DAPHNE INTERNATIONAL HOLDINGS LIMITED

達 芙 妮 國 際 控 股 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 2011

HIGHLIGHTS OF 2011 INTERIM RESULTS

- Turnover grew by 24% to HK$3,939.3 million
- Gross profit rose by 33% to HK$2,412.4 million
- Profit attributable to owners of the Company
  - increased by 35% to HK$440.2 million excluding fair value loss on warrants
  - increased by 132% to HK$440.2 million including fair value loss on warrants
- Basic earnings per share
  - increased by 35% to HK26.88 cents excluding fair value loss on warrants
  - increased by 132% to HK26.88 cents including fair value loss on warrants
- Proposed interim dividend of HK8.0 cents per share

* *For identification purpose only*

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 (together the "Group") for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Unaudited Six months ended 30 June	
	Note	2011 HK$'000	2010 HK$'000
Turnover	2	3,939,310	3,183,105
Cost of sales		(1,526,889)	(1,369,707)
Gross profit		2,412,421	1,813,398
Other income		45,100	38,730
Other losses - net		(16,962)	(11,303)
Selling and distribution expenses		(1,547,377)	(1,145,368)
General and administrative expenses		(262,983)	(216,493)
Fair value loss on derivative financial instrument - warrants		-	(136,359)
Finance costs		(23,027)	(21,835)
Share of profit of an associated company		297	255
Profit before income tax	3	607,469	321,025
Income tax expense	4	(166,572)	(124,483)
Profit for the period		440,897	196,542
Attributable to:			
Owners of the Company		440,232	190,038
Non-controlling interests		665	6,504
		440,897	196,542
Earnings per share	5		
Basic (HK cents)		26.88	11.60
Diluted (HK cents)		24.81	11.28
Interim dividend	6	131,031	98,274

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Profit for the period	440,897	196,542
Currency translation differences	62,954	17,387
Total comprehensive income for the period	503,851	213,929
Attributable to:		
Owners of the Company	500,858	207,404
Non-controlling interests	2,993	6,525
	503,851	213,929

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2011

	Note	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Non-current assets			
Intangible assets		130,956	129,889
Land use rights		50,723	50,336
Fixed assets		785,940	710,850
Interest in an associated company		3,197	3,338
Available-for-sale financial assets		61,496	63,183
Long-term rental deposits and prepayments		135,829	109,294
Deferred income tax assets		70,015	56,388
		1,238,156	1,123,278
Current assets			
Inventories		1,435,089	1,084,308
Trade receivables	7	288,292	210,430
Other receivables, deposits and prepayments		724,490	571,360
Bank deposit with maturity over three months		-	35,385
Cash and cash equivalents		2,139,566	2,024,289
		4,587,437	3,925,772
Current liabilities			
Trade payables	8	722,097	577,949
Other payables and accrued charges		513,117	371,957
Income tax payable		238,972	199,295
Bank loan - unsecured		7,379	11,281
		1,481,565	1,160,482
Net current assets		3,105,872	2,765,290
Total assets less current liabilities		4,344,028	3,888,568
Financed by:			
Share capital		163,789	163,789
Reserves		3,385,040	2,960,543
Equity attributable to owners of the Company		3,548,829	3,124,332
Non-controlling interests		182,584	183,271
Total equity		3,731,413	3,307,603
Non-current liabilities			
Convertible bonds		580,316	556,622
License fee payables		4,039	3,460
Deferred income tax liabilities		12,158	5,171
Other non-current liabilities		16,102	15,712
		612,615	580,965
Total equity and non-current liabilities		4,344,028	3,888,568

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and it should be read in conjunction with the annual accounts for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual accounts for the year ended 31 December 2010.

In 2011, the Group has adopted the following new/revised HKFRSs that are effective for accounting periods commencing on or after 1 January 2011:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Financial Instruments: Presentation - Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs - Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The adoption of the 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.

The Group had not early adopted the following new/revised HKFRSs that have been issued but not yet effective:

HKFRS 1 (Amendment)	Amendment to HKFRS 1 First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [1]
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfer of Financial Assets [1]
HKFRS 9	Financial Instruments [2]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [4]
HKAS 19 (Revised 2011)	Employee Benefits [2]
HKAS 27 (Revised 2011)	Separate Financial Statements [2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [2]

[1] Effective for accounting periods beginning on or after 1 July 2011
[2] Effective for accounting periods beginning on or after 1 January 2013
[3] Effective for accounting periods beginning on or after 1 July 2012
[4] Effective for accounting periods beginning on or after 1 January 2012

The directors of the Company anticipate that the application of the above new/revised HKFRSs may result in new or amended presentation and disclosures on the financial information but will have no significant impact on the Group's results and financial position.

