

DAPHNE INTERNATIONAL HOLDINGS LIMITED
達 芙 妮 國 際 控 股 有 限 公 司

Daphne Announces 2011 Annual Results

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Net Profit Reaches New Height to HK\$933.1 Million

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Core Brands Continue to Achieve Impressive Performance

“Daphne” Named as #1 Ladies’ Shoes Brand in “2012 China Brand Power Index”

(20 March 2012 – 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 audited annual results for the year ended 31 December 2011.

During the year, the Group’s turnover increased by 29% to HK\$8,576.8 million (2010: HK\$6,623.8 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 41% to HK\$1,368.6 million (2010: HK\$971.7 million). Profit attributable to shareholders was HK\$933.1 million (2010: HK\$595.5 million), including the fair value loss on warrants of HK\$77.3 million recognised in 2010, increased by 57%. Basic earnings per share was HK56.96 cents (2010: HK36.36 cents).

The Board recommended payment of a final dividend of HK9.0 cents (2010: HK6.0 cents) per share for the year ended 31 December 2011. Including interim dividend of HK8.0 cents (2010: HK6.0 cents) per share, total dividend per share for 2011 is HK17.0 cents (2010: HK12.0 cents), representing an increase of 42% compared to last year. Total dividend payout is 30% (2010: 29%), based on EPS excluding fair value loss on warrants.

Mr. Chen Ying-Chieh, Chairman and CEO of Daphne, said, “I am delighted to announce the Group remains well-performed during the year. The positive performance was attributed to the healthy growth of our core brands, both “Daphne” and “Shoebox”, which was facilitated by the rationalisation of the supply chain, enhanced product design and planning, and more sophisticated and targeted marketing programmes. These efforts also led to strong sales and same store sales growth. Our focus on increasing our market share and broadening our network coverage further contributed to the strong results, with the Group’s network covering 6,165 points-of-sale in total, as of 31 December 2011.”

Core Brands Business

Amid a robust market environment in 2011, the Group's Core Brands, "Daphne" and "Shoebox", both achieved impressive performance in Mainland China. The segment contributed approximately 89% (2011: 86%) of the Group's turnover for the year. Turnover of core brands business increased by approximately 35% to HK\$7,671.1 million from HK\$5,696.6 million in 2010. Gross profit margin reached 61.9%, with an increase of 2.3 percentage points, reflecting enhanced operational efficiency and more balanced sales growth. Operating margin also increased to 20.3% from 17.7% in 2010, despite the increase in rental pressure and rising labour costs during the year.

As at 31 December 2011, the Group had 4,547 directly-managed points-of-sale (2010: 3,918) and 1,055 (2010: 984) franchised outlets for its core brands business. As improvements in various aspects were made to drive better operational efficiency and boost sales, these concerted efforts were reflected in the strong same store sales growth at 21% during the year.

The "Brand Revamp" programme for "Daphne" launched in the fourth quarter of 2010 and continued to roll out in 2011 was well received by the market and helped contribute to higher store traffic and sales during the year. During the year, "Shoebox" continued its fast pace of network expansion by adding stores at areas where "Daphne" has strong presence, as well in new areas.

Other Brands Business

Other brands business mostly refers to the operation of mid- to high-end brands, including own brands and licensed brands, in Mainland China, Taiwan and Hong Kong. The brand portfolio represents the Group's initiative to diversify and broaden its reach to the growing middle-class consumers group. For the year ended 31 December 2011, turnover of other brands business was HK\$529.6 million (2010: HK\$430.3 million).

"Dulala", the Group's own-label, was introduced in 2011, and the Group launched "Aerosoles" and "ALDO", two licensed brands, in Mainland China as well. The Group allocated resources to bolster the brand management capability since the fourth quarter of the year, with the aim of improving the operational efficiency and brand building, thus paving the way for enhanced performance in future. As at 31 December, 2011, the Group had 563 points-of-sale (2010: 297) for its other brands business.

Looking ahead, the Group remains committed to expanding its presence in Mainland China to capitalise the vast potential of this growing market. It aims to add 700 points-of-sale for core brands, "Daphne" and "Shoebox", in 2012, and maintain strategic focus on establishing directly-managed points-of-sale over franchised outlets. As an initiative to diversify by leveraging the Group's solid fundamentals, the development of the mid- to high-end brand portfolio presents an opportunity to tap the growing middle class in China. The Group will make every endeavour to enhance the performance of this business segment and expects to start bearing fruit as brand management strategies begin to take effect.

According to a national survey on the “Brand Power in China” conducted by the China Brand Research Centre and commissioned by the Ministry of Industry and Information Technology of the Chinese government, “Daphne” ranked as the top brand in the ladies’ shoes category for two consecutive years (2011 and 2012). This comprehensive survey involved 30 cities in Mainland China. Therefore the award showcases the strong brand equity and leading market status “Daphne” enjoys. The Group will continue to build on this strong platform to elevate the performance of “Daphne” and extend its strength to its brand portfolio.

“The Group will seek continuous improvement in various functions to enhance operational efficiency and bolster sales. Efforts will include strengthening product development and planning, employing integrated marketing efforts, optimising the supply chain, developing greater specialization of sales operation and channel management, and enhancing dedicated brand management. As we continue to build the Group so that it grows from strength to strength, we will draw motivation from our vision of becoming a leading brand management company that provides customers with trendsetting and quality products.”, **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, 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 licensed brands, with over 6,000 points-of-sale in Mainland China. Its core own-brand, “Daphne”, now is 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.

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