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

(Formerly known as Prime Success International Group Limited
永恩國際集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 210)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

HIGHLIGHTS OF INTERIM RESULTS

	2008	2007	Change
Turnover (HK$'000)	2,348.6	1,750.6	+34%
Profit attributable to equity holders of the Company (HK$'000)	258.4	184.4	+40%
Basic and diluted earnings per share (HK cents)	15.78	11.26	+40%
Interim dividend per share (HK cents)	2.5	2.5	-

INTERIM RESULTS

The board of directors (the "Board") of Daphne International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2008

		Unaudited	
		2008	2007
	Note	HK$'000	HK$'000
Turnover	2	2,348,637	1,750,640
Cost of sales		(1,155,127)	(903,753)
Gross profit		1,193,510	846,887
Other income		9,537	14,921
Other (losses)/gains – net		(1,052)	11,765
Selling and distribution expenses		(704,737)	(516,056)
General and administrative expenses		(140,385)	(110,307)
Operating profit	3	356,873	247,210
Finance costs		(5,931)	(5,514)
Share of profit of an associated company		137	77
Profit before taxation		351,079	241,773
Taxation	4	(91,344)	(54,764)
Profit for the period		259,735	187,009
Attributable to:			
Equity holders of the Company		258,429	184,395
Minority interests		1,306	2,614
		259,735	187,009
Interim dividend	5	40,947	40,947
Basic and diluted earnings per share	6	HK15.78 cents	HK11.26 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	Unaudited 30 June 2008 HK$'000	Audited 31 December 2007 HK$'000
Non-current assets			
Intangible assets		41,172	25,685
Land use rights		44,729	40,891
Fixed assets		578,360	500,365
Interest in an associated company		2,691	2,567
Available-for-sale financial assets		33,624	33,624
Long-term rental deposits and prepayments		123,180	86,833
Deferred tax assets		46,444	37,472
		870,200	727,437
Current assets			
Inventories		1,312,501	992,051
Trade receivables	7	209,234	155,062
Other receivables, deposits and prepayments		378,486	303,209
Derivative financial instruments		376	2,450
Cash and cash equivalents		235,112	181,692
		2,135,709	1,634,464
Current liabilities			
Trade payables	8	605,900	461,099
Other payables and accrued charges		184,053	170,336
Taxation payable		193,648	127,191
Bank loans		293,262	194,978
		1,276,863	953,604
Net current assets		858,846	680,860
Total assets less current liabilities		1,729,046	1,408,297

	Unaudited 30 June 2008 HK$'000	Audited 31 December 2007 HK$'000
Equity		
Share capital	163,789	163,789
Reserves	1,515,059	1,209,295
Equity attributable to equity holders of the Company	1,678,848	1,373,084
Minority interests	32,918	34,098
Total equity	1,711,766	1,407,182
Non-current liabilities		
Deferred tax liabilities	1,363	1,115
Licence fees payable	15,917	-
	17,280	1,115
	1,729,046	1,408,297

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated interim accounts should be read in conjunction with the 2007 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2007 except that certain comparative figures have been reclassified to conform with changes in presentation in the current period.

In 2008, the Group has adopted the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also included HKASs and Interpretations, that are effective for accounting periods commencing on or after 1 January 2008:

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new/revised HKFRSs had no material effect on the preparation and presentation of the results and financial position of the Group for the current or prior accounting periods.

2. Turnover and segment information

The Group is principally engaged in the manufacturing and distribution of footwear and apparel products.

