

**[For Immediate Release]**

**Daphne International Holdings Limited  
2018 Interim Results Announcement**

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**Group Turnover at HK\$2,259.0 Million  
Inventory Level Continued to Improve  
E-commerce Business Remained Profitable**

(28 August 2018 – 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 2018.

The Group’s turnover decreased to HK\$2,259.0 million for the six months ended 30 June 2018, mainly attributable to the decrease in the number of points-of-sale (“POS”) and the decrease in the same-store sales at its Core Brands Business. The Group’s gross profit decreased to HK\$1,080.2 million as a result of increased proportion of aged products in the sales mix. Gross profit margin was 47.8%.

In the first half of 2018, the Group’s operating loss was HK\$489.7 million. Loss attributable to shareholders was HK\$492.6 million. Basic loss per share was 29.9 HK cents. The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2018.

The Group continued its efforts to rationalise and adjust its store network to align with its new brand image. After a net closure of 450 POS during the period under review, the Group had a total number of 3,386 POS as at 30 June 2018. The Group’s continued efforts in inventory management reduced its inventory level by 23.0% to HK\$960.3 million, and the average inventory turnover further improved to 169 days. The Group’s financial position remained solid with a net cash surplus.

**Core Brands Business**

The year-on-year decrease in store number and a weaker same-store sales performance resulted in a decrease in the turnover of Core Brands Business, “Daphne” and “Shoebox” in Mainland China, which amounted to HK\$2,080.5 million. The segment revenue of the Core Brands Business from external customers accounted for approximately 86% of the Group’s total revenue during the period under review.

As one of the key initiatives in business transformation, the Group continued the adjustment of its channel mix and the rationalisation of its store network. During the period under review, the Group recorded a net closure of 416 POS (including 394 directly-managed stores and 22 franchised stores), or a decrease of 11.6% in the number of POS compared to that as at the end of 2017.

The Group stepped up its efforts in clearance of aged stocks during the period under review, which led to an increased proportion of aged products in the sales mix. As a result, the gross margin of Core Brands Business decreased to 43.0%. Moreover, the Group was still adversely affected by the high fixed cost structure of retail operations and inflationary pressure in key operating costs, especially the frontline salespersons cost. As a result, the operating loss of Core Brands Business amounted to HK\$481.9 million for the first half of 2018.

**Other Brands Business**

The Group’s Other Brands Business mainly consists of its e-commerce business and the operations of mid- to high-end brands (including the Group’s own brands, and brands under exclusive distributorships). During the

period under review, turnover of Other Brands Business decreased to HK\$313.0 million due to a year-on-year decrease of 23.4% in the number of its POS from 278 to 213.

Gross margin of Other Brands Business decreased by 2.8 percentage points year-on-year to 55.5% as a result of aggressive clearance of aged products and increased proportion of products sold through e-commerce in sales mix.

The Group's e-commerce remained profitable in spite of the increasingly competitive online market. Its contribution to the Group's turnover continued to increase. The Group had some of its stores under the Core Brands Business connect to "Tmall's Smart Store" system. The move accelerated the integration of the Group's online and offline operations to better serve its customers. Moreover, through the collaboration with emerging social media and e-commerce platforms, the Group proactively explored new sales channels to adapt itself to consumers' fast-changing shopping behavior.

### **Awards**

Daphne ranked top for the eighth consecutive year in the "China Brand Power Index 2018" (in the "Women's Shoes" category). This award reflected Daphne's strong brand awareness and loyalty in China. This independent annual survey was conducted by "Chnbrand", an institution funded by the Ministry of Industry and Information Technology of China and recognised as one of the most credible brand rating organisations in China. This survey ranks brands by industry based on the findings from the interviews with 2,666,430 consumers in 40 cities across China about brand awareness and loyalty.

Besides, the Group received a Certificate of Excellence from the Hong Kong Investor Relations Association in "The 4th Session of Investor Relations Awards" in recognition of its efforts to ensure good corporate governance and to maintain good investor relations.

### **Outlook**

To strengthen its upgraded brand image, the Group will continue to optimise its store network by opening more new image stores nationwide and by speeding up the renovation of its stores. In the third quarter of 2018, the Group will launch its next significant crossover collection. It is also planning a series of integrated marketing campaigns to engage more consumers through both the online and offline channels.

The upgrading of the products as a business transformation initiative will remain the key to satisfying customers' different needs and wants. The Group will continue with its product upgrade by increasing the proportion of trendy products and those made of new materials in the sales mix to meet the ever-changing fashion trends. By increasing its investment in product development, the Group is committed to the improvement of product quality to make its products more comfortable for its customers to wear. The on-going efforts to upgrade the supply chain will also give support to the product upgrade. Moreover, the Group plans to step up the development of other product categories to capture more business opportunities.

While further increasing e-commerce's contribution to the Group's turnover, the Group plans to have more of its stores connect to "Tmall's Smart Store" system to attract more customers to its offline sales channel. Its e-commerce department will collaborate with its product development team in launching exclusive products that target the young consumers who shop online and follow fashion trends.

As a customer-centric company, the Group will conduct an in-depth, multidimensional analysis of the data of its existing customers. This will enable the Group to better predict market trends and consumer preferences. Powered by the big data analytics, the Group will be able to do its product planning with more precision so as to stay abreast of the trend in consumer demand. Besides, customised marketing strategy will be implemented to improve marketing efficiency and boost customer loyalty.

Looking ahead, Mr. Kevin Chang, the Group's Chairman and Chief Executive Officer, said, "Business transformation is a voyage fraught with uncertainty but it is also full of opportunities. The data for the second half of 2018 to the present show a slight improvement trend in the sales at Core Brands. We believe that the sales channel adjustment that leads to a higher number of new image stores will also gradually yield results. As a customer-centric company whose decision is data-driven, the Group will enhance its capability to analyse customer profiles and then to develop its products to embrace the "New Retail" movement. The Group believes that its experienced management team, strong brands, and a wide sales network can help it succeed in its business transformation."

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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. The Group is principally engaged in the manufacturing, marketing and distribution of ladies' footwear under its own and exclusively-distributed brands, with 3,386 points-of-sale in Mainland China and Taiwan. 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.

For further information, please visit [www.daphne.com.cn](http://www.daphne.com.cn) or contact:

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