

DAPHNE INTERNATIONAL HOLDINGS LIMITED

達 芙 妮 國 際 控 股 有 限 公 司

Daphne Announces 2011 Interim Results

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Profit Attributable to Owners Surges 1.3 Times to HK\$440.2 Million

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Diversified Portfolio Covers Various Market Segments of Ladies Footwear

(18 August 2011 – 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 for the six months ended 30 June 2011.

During the period, the Group’s turnover increased by 24% to HK\$3,939.3 million (2010: HK\$3,183.1 million) while operating profit (being profit before fair value loss on derivative financial instrument – warrants, finance costs, share of profit of an associated company and income tax expense) increased by 32% to HK\$630.2 million (2010: HK\$479.0 million). Profit attributable to owners of the Company was HK\$440.2 million (2010: HK\$190.0 million) and basic earnings per share was HK26.88 cents (2010: HK11.60 cents). The Board recommended payment of an interim dividend of HK8.0 cents (2010: HK6.0 cents) per share for the six months ended 30 June 2011.

Mr. Chen Ying-Chieh, Chairman and CEO of Daphne, said, “I am excited to announce the Group’s satisfactory results during the period. Although we encountered inventory shortage for the winter season and sales performance of our core brand business was adversely affected at the beginning of 2011, we rectified the stock-out by enhancing inventory management so as to improve sales performance in spring and summer seasons significantly. Our strong results during the period under review demonstrated our agility to overcome challenges, and our ability to lead the Group to emerge stronger.”

Core Brand Business

Contributing 88% (2010: 86%) to the Group’s turnover for the six months ended 30 June 2011, core brand business, which covers the renowned brands of “Daphne” and “Shoebox” operated in Mainland China, continued to perform satisfactorily. Turnover boosted by 27% to HK\$3,477.8 million, gross margin and operating margin also grew by 2.5 and 1.0 percentage points respectively. As at 30 June 2011, The Group had 4,169 (31 December 2010: 3,918) directly-managed points-of-sale and 1,027 (31 December 2010: 984) franchised outlets for its core brand business.

Attributable to a stable inventory of product supply, enhanced product designs and diversified product portfolio, the Group reported better-than-expected same-store-sales growth of approximately 17% (2010: 4%) in the first half of the year and managed an increase of approximately 3% in products’ average selling price.

The Group launched the “Brand Rejuvenation” campaign for “Daphne” in the last quarter of 2010, which was proven to be successful in its sales volume increase. For “Shoebox”, the brand has successfully penetrated into new markets and also entrenched locations where “Daphne” already has a strong presence.

Other Brand Business

Other brand business mainly comprised mid- to high- end self-owned and licensed brands (i.e., “AEE”, “Ameda”, “dulala”, “ALDO”, “Aerosoles”, “Sofft” and “Jessica Simpson”) operated in Mainland China, Taiwan and Hong Kong, as well as fashion brand “Despina” operated in Mainland China. The segment contributed approximately 6% (2010: 5%) of the Group’s turnover for the period.

Subsequent to the integration of the acquired Full Pearl’s business with existing operation, the Group’s brand portfolio was enriched, possessing different brands targeting various demographics of customers. In 2011, the Group is dedicated to continuously harmonising the operational efficiency and expanding the sales network of the mid- to high- end segment.

Going forward, recognising the experience gained last year, the Group will monitor the latest market trend closely, enhance its product mix and improve its stock management measures to further stimulate sales growth for core brand business. On the other brand business front, the Group will continue to adopt a multi-brand strategy and introduce products across various price spectrums to match the spending preferences of today’s customers.

“Both the presence and recognition of our brands in the country have grown significantly over last year. Supported by continued sales network development in China coupled with appropriate business strategies, we are confident and optimistic about our business prospects.”, **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 self-owned 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 5,000 points-of-sale in Mainland China, Taiwan and Hong Kong.

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