lui@sprg.com.hk
Eletta Leung	Tel: (852) 2114 4981	Email: eletta.leung@sprg.com.hk

Fax: 2804 2789 / 2527 1196

(N.B.: Enclosed please find the Condensed Consolidated Income Statement of Daphne International Holdings Limited.)

Daphne International Holdings Limited
2009 Interim Results

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Turnover	2,773,900	2,487,039
Cost of sales	(1,254,227)	(1,155,127)
Gross profit	1,519,673	1,331,912
Other income	20,035	9,537
Other losses - net	(25,811)	(1,052)
Selling and distribution expenses	(977,332)	(843,139)
General and administrative expenses	(127,828)	(140,385)
Operating profit	408,737	356,873
Fair value loss on derivative financial instrument -	(28,504)	-
Finance costs	(5,905)	(5,931)
Share of profit of an associated company	146	137
Profit before income tax	374,474	351,079
Income tax expense	(109,492)	(91,344)
Profit for the period	264,982	259,735
Profit attributable to:		
- Equity holders of the Company	261,384	258,429
- Minority interests	3,598	1,306
	264,982	259,735
Interim dividend	49,137	40,947
Earnings per share for profit attributable to equity holders of the Company		
- Basic (HK cents)	15.96	15.78
- Diluted (HK cents)	15.90	15.78