

# DAPHNE INTERNATIONAL HOLDINGS LIMITED

達 芙 妮 國 際 控 股 有 限 公 司

## Daphne Reports 2010 Annual Results

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**Turnover Grew 14% to HK\$6,623.8 Million**

**Profit Attributable to Equity Holders of HK\$595.5 Million**

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## Building a Well-Rounded Operation

(30 March 2011 – Hong Kong) – **Daphne International Holdings Limited** (“Daphne” or the “Group”) (stock code: 210), a leading retailer of ladies footwear in China, today announced its audited annual results for the year ended 31 December 2010.

During the year, the Group’s turnover increased by 14% to HK\$6,623.8 million (2009: HK\$5,832.0 million) while operating profit ( being profit before fair value loss on warrants, finance costs, share of profit of an associated company and income tax expense) increased by 13% to HK\$971.7 million (2009: HK\$863.1 million). Recognising the fair value loss on warrants of HK\$77.3 million (2009: HK\$203.5 million) in 2010, profit attributable to shareholders was HK\$595.5 million (2009: HK\$393.8 million), a surge of 51%. Basic earnings per share was HK36.36 cents (2009: HK24.05 cents). The Board recommended payment of a final dividend of HK6.0 cents (2009: HK5.0 cents) per share for the year ended 31 December 2010. Including the interim dividend of HK6.0 cents (2009: HK3.0 cents) per share, total dividend per share for 2010 is HK12.0 cents (2009: HK8.0 cents), an increase of 50% compared to last year.

**Mr Chen Ying-Chieh, Chairman and CEO of Daphne**, said, “Owing to the fast growing retail market in Mainland China, our brand business continued to achieve an encouraging performance in 2010. “Shoebox”, in particular, made significant progress as we have grasped the strong consumption sentiment in the mass market resulting in growth of both sales and operating margin. Committed to catering for the vast majority of budgets and tastes of female consumers, we acquired a majority equity interest in “Full Pearl” in January 2010 to more effectively capture the mid- to high-end ladies’ footwear market.”

### Brand Business

#### **“Daphne”**

Spurred by retail market growth in Mainland China, the Group’s core self-owned brand “Daphne” continued as the market leader and contributed 66% (2009: 70%) of the Group’s total turnover for the year. As at the end of 2010, “Daphne” had 1,986 (2009: 1,848) directly-managed stores, 819 (2009: 716) directly-managed counters and 984 (2009: 743) franchised outlets.

Despite the keen market competition, inflation and increasing material costs, “Daphne” successfully maintained its margin and competitive strength through an increase in products’ average selling price (“ASP”) and a “Brand Rejuvenation” campaign.

In 2011, the Group plans to expand “Daphne” points-of-sale aggressively. Furthermore, the Group is continuing the brand rejuvenation program to refresh consumers’ perception of the brand. While capitalising on the revitalisation campaign, more products with a greater price range will be introduced to attract higher customer traffic and help the Group maintain stable same store sales growth in coming years. The Group also intends to open more points-of-sale in lower tier cities, which will bring more customers to the rejuvenated “Daphne” brand.

### **“Shoebox”**

“Shoebox” brand has recorded outstanding results for the year. Same store sales maintained a double-digit increase. Turnover, gross profit and operating profit all recorded satisfactory growth of 36%, 44% and 72% respectively, compared to last year. Moreover, with ASP climbing up, gross margin rose by approximately 3.2 percentage points. These solid performances can be attributed to greater recognition of the brand in the mass market, which is “Shoebox”’s target segment. As at 31 December 2010, “Shoebox” had 1,113 (2009: 813) directly-managed stores.

In 2011, the Group will launch local marketing activities designed to attract market attention and build brand awareness.

### **Other brands**

Other brands, comprising self-owned brands and licensed brands in Mainland China, Taiwan and Hong Kong, contributed approximately 6% (2009: 5%) of the Group’s turnover for the year.

Upon the acquisition of “Full Pearl” in 2010, the Group’s brand portfolio was enriched by brands targeting different customer segments. In the second half of the year, the newly acquired “Full Pearl”’s business was re-organised to better integrate with the existing business of the Group to achieve maximum synergies and operational efficiency. The integration was under progress as at 2010 year-end and it is expected to generate operational benefits in the long-term.

### **Manufacturing Business**

The Group’s manufacturing business maintained stable development during the year. In view of increasing material and labour costs, operating margin decreased slightly by approximately 0.7 percentage points. The Group will continue to keep stable operating margins by managing its cost structure and operation efficiently.

In the year ahead, the Group will continue to exploit the rising purchasing power of consumers in Mainland China. It will pursue a multi-brand strategy and introduce products across the price spectrum to match the spending preferences of consumers. To better serve the mass market, the Group will strengthen its efforts in the existing markets of its core brand business. Regarding the mid- to high-end ladies footwear segment served by the multiple brands added by “Full Pearl”, the Group will seek to increase consumer recognition of these brands in first- and second-tier cities.

“The Group will continue to build a well-rounded business operation and employ a multi-brand strategy that satisfies the needs and wants of our target customer segments. Through our successful marketing and operating strategies, we believe the Group will grow further and deliver best-value products to our customers as well as bringing long-term satisfactory returns to our shareholders”, **Mr Chen** concluded.

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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. 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 Mainland China under the brand name “Daphne” which is now a leading ladies’ footwear brand in nation. Currently the Group operates over 4,000 outlets in Mainland China, Taiwan and Hong Kong.

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