Primary reporting format - business segments

	Six months ended 30 June					
	2008			2007		
	Brand business HK$'000	OEM business HK$'000	Group HK$'000	Brand business HK$'000	OEM business HK$'000	Group HK$'000
Turnover	2,036,423	312,214	2,348,637	1,388,132	362,508	1,750,640
Segment results	384,646	(18,346)	366,300	216,234	28,334	244,568
Income derived from an unlisted available-for-sale financial asset			1,500			1,500
Fair value (loss)/gain on derivative financial instruments			(2,074)			1,819
Unallocated revenues			1,394			155
Unallocated expenses			(10,247)			(832)
Operating profit			356,873			247,210

Secondary reporting format - geographical segments

	Six months ended 30 June	
	2008 HK$'000	2007 HK$'000
China	2,014,807	1,374,718
The US	289,046	331,315
Others	44,784	44,607
	2,348,637	1,750,640

3. **Operating profit**

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Amortisation of land use rights	289	807
Amortisation of licence rights	430	-
Cost of inventories sold	911,372	761,741
Depreciation of fixed assets	57,548	45,265
Employee benefits expense and directors' emoluments including share-based payment expense	273,424	213,287
Loss on disposal of fixed assets	5,669	3,064
Provision for slow moving inventories	6,190	7,144

4. **Taxation**

The amount of taxation charged/(credited) to the condensed consolidated profit and loss account represents:

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Current taxation - outside Hong Kong	100,068	52,772
Deferred taxation	(8,724)	1,992
	91,344	54,764

No provision for Hong Kong profits tax has been made in the accounts as the Group does not have any assessable profit arising in Hong Kong. Taxation on profits arising outside Hong Kong has been calculated on the estimated assessable profit for the six months ended 30 June 2008 at the rates of taxation prevailing in the countries/places in which the Group operates.

Certain subsidiaries of the Company operating in China are eligible for certain tax exemptions and concessions including tax holidays and reduced corporate income tax rates. Accordingly, the China corporate income tax for such subsidiaries has been provided after taking account of these tax exemptions and concessions.

5. **Interim dividend**

During the six months ended 30 June 2008, the Company paid a final dividend of HK2.5 cents (2007: HK2.5 cents) per ordinary share, totalling HK$40,947,000 (2007: HK$40,947,000), for the year ended 31 December 2007.

On 27 August 2008, the Board proposed an interim dividend of HK2.5 cents (2007: HK2.5 cents) per ordinary share, totalling HK$40,947,000 (2007: HK$40,947,000), for the year ending 31 December 2008. The proposed dividend is not reflected as a dividend payable in these interim accounts but will be reflected as an appropriation of retained profits for the year ending 31 December 2008.

6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to equity holders of the Company of HK$258,429,000 (2007: HK$184,395,000) and 1,637,892,384 (2007: 1,637,892,384) ordinary shares in issue throughout the six months ended 30 June 2008.

Diluted earnings per share for the six months ended 30 June 2008 and 30 June 2007 are the same as basic earnings per share since the exercise price of the Company's outstanding share options was higher than the average market price of the Company's share during the periods.

7. Trade receivables

The ageing analysis of trade receivables by invoice date is as follows:

	30 June 2008 HK$'000	31 December 2007 HK$'000
0 - 30 days	156,051	107,125
31 - 60 days	33,665	30,339
61 - 90 days	9,278	8,787
91 - 120 days	5,528	4,250
121 - 180 days	2,687	2,936
181 - 360 days	1,971	1,419
Over 360 days	54	206
	209,234	155,062

The Group generally allows an average credit period of 30 to 60 days to its trade customers other than major and long standing customers with whom specific extended terms will be agreed between the Group and the relevant counter parties.

8. Trade payables

The ageing analysis of trade payables including balances due to related parties by invoice date is as follows:

	30 June 2008 HK$'000	31 December 2007 HK$'000
0 - 30 days	305,020	367,157
31 - 60 days	168,314	59,580
61 - 90 days	107,263	18,095
91 - 120 days	9,224	5,827
121 - 180 days	4,036	2,376
181 - 360 days	7,672	4,450
Over 360 days	4,371	3,614
	605,900	461,099

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2008, the retail market in China continued its stable growth, mainly driven by rising household income and increasing demand for consumer goods. In line with these market sentiment, the Group's brand business delivered satisfactory performance with significant growth in overall turnover. During the period under review, "Daphne" and "Shoebox" recorded particularly outstanding results and the Group also actively expanded its sales network to enhance its market share. Driven by the strong market sentiment bred by the Beijing 2008 Olympics, the Group's sportswear business achieved commendable sales. International footwear brands, namely "Arezzo", "Sofft" and "Born", which were officially introduced in the China market during the period, managed performances roughly in line with expectation.

