

[For Immediate Release]

Daphne International Holdings Limited
2012 Annual Results Announcement

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Group Turnover Increased by 22.8% to HK\$10,529 Million
Turnover of Core Brands Business Grew by 25.0% to HK\$9,591.9 Million
Core Brands Same Store Sales Grew by 9%

Financial Highlights:

	<i>For the year ended 31 December</i>		% Change
	2012	2011	
	HK\$ million	HK\$ million	
Group turnover	10,529.1	8,576.8	+22.8%
Group gross profit	6,228.8	5,243.8	+18.8%
Profit attributable to shareholders	955.7	933.1	+2.4%
EPS – basic	58.1 HK cents	57.0 HK cents	+1.9%
Total dividend per share	18.0 HK cents	17.0 HK cents	+5.9%
- Interim	9.0 HK cents	8.0 HK cents	+12.5%
- Final	9.0 HK cents	9.0 HK cents	--

Operational Highlights:

- Turnover of core brands business registered 25.0% growth to HK\$9,591.9 million
- Same store sales growth of core brands business increased by 9%
- Gross profit of core brands business rose by 19.3% to HK\$5,661.8 million
- Total number of points-of-sale increased by 716 to 6,881
- The proportion of directly-managed stores under core brands increased to 85% from 81% in the prior year

(20 March 2013 – Hong Kong) – The leading ladies' footwear retailer in China – **Daphne International Holdings Limited** ("Daphne" or the "Group", stock code: 0210), announced today its annual results for the year ended 31 December 2012.

For the year ended 31 December 2012, the Group's consolidated turnover amounted to HK\$10,529.1 million, representing an increase of 22.8% (2011: HK\$8,576.8 million). The Group's gross profit for the year was HK\$6,228.8 million, representing an increase of 18.8% (2011: HK\$5,243.8 million).

Profit attributable to shareholders for the period grew 2.4% to HK\$955.7 million (2011: HK\$933.1 million). Basic earnings per share were 58.1 HK cents (2011: 57.0 HK cents). The Board recommended payment of a final dividend of 9.0 HK cents (2011: 9.0 HK cents) per share for the year ended 31 December 2012. Including interim dividend of 9.0 HK cents (2011: 8.0 HK cents) per share, total dividend per share for 2012 is 18.0 HK cents (2011: 17.0 HK cents), representing an increase of 5.9% compared to last year. The dividend payout ratio is 31% (2011: 30%).

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As at 31 December 2012, the Group's points-of-sale (POS) totaled 6,881, representing a net addition of 716 POS during the year.

During the year, Daphne was ranked 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 and operating management.

Core Brands Business

Despite the weakening trend of the retail market during the year, the Group's core brands business, under its proprietary brands "Daphne" and "Shoebox" in Mainland China, continued to deliver strong turnover growth of 25.0%, reaching HK\$9,591.9 million (2011: HK\$7,671.1million). The segment contributed 90% of the Group's total revenue in 2012 (2011: 89%). Same store sales growth of 9% was achieved on top of the high base last year, and was primarily driven by sales volume growth.

Increased promotional activities, together with a change in product mix during winter season of 2012, led to a decrease in average selling price to RMB 185, and lowered the gross profit margin.

During the year, the Group spearheaded sales network expansion by opening more directly-managed stores. This not only strengthens its presence in the market, but also underpins future growth. As at 31 December 2012, the Group had a net increase of 767 POS under its core brands, bringing the total to 6,369. The proportion of directly managed stores in the total POS for core brands increased to 85% (2011: 81%), which is in line with the Group's strategic focus on directly managed stores in its sales network expansion.

Other Brands Business

The Other Brands business, mainly driven by the Group's mid- to high-end portfolio of own brands such as "AEE" and "Ameda", and international brands with exclusive distribution rights such as "Aerosoles" and "ALDO", targets the growing middle class in China to broaden the Group's customer base. With this diversification strategy, the Group has geared up for the potential trade-up by its "Daphne" customers. During the year, turnover of other brands business grew by 30.5% to HK\$690.9 million (2011: HK\$529.6 million). This segment contributed 7% to the Group's turnover, at much the same level as in 2011. This business segment is still in the investment stage, and was affected by the general softness of the department store channel in the face of the slowing economy in Mainland China. In response to such market situation, the Group consolidated its distribution network during the year, reducing the number of POS by 51 to 512 as at end of 2012.

Manufacturing Business

In order to allocate more production capacity for its own brands, the Group began to gradually phase out its OEM business for third parties at its own factories, in line with the Group's expansion strategy to focus on its own brands. As a result, revenue contribution from the OEM segment to the Group's turnover decreased to 3% in 2012 (2011: 5%). The Group also made plans and took measures to strengthen supply chain management and further increase its production capacity so as to enhance production cost efficiency and support future growth of the Group's core and other brands.

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Efficiency Improvement Initiatives

Against the backdrop of a slowing retail market and rising operating costs in Mainland China, the Group adopted various cost control and efficiency improvement measures. In addition, several management system enhancement projects were initiated, in areas such as product planning and merchandising, customer relations management, and store operations. Good progress was made in all these enhancement projects during the year. These initiatives will strengthen the Group's competitiveness and yield positive effects in the near future.

In light of the continued urbanization, general increase in disposable income per capita, and efforts to foster domestic demand under the new leadership of the Chinese Government, the Group remains cautiously optimistic toward the retail market in China.

Looking ahead, Mr. Eddie Chen, Daphne's Chairman and Chief Executive Officer, concluded, "Leveraging our well-established and reputable brand name, the Group will remain committed to spearhead the steady expansion of our sales network with focus on directly managed stores for core brands. We will strive to boost sales performance and improve our overall management efficiency through a series of comprehensive efficiency enhancement and cost control measures, including those for staff productivity improvement, product planning and allocation, and supply chain optimization. In addition, the Group will continue to develop its mid- to high-end footwear into growth drivers to diversify our customer base in the long run. With Daphne's well-crafted business strategies, we are well poised to capitalize on the opportunities ahead to solidify our market leadership, ensure long-term growth and maximise shareholders' 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 6,800 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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