2 Turnover and segment reporting

The Group is principally engaged in the manufacturing and distribution of footwear and apparel products. The directors defined reporting segments as brand business and manufacturing business. Brand business represents trading and distribution of footwear products and accessories under "Daphne" and "Shoebox" brands in Mainland China ("Core Brands") and other self-owned and licensed brands in Greater China ("Other Brands"). Manufacturing business represents manufacturing and sales of footwear products under original-equipment manufacturing arrangements and for distribution by brand business.

The analysis of the Group's turnover and operating results by reportable segment is as follows:

	Unaudited For the six months ended 30 June 2011				
	Brand Business		Manufacturing Business	Inter-segment elimination	Group
	Core Brands HK$'000	Other Brands HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	3,464,997	239,048	235,265	-	3,939,310
Inter-segment revenue	12,838	-	409,286	(422,124)	-
Total segment revenue	3,477,835	239,048	644,551	(422,124)	3,939,310
Segment results	683,284	(30,267)	42,858	(3,264)	692,611
Amortisation of intangible assets					(3,203)
Unallocated corporate income					1,500
Unallocated corporate expenses					(60,709)
Finance costs					(23,027)
Share of profit of an associated company					297
Profit before income tax					607,469
Amortisation of intangible assets	-	3,203	-	-	3,203
Amortisation of land use rights	292	-	520	-	812
Depreciation of fixed assets	64,614	6,405	7,427	-	78,446
Capital expenditure	119,704	11,072	15,371	-	146,147

	Unaudited and restated For the six months ended 30 June 2010				
	Brand Business		Manufacturing Business	Inter-segment elimination	Group
	Core Brands HK$'000	Other Brands HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	2,741,647	152,615	288,843	-	3,183,105
Inter-segment revenue	207	-	284,613	(284,820)	-
Total segment revenue	2,741,854	152,615	573,456	(284,820)	3,183,105
Segment results	511,252	(30,511)	37,495	6,228	524,464
Amortisation of intangible assets					(3,346)
Unallocated corporate income					1,586
Unallocated corporate expenses					(43,740)
Fair value loss on derivative financial instrument - warrants					(136,359)
Finance costs					(21,835)
Share of profit of an associated company					255
Profit before income tax					321,025
Amortisation of intangible assets	-	3,346	-	-	3,346
Amortisation of land use rights	362	-	186	-	548
Depreciation of fixed assets	43,809	4,620	8,580	-	57,009
Capital expenditure	81,526	855	21,971	-	104,352

The analysis of the Group's assets and liabilities by reportable segment is as follows:

	Unaudited As at 30 June 2011			
	Brand Business		Manufacturing Business	Group
	Core Brands	Other Brands		
	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	4,539,774	474,985	542,765	5,557,524
Goodwill	15,079	953	-	16,032
Other intangible assets	-	114,924	-	114,924
	4,554,853	590,862	542,765	5,688,480
Interest in an associated company				3,197
Available-for-sale financial assets				61,496
Deferred income tax assets				70,015
Unallocated corporate assets				2,405
Total assets				5,825,593
Segment liabilities	986,067	155,515	319,792	1,461,374
Deferred income tax liabilities				12,158
Convertible bonds				580,316
Unallocated corporate liabilities				40,332
Total liabilities				2,094,180

	Audited and restated As at 31 December 2010			
	Brand Business		Manufacturing Business	Group
	Core Brands	Other Brands		
	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	3,733,052	477,137	582,296	4,792,485
Goodwill	15,079	933	-	16,012
Other intangible assets	-	113,877	-	113,877
	3,748,131	591,947	582,296	4,922,374
Interest in an associated company				3,338
Available-for-sale financial assets				63,183
Deferred income tax assets				56,388
Unallocated corporate assets				3,767
Total assets				5,049,050
Segment liabilities	780,467	86,868	272,958	1,140,293
Deferred income tax liabilities				5,171
Convertible bonds				556,622
Unallocated corporate liabilities				39,361
Total liabilities				1,741,447

The executive directors who are identified as the chief operating decision-maker assess the performance of the operating segments based on a measure of segment profit before interest, tax and any fair value gain or loss on derivative financial instruments. Certain corporate overhead expenses, including management fee, rental and utilities, were allocated among individual segments based on estimated consumption. During the period, to better reflect management's perspective on segment information, the directors have redefined the brand business operating segment such that only core brands and other brands are reported. The comparative figures have been reclassified to conform with the current period's presentation.