Brand Business

With developing brand business as its prime focus, the Company changed its name to "Daphne International Holdings Limited" on 18 June 2008. The new name reflects the expanded business scope and direction of development of the Group, clearly defining its current business endeavours. Riding on the Group's extensive sales network, clear market positioning and innovative advertising and promotional strategies, its brand business has continued to report significant turnover growth. For the six months ended 30 June 2008, the brand business accounted for 87% (2007: 79%) of the Group's total turnover. During the period under review, in addition to practising strict cost control, the Group also benefited from the increased economies of scale brought with the growing brand business, allowing it to mitigate the pressure from rising labour and store rental as a result of inflation in Mainland China. Thanks to strong brand exposure, the Group was able to raise its profitability continuously.

Distribution of outlets of the Group as at 30 June 2008

	Company-owned brands		Licensed brands		Total
	Daphne	Sheobox	Sportswear	Footwear	
Eastern China	936	182	62	5	1,185
Central China	371	72	24	-	467
Northeastern China	341	60	26	-	427
Southern China	345	57	16	-	418
Northern China	218	33	25	-	276
Southwestern China	210	21	8	-	239
Northwestern China	126	18	-	-	144
Taiwan	39	-	-	-	39
Total	2,586	443	161	5	3,195

Company-owned Brands

"Daphne" Brand

During the period under review, the Group further raised "Daphne" brand's awareness in Mainland China and Taiwan and added 212 points-of-sale during the first half of 2008. As at 30 June 2008, "Daphne" had 1,695 stores, 541 counters and 350 franchised outlets. The brand, which recorded a same store sales growth rate of 16% during the period under review, was the major growth driver of the Group. It recorded a turnover growth of 39% compared with the same period last year. Turnover, gross profit margin and operating profit margin all grew satisfactorily during the period.

The number of point-of-sale for "Daphne" is summarised as follows:

	As at		
	30 June 2008	31 December 2007	Change
Directly-managed stores			
- D18	349	347	+2
- D28	1,219	1,126	+93
- D18 & D28	127	104	+23
	1,695	1,577	+118
Directly-managed counters			
- D18	107	100	+7
- D28	390	379	+11
- D18 & D28	44	39	+5
	541	518	+23
Franchised outlets	350	279	+71
Total	2,586	2,374	+212

In Taiwan, "Daphne" still reported a loss. However, as a result of the Group's efforts to control store rental cost and improve supply chain management and efficiency, operating loss of the business for the first half of 2008 narrowed substantially against the same period last year. The Group will continue to reinforce the image of "Daphne" in Taiwan and aim for breakeven in the near future.

During the period under review, the Group continued to appoint the popular girl pop group "S.H.E" and Ms. Rene Liu as the spokespersons for "Daphne - D18" and "Daphne - D28" respectively. Through creative promotional activities including sponsoring concerts, TV programmes, earthquake relief events, etc., the Group captured the attention of the mass public to the brand in Mainland China.

"Shoebox" Brand
As another core development focus of the Group, 97 "Shoebox" stores were added during the review period, bringing the total number of stores to 443 as at 30 June 2008. With the "one-stop-shop" brand image suiting to the needs for quality footwear, the brand continues to be well-received by Mainland consumers. The turnover of "Shoebox" for the period under review more than doubled that of the last corresponding period. Benefiting from economies of scale, "Shoebox" brand business performed well above expectation and recorded a remarkable increase in operating profit.

