

# DAPHNE INTERNATIONAL HOLDINGS LIMITED

達 芙 妮 國 際 控 股 有 限 公 司

## Daphne Announces 2010 Interim Results Turnover Grows 15% to HK\$3,183.1 million

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## Acquires Branded Ladies Footwear Business Poses Solid Foundation in Tapping Mid-to-high-end Market

(25 August 2010 – Hong Kong) – **Daphne International Holdings Limited** (“Daphne” or the “Group”) (stock code: 210), a leading retailer of ladies footwear in China that owns the well-known “Daphne” and “Shoebox” brands, today announced its interim results ended 30 June 2010 .

In the first half of 2010, the Group’s brand business achieved steady growth amid favourable retail market sentiment. For the six months ended in 30 June 2010, the Group’s turnover increased by 15% to HK\$3,183.1 million (2009: HK\$2,773.9 million) while operating profit was HK\$479.0 million (2009: HK\$408.7 million). Including the fair value loss of warrants of HK\$136.4 million (2009: HK\$28.5 million), profit attributable to equity holders was HK\$190.0 million (2009: HK\$261.4 million). Basic earnings per share was HK11.60 cents (2009: HK15.96 cents). The Board recommended the payment of an interim dividend of HK6.0 cents (2009: HK3.0 cents) per share for the year ending 31 December 2010.

**Mr. Chen Ying-Chieh, Chairman of Daphne**, said, “I am delighted that the Group’s overall business achieved favourable results. In addition to both “Daphne” and “Shoebox” continued to perform well, the Group has also showed good progress in the integration of “Full Pearl”, which operates fashion chain outlets in Mainland China, Taiwan and Hong Kong under self-owned brands and licensed brands, into its existing operational infrastructure. The consolidation efforts, most notably in supply chain, have improved the business results.”

### Business Review

#### “Daphne”

As at 30 June 2010, the Group had 1,962 stores, 730 counters and 854 franchised outlets. Turnover, gross profit and operating profit of “Daphne” all continued to report satisfactory performance, underscoring the Group’s sound strategies and a strong brand demand. At the same time, with enhanced advertising and promotional activities further supported by an improving economy in Taiwan, “Daphne” is becoming a better known and well-received label in the local market. As a result, the business in Taiwan has successfully achieved a turnaround in the first half of 2010.

#### “Shoebox”

Another core brand of the Group, “Shoebox” has performed considerably well and was one of the principal growth drivers of the Group. The segment reported significant growth in both turnover and

operating profit, as well as achieved a double-digit same store sales growth rate. As at 30 June 2010, the Group added 111 points-of-sale, bringing the total number of stores to 924. "Shoebox" has been gaining acceptance among consumers and the Group expects the brand has immense potential.

**"Full Pearl"**

In January 2010, the Group acquired a 59.96% equity interest in "Full Pearl", a retailer of quality high-end footwear. As at 30 June 2010, "Full Pearl" operates 193 stores selling its own brands as well as licensed brands, including the renowned Canadian brand "ALDO" and American fashion brand "Jessica Simpson". The sales network covers mostly shopping malls and department stores in the booming first- and second-tier cities of Mainland China, as well as in Taiwan and Hong Kong.

**Mr. Chen Hsien Min, Managing Director of Daphne**, said, "The acquisition of "Full Pearl" marks a milestone for the Group and helps diversifying its brand portfolio into the mid-to-high-end market and ultimately drives up the Group's profit margin in the long-term. The Group expects the "Full Pearl" operation to generate greater synergies once the operation is fully incorporated into Daphne's supply chain system."

The Group is confident of the China market. It was able to maintain a stable margin for "Daphne" despite the highly-competitive market. The Group maintains its opening schedule target for "Daphne" and "Shoebox" outlets for year 2010 of 500 and 250 points-of-sale respectively.

**Mr. Chen Ying-Chieh** concluded, "With our dedicated efforts to enhance supply chain management and corporate governance standards, the Group is optimistic about the future development of its brand business and it will continue to strengthen its competitiveness and build long-term value for shareholders in the foreseeable future."

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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 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 over 4,000 outlets in Mainland China, Taiwan and Hong Kong.

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

**Daphne International Holdings Limited**  
**2010 Interim Results**

**Condensed Consolidated Profit and Loss Account**  
**For the six months ended 30 June 2010**

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
<b>Turnover</b>	<b>3,183,105</b>	2,773,900
Cost of sales	<b>(1,369,707)</b>	(1,254,227)
<b>Gross profit</b>	<b>1,813,398</b>	1,519,673
Other income	<b>38,730</b>	20,035
Other losses - net	<b>(11,303)</b>	(25,811)
Selling and distribution expenses	<b>(1,145,368)</b>	(977,332)
General and administrative expenses	<b>(216,493)</b>	(127,828)
<b>Operating profit</b>	<b>478,964</b>	408,737
Fair value loss on derivative financial instrument - warrants	<b>(136,359)</b>	(28,504)
Finance costs	<b>(21,835)</b>	(5,905)
Share of profit of an associated company	<b>255</b>	146
<b>Profit before income tax</b>	<b>321,025</b>	374,474
Income tax expenses	<b>(124,483)</b>	(109,492)
<b>Profit for the period</b>	<b>196,542</b>	264,982
Profit attributable to:		
- Equity holders of the Company	<b>190,038</b>	261,384
- Non-controlling interests	<b>6,504</b>	3,598
	<b>196,542</b>	264,982
<b>Earnings per share</b>		
- Basic (HK cents)	<b>11.60</b>	15.96
- Diluted (HK cents)	<b>11.28</b>	15.90
<b>Interim dividend</b>	<b>98,274</b>	49,137