Inter-segment revenue is charged in accordance with terms determined and agreed mutually. Revenue from external customers of brand business is mainly derived from Mainland China, Taiwan and Hong Kong and revenue from external customers of manufacturing business is mainly derived from the United States of America. None of the customers accounted for 10% or more of the total turnover of the Group during both six months ended 30 June 2011 and 30 June 2010.

The Group's non-current assets, excluding available-for-sale financial assets and deferred income tax assets, are located mainly in Mainland China.

3 Profit before income tax

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Amortisation of land use rights	812	548
Amortisation of license rights	1,356	1,771
Amortisation of trademarks	1,847	1,575
Cost of inventories sold (including provision for slow-moving inventories of HK$15,084,000 (2010: HK$18,607,000))	1,305,022	1,197,575
Depreciation of fixed assets	78,446	57,009
Employee benefits expense (including directors' emoluments and share-based payment expense)	543,069	388,941
Fair value loss on an available-for-sale financial asset	17,000	-
Loss on disposal of fixed assets	5,160	8,871

4 Income tax expense

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Current tax	172,193	128,366
Deferred tax	(5,621)	(3,883)
	166,572	124,483

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2011. No provision for Hong Kong profits tax has been made in the accounts for the six months ended 30 June 2010 as the Group does not have any assessable profit arising in Hong Kong. Income tax on profits arising outside Hong Kong has been calculated on the estimated assessable profit for the six months ended 30 June 2011 at the rates of taxation prevailing in the countries/places in which the Group operates.

Provision for the China corporate income tax was calculated based on statutory tax rate of 25% (2010: 25%) on the assessable income of each of the Group's entities except that certain subsidiaries of the Company operating in Mainland China are eligible for certain tax exemptions and concessions including tax holidays and reduced corporate income tax rates during the period. Accordingly, the China corporate income tax for such subsidiaries has been provided after taking into account of these tax exemptions and concessions.

Pursuant to the China corporate income tax laws, 5% withholding tax is levied on dividends distributed by the foreign investment enterprises established in Mainland China to foreign investors incorporated in Hong Kong. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of some PRC subsidiaries for the period ended 30 June 2011 since the Group plans to utilise such profits in the PRC and has no plan to distribute such profits in the foreseeable future. As at 30 June 2011, temporary differences relating to the undistributed profits on the Group's subsidiaries in Mainland China amounted to approximately HK$1,756,469,000 (31 December 2010: HK$1,486,648,000) with deferred income tax liabilities of approximately HK$87,823,000 (31 December 2010: HK$74,332,000) not being recognised in respect of the tax that would be payable on the distribution of these retained profits.

Pursuant to the China corporate income tax laws, withholding tax at a reduced rate of 7% by treaty is applied to the Group's entities incorporated in Hong Kong for royalties received or receivable.

5 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of HK$440,232,000 (2010: HK$190,038,000) and 1,637,892,384 (2010: 1,637,892,384) ordinary shares in issue throughout the six months ended 30 June 2011.

The calculation of diluted earnings per share is based on the adjusted profit attributable to owners of the Company of HK$462,449,000 (2010: HK$210,480,000) and the adjusted weighted average number of ordinary shares of 1,863,925,685 (2010: 1,865,743,770) after taking into consideration of dilutive effect resulted from conversion of the convertible bonds and exercise of share options and warrants.

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Profit attributable to owners of the Company	440,232	190,038
Interest on convertible bonds	22,217	20,442
Adjusted profit attributable to owners of the Company	462,449	210,480

	Six months ended 30 June	
	2011	2010
	Number of shares	
Number of ordinary shares in issue throughout the period	1,637,892,384	1,637,892,384
Effect of conversion of convertible bonds	178,510,572	178,510,572
Effect of exercise of share options	6,136,821	49,340,814
Effect of exercise of warrants	41,385,908	-
Weighted average number of ordinary shares adjusted for effect of dilution	1,863,925,685	1,865,743,770

For the six months ended 30 June 2011, 4,100,000 share options outstanding are anti-dilutive and are ignored in the calculation of dilutive earnings per share since the exercise prices of the share options were higher than the average market prices during the period.

The warrants are anti-dilutive and are ignored in the calculation of diluted earnings per share for the six months ended 30 June 2010.

6 Interim dividend

During the six months ended 30 June 2011, the Company paid a final dividend of HK6.0 cents (2010: HK5.0 cents) per ordinary share, totalling HK$98,274,000 (2010: HK$81,895,000), for the year ended 31 December 2010.

On 18 August 2011, the Board proposed an interim dividend of HK8.0 cents (2010: HK6.0 cents) per ordinary share, totalling HK$131,031,000 (2010: HK$98,274,000). The proposed dividend is not reflected as a dividend payable in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 31 December 2011.

7 Trade receivables

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

	30 June 2011 HK$'000	31 December 2010 HK$'000
0 - 30 days	255,777	193,902
31 - 60 days	22,431	11,066
61 - 90 days	5,678	2,331
91 - 120 days	1,487	1,677
121 - 180 days	1,406	430
181 - 360 days	1,513	895
Over 360 days	-	129
	288,292	210,430

Most of the sales of the Group are retail sales which are made in cash or via credit cards. 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 2011 HK$'000	31 December 2010 HK$'000
0 - 30 days	500,270	315,781
31 - 60 days	166,786	199,075
61 - 90 days	33,203	28,489
91 - 120 days	7,376	15,416
121 - 180 days	5,704	6,238
181 - 360 days	6,332	5,212
Over 360 days	2,426	7,738
	722,097	577,949

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Core Brand Business

The retail markets along with consumer sentiment in the regions within which the Group operates experienced robust recovery, improving continuously during the period under review. Accordingly, the Group continued to expand its retail network for its core brands to capitalise on the immense opportunities presented in these markets. Contributing 88% (2010: 86%) to the Group's turnover for the six months ended 30 June 2011, core brand business continued to perform exceeding expectation. Turnover increased by 27% to HK$3,477.8 million, gross margin and operating margin also grew by 2.5 and 1.0 percentage points respectively.

The Group's core brand business, covering the renowned brands of "Daphne" and "Shoebox" operated in Mainland China with an extensive distribution network, continued to play the market leader. At the beginning of 2011, the Group experienced inventory shortage for the winter season and sales performance was adversely affected. The Group rectified the stock-out by enhancing inventory management so as to improve sales performance in spring and summer seasons significantly. 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.

Distribution of points-of-sale of core brands in Mainland China

City Tier / As at	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Total
30 June 2011	573	1,008	789	937	854	1,035	5,196
31 December 2010	540	945	756	898	793	970	4,902

Attributable to a stable inventory of product supply, enhanced product designs and diversified product portfolio, the Group successfully instigated strong growth momentum and reported better-than-expected same-store-sales growth of approximately 17% (2010: 4%) in the first half of the year. Despite keen market competition, high inflation and surging operating costs, the Group's core brand business 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. Furthermore, to elevate the market position of the brand, the Group introduced an enhanced product portfolio with higher quality, which has earned the appreciation of customers and enabled the Group to enlarge its market share in the country. As for the mass-market label, "Shoebox" 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 and also fashion brand "Despina" operated in Mainland China. The segment contributed approximately 6% (2010: 5%) of the Group's turnover for the period. As at 30 June 2011, the Group had 356 (31 December 2010: 297) points-of-sale for its other brand business.

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

Upon escalating marketing initiatives and expansion of points-of-sale, the economy of scale is expected to become effective in due course. The Group will continue to allocate resources in brands and sales network development in the region.

Manufacturing Business

The Group's manufacturing business during the period under review, shifted production space to produce the Group's core brand products. The inter-segment revenue contributed 63% (2010: 50%) to the total segment revenue. The Group is cautious about the manufacturing business environment and the industry competition. It strives to optimise the utilisation of production capacity for core brand products and OEM products.

