

[For Immediate Release]

**Daphne International Holdings Limited  
Announces 2012 Interim Results**

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**Group Turnover Increased by 28.9% to HK\$5,080 Million  
Turnover of Core Brands Business Grew by 33.4% to HK\$4,639.7 Million  
Profit Attributable to Shareholders Rose by 9.6% to HK\$482.6 Million**

**Financial Highlights:**

	<i>For the six months ended 30 June</i>		% Change
	2012	2011	
	HK\$ million	HK\$ million	
Group turnover	<b>5,079.5</b>	3,939.3	+28.9%
Group gross profit	<b>3,083.3</b>	2,412.4	+27.8%
Group operating profit	<b>699.6</b>	630.2	+11.0%
Profit attributable to shareholders	<b>482.6</b>	440.2	+9.6%
EPS – basic	<b>29.36 cents</b>	26.88 cents	+9.2%
Interim dividend per share	<b>9.0 cents</b>	8.0 cents	+12.5%

**Operational Highlights:**

- Turnover of core brands business registered a growth of 33.4% to HK\$4,639.7 million
- Same store sales growth of core brands business increased by 17%
- Gross profit of core brands business rose by 29.9% to HK\$2,821.8 million
- The proportion of directly-managed stores under core brands increased to 83% from 81% as at year end of 2011
- Total number of points-of-sale increased by 416 to 6,581
- The Group was ranked second for the award of the Best Mid-Cap Companies in China 2012 by FinanceAsia, a leading financial publication in the region

(15 August 2012 – Hong Kong) – The leading ladies' footwear retailer in China – **Daphne International Holdings Limited** ("Daphne" or the "Group", stock code: 0210), announced today its interim results for the six months ended 30 June 2012.

For the six months ended 30 June 2012, the Group's consolidated turnover amounted to HK\$5,079.5 million, representing an increase of 28.9% from HK\$3,939.3 million for the same period last year. The Group's gross profit for the period was HK\$3,083.3 million, representing an increase of 27.8% from HK\$2,412.4 million for the same period last year. Operating profit increased by 11.0% to HK\$699.6 million (2011: HK\$630.2 million).

Profit attributable to shareholders reported for the period was HK\$482.6 million (2011: HK\$440.2 million). Basic earnings per share were HK29.36 cents (2011: HK26.88 cents). The Board recommended payment of an interim dividend of HK9.0 cents (2011: HK8.0 cents) per share for the six months ended 30 June 2012, representing an increase of 12.5% compared to same period last year. The dividend payout ratio is 30.7% (2011: 29.8%).

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416 points-of-sale were added during the period. The total number of points-of-sale reached 6,581 as at 30 June 2012.

During the period, Daphne was ranked the second in the award of the Best Mid-Cap Companies in China 2012 by FinanceAsia, a leading regional financial publication, which was an endorsement of the Group's efforts to strengthen corporate management.

### **Core Brands Business**

Despite the volatility of the retail market during the period, the Group's core brands business, under "Daphne" and "Shoebox", continued to deliver strong turnover growth of 33.4%, reaching HK\$4,639.7 million (2011: HK\$3,477.8 million). Supported by ample stock supply, the strong turnover growth was mainly due to improved product design, strengthened marketing efforts and a broader store network. Strong performance also showed in the same store sales growth which was recorded at 17%, and in the number of transactions reflecting the expansion of our customer base and our gain in market share.

Gross profit of the core brands business went up 29.9% to HK\$2,821.8 million (2011: HK\$2,171.9 million).

The Group believes a stable store expansion plan is crucial to its continuous growth, and accordingly adopted a strategic store-opening plan with focus on directly-managed stores. This will not only strengthen brand building in the long term, but also facilitate prompt response to market changes. As at 30 June 2012, the Group had 5,968 points-of-sale under its core brands, with a net increase of 366 points-of-sale during the period under review. By adding 411 directly-managed stores and decreasing 45 franchised stores, the proportion of directly-managed stores increased to approximately 83% of the total store portfolio of core brands, up from approximately 81% at the end of 2011.

### **Other Brands Business**

The other brands business of the Group is mainly attributed by the operation of mid- to high-end brands, including own-brands and brands with exclusive distribution rights, in Mainland China, Hong Kong and Taiwan. Brands such as "AEE", "Ameda", "dulala", "ALDO" and "AEROSLES" in this business segment cater to the growing middle-class consumer segment, help broaden the Group's customer base and allow Daphne customers to trade up. For the period ended 30 June 2012, turnover of other brands business increased by 39.1% to HK\$332.6 million (2011: HK\$239.0 million). This segment contributed approximately 7% (2011: 6%) to the Group's turnover during the period. However, the performance of other brands business was affected by the weakness in the department store channel during the period. Taking a more prudent approach in its expansion, the Group had 613 points-of-sale for its other brands business as at 30 June 2012, as compared to 563 points-of-sale at the end of 2011.

### **Manufacturing Business**

The Group continued to place emphasis on the expansion of the core brands business by allocating more production capacity to the segment and decreasing the volume manufactured for the OEM customers. Therefore we continued to see a reduction in the OEM segment during the period. The Group aims to strengthen in-house production of its own brands, which is in line with Group's strategy to enhance its brand value and the long-term growth.

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**Cost and inventory management**

Amidst the rising cost pressure, a number of cost control and efficiency improvement measures were put in place at the front-line and back-office levels to boost overall productivity. In addition, several system enhancement projects were initiated, in areas such as merchandising and planning. The Group believes these improvement measures and projects will enhance the Group's overall competitiveness, and therefore gradually contribute to the performance later this year and in the following years.

In light of the volatility in the market demand under a slowing economy, there was buildup of inventory near the end of the period under review. The Group will closely monitor the market situation and ensure its marketing and promotions are closely aligned to changes in the prevailing market environment, while stepping up other distribution channels such as clearance outlets in an effort to drive sales and enhance inventory level.

Looking forward, Mr. Eddie Chen, Chairman and Chief Executive Officer, concluded, "The Group will focus on capturing market share in the domestic market through upgrading its product portfolio of the upcoming Autumn/Winter Collection and extend our marketing reach target customers through a variety of media. In addition, we will strive to improve operating efficiency through comprehensive internal operations and management control measures, including those for staff productivity improvement, which are scheduled to roll out in the second half of the year. With Daphne's stable expansion and sound business strategy, we are confident to weather through the evolving market conditions, so as to sustain long-term growth and safeguard shareholder value."

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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 exclusively-distributed brands, with over 6,000 points-of-sale in Mainland China, Taiwan and Hong Kong. Its core own-brand, "Daphne", is now 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.

Daphne ranked the second in the award of the Best Managed Mid-Cap Companies in China 2012 by *FinanceAsia*, a leading financial publication in Asia.

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