Licensed Brand Business

Sportswear Brands
Spurred by the Beijing 2008 Olympic Games, demand for consumer sports products has been growing in Mainland China. During the period, the sportswear brand products distributed by the Group including "adidas" and "Nike", which generated stable income for the Group. For the six months ended 30 June 2008, the Group had 152 "adidas" points-of-sale and 9 "Nike" points-of-sale in operation. Unlike Company-owned brands, the profit margin generated by licensed sportswear brands is relatively lower, however, the lower initial working capital together with the brand popularity guaranteed stable income stream and profit to the Group.

International Footwear Brands
In April this year, the Group secured exclusive distribution rights for two international footwear brands in Mainland China. During the period under review, the Group launched the famous global brands "Arezzo" and "Sofft" (including its subsidiary brand "Born") in China, launching 2 and 3 points-of-sale respectively. The Group will continue to enhance the brand awareness of "Arezzo" in Mainland China and promote the Brazilian stylish ladies' footwear to female consumers with high consumption power. During the period, consumers in Mainland China responded very well to the mid-to-high-end international trendy footwear brands "Sofft" and "Born", which offer a wider variety of choices for comfortable and stylish footwear to female consumers.

OEM Business

Under the backdrop of the slowing down of the US economy and consumption market, rising raw material and production costs and the sluggish export markets, our OEM business saw a drop in both order volume and turnover compared with the same period last year. Though the business reported a loss during the period under review, its share in the Group's overall operation has been diminishing and will not render significant adverse impact on the Group's overall results.

FINANCIAL REVIEW

Results Performance

For the six months ended 30 June 2008, the Group's turnover grew by 34% to HK$2,348.6 million (2007: HK$1,750.6 million) and profit attributable to equity holders surged by 40% to HK$258.4 million (2007: HK$184.4 million). Earnings per share was HK15.78 cents (2007: HK11.26 cents).

Key Financial Indicators

	For the six months ended 30 June	
	2008	2007
Average inventory turnover (days) *(Note 1)*	182	146
Average debtors' turnover (days) *(Note 2)*	14	14
Average creditors' turnover (days) *(Note 3)*	79	75
Capital expenditure (HK$ million)	113.5	96.2
Effective tax rate (%)	26.0	22.7

	As at	
	30 June 2008	31 December 2007
Cash and cash equivalents (HK$ million)	235.1	181.7
Bank loans (HK$ million)	293.3	195.0
Equity attributable to holders of the Company (HK$ million)	1,678.8	1,373.1
Current ratio (times) *(Note 4)*	1.67	1.71
Gearing ratio (%) *(Note 5)*	17.5	14.2

Notes:

1. *The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances divided by the cost of sales and multiplied by the number of days of the relevant period.*
2. *The calculation of average debtors' turnover (days) is based on the average of opening and closing balances of trade receivables divided by turnover and multiplied by the number of days of the relevant period.*
3. *The calculation of average creditors' turnover (days) is based on the average of opening and closing balances of trade payables divided by purchases and multiplied by the number of days of the relevant period.*
4. *The calculation of current ratio (times) is based on the total current assets divided by total current liabilities as at the relevant period end.*
5. *The calculation of gearing ratio (%) is based on the total bank loans divided by equity attributable to equity holders of the Company as at the relevant period end.*

Analysis of major business performance for the six months ended 30 June is as follows:

	Company-owned brands				Licensed brands		OEM	
	Daphne		Shoebox		Sportswear			
HK$ million	2008	2007	2008	2007	2008	2007	2008	2007
Turnover	1,586.3	1,140.3	261.0	116.5	188.8	131.3	312.2	362.5
Gross profit	945.0	655.0	152.4	62.6	86.0	64.9	9.8	64.3
Operating profit / (loss)	350.7	198.4	29.4	3.9	6.1	13.9	(18.3)	28.3

Liquidity and Financial Resources

As at 30 June 2008, the Group had cash and cash equivalents denominated in Renminbi, US dollar, New Taiwan dollar, Hong Kong dollar and Euro of HK$235.1 million (31 December 2007: HK$181.7 million). The unutilised banking facilities amounted to HK$170.8 million (31 December 2007:

HK$257.2 million). The Group's current ratio reduced from 1.71 as at 31 December 2007 to 1.65 as at 30 June 2008. The Group expects that future operations and development will be financed by cash generated from operations and bank loans.

The Group's gearing ratio, calculated on the basis of bank loans denominated in Hong Kong dollar, Renminbi , US dollar and New Taiwan dollar of HK$293.3 million (31 December 2007: HK$195.0 million) over shareholders' equity of HK$1,678.8 million (31 December 2007: HK$1,373.1 million), increased from 14.2% as at 31 December 2007 to 17.5% as at 30 June 2008. All bank loans were at floating rates during the period under review.

Foreign Exchange Risk Management

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollar, Renminbi, the US dollar, Euro and New Taiwan dollar. Foreign exchange risks arising from fluctuation of exchange rates of foreign currencies are managed by the Group using foreign exchange forward contracts when necessary.

Pledge of Assets

As at 30 June 2008, the Group's short-term bank loans of HK$73.1 million (31 December 2007: HK$68.8 million) were secured by certain land use rights and leasehold buildings of net book value of HK$31.5 million (31 December 2007: HK$23.7 million) and a listed available-for-sale financial asset with nil (31 December 2007: nil) carrying value.

Significant Capital Investments

During the period, the Group incurred a capital expenditure of HK$113.5 million (2007: HK$96.2 million) mainly for retail network expansion, purchase of land use rights and construction of office buildings, logistics centres and processing plants.

Contingent Liabilities

As at 30 June 2008, the Group had no significant contingent liabilities.

Human Resources

As at 30 June 2008, the Group had approximately 24,000 employees (31 December 2007: 24,000) in Hong Kong, Taiwan and China. Employee expenditure for the period under review was HK$273.4 million (2007: HK$213.3 million including share-based payment expense of HK$7.9 million). The Group values its human resources and recognises the importance of retaining high calibre employees. Remuneration packages are generally structured with reference to market terms and individual qualifications. In addition, share options and discretionary bonuses are granted to eligible employees based on their performance and that of the Group. The Group also contributes to employee provident fund schemes and provides medical insurance, purchase discounts and training programmes to staff.

OUTLOOK

To increase its share of the prospering China footwear market and maximise profit, the Group will continue to expand its sales network to reap greater economies of sale. In 2008, the Group will focus on developing its own brands, adding between 380 to 400 "Daphne" points-of-sale and 200 to 230 "Shoebox" points-of-sale. The Group will also add 50 to 60 points-of-sale for its licensed sportswear brands. Furthermore, the Group targets to establish 20 to 25 points-of-sale at prime locations with reasonable rental in first tier cities for the high-end ladies' footwear brands "Arezzo", "Sofft" and "Born". The Group sees through the huge market potential in its brand business and has confidence that it will be able to generate impressive returns for shareholders in the coming years.

INTERIM DIVIDEND

The Board has resolved on 27 August 2008 to declare an interim dividend of HK2.5 cents (2007: HK2.5 cents) per ordinary share for the year ending 31 December 2008. The interim dividend will be payable on or before 30 October 2008 to shareholders whose names appear on the register of members of the Company at 4:00 p.m. on 17 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 October 2008 to 17 October 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 14 October 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all directors of the Company confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee, comprises the three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's unaudited condensed consolidated interim accounts have been reviewed and approved by the Audit Committee, who is of the opinion that such accounts comply with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This results announcement is published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.prime-success.com.hk). The interim report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

By Order of the Board
Daphne International Holdings Limited
Chen Ying-Chieh
Chairman

Hong Kong, 27 August 2008

As at the date of this announcement, the Board comprises Mr. Chen Ying-Chieh, Mr. Chen Hsien Min, Mr. Chang Chih-Kai being the executive directors and Mr. Hsiao Hsi-Ming, Mr. Huang Shun-Tsai and Mr. Kuo Jung-Cheng being the independent non-executive directors.

* *For identification purpose only*