FINANCIAL REVIEW

Financial and Operational Highlights

	For the six months ended 30 June	
	2011	2010
Turnover (HK$' million)	3,939.3	3,183.1
Gross profit (HK$' million)	2,412.4	1,813.4
Gross profit margin (%)	61.2	57.0
Operating profit (HK$' million) *(Note 1)*	630.2	479.0
Operating profit margin (%)	16.0	15.0
Profit attributable to owners of the Company (HK$' million)	440.2	190.0
Net profit margin (%)	11.2	6.0
Basic earnings per share (HK cents)	26.88	11.60
Interim dividend per share (HK cents)	8.0	6.0
Average inventory turnover (days) *(Note 2)*	149	120
Average debtors turnover (days) *(Note 3)*	11	11
Average creditors turnover (days) *(Note 4)*	71	77
Cash conversion cycle (days) *(Note 5)*	89	54
Capital expenditure (HK$' million) *(Note 6)*	146.1	104.4
Effective tax rate (%) *(Note 7)*	27.4	27.2

	As at	
	30 June 2011	31 December 2010
Cash and bank balances (HK$' million) *(Note 8)*	2,139.6	2,059.7
Bank loan (HK$' million)	7.4	11.3
Convertible bonds (HK$'million)	580.3	556.6
Equity attributable to owners of the Company (HK$' million)	3,548.8	3,124.3
Current ratio (times) *(Note 9)*	3.10	3.38
Net gearing ratio (%) *(Note 10)*	Net cash	Net cash

Notes:

1. *Operating profit represented profit before fair value loss on derivative financial instrument – warrants, finance costs, share of profit of an associated company and income tax expense.*

2. *The calculation of average inventory turnover (days) is based on average of opening and closing inventory balances divided by cost of sales and multiplied by the number of days of the relevant period.*

3. *The calculation of average debtors turnover (days) is based on average of opening and closing balances of trade receivables divided by turnover and multiplied by the number of days of the relevant period.*

4. *The calculation of average creditors turnover (days) is based on average of opening and closing balances of trade payables divided by purchases and multiplied by the number of days of the relevant period.*

5. *The calculation of cash conversion cycle (days) is based on average inventory turnover (days) plus average debtors turnover (days) minus average creditors turnover (days) of the relevant period.*

6. *Capital expenditure comprises acquisition of land use rights and fixed assets and cash expenditure on license rights.*

7. *Effective tax rate is calculated based on income tax expense including PRC withholding tax divided by profit before income tax excluding fair value loss on warrants.*
8. *Cash and bank balances comprise cash and cash equivalents and bank deposit with maturity over three months.*

9. *The calculation of current ratio (times) is based on total current assets divided by total current liabilities as at the relevant period end.*

10. *The calculation of net gearing ratio (%) is based on net debt (being total of bank loan and convertible bonds, less total cash and bank balances) divided by equity attributable to owners of the Company as at the relevant period end.*

Results Performance

For the six months ended 30 June 2011, 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).

An analysis of business performance by reportable segments is as follows:

	Brand Business				Manufacturing Business	
	Core Brands		Other Brands			
	For the six months ended 30 June					
HK$' million	2011	2010	2011	2010	2011	2010
Revenue from external customers	*3,465.0*	*2,741.6*	*239.0*	*152.6*	*235.3*	*288.8*
Inter-segment revenue	*12.8*	*0.2*	*-*	*-*	*409.3*	*284.6*
Total segment revenue	3,477.8	2,741.8	239.0	152.6	644.6	573.4
Segment gross profit	2,171.9	1,644.2	148.4	67.0	96.2	95.9
Segment operating profit/(loss)	683.3	511.3	(30.3)	(30.5)	42.9	37.5

During the period under review, total revenue from external customers of the brand business amounted to HK$3,704.0 million (2010: HK$2,894.2 million), representing an increase of 28% compared to the same period last year. Meanwhile, revenue from OEM customers went down by 19% to HK$235.3 million (2010: HK$288.8 million) for the first half of 2011.

Liquidity and Financial Resources

As at 30 June 2011, the Group had cash and bank balances, comprising cash and cash equivalents and bank deposits with maturity over three months, totalling HK$2,139.6 million (31 December 2010: HK$2,059.7 million) denominated mainly in Renminbi, US dollars, Hong Kong dollars and New Taiwan dollars.

The net increase of HK$79.9 million (2010: HK$475.7 million) is analysed as follows:

	For the six months ended 30 June	
	2011	2010
	HK$' million	HK$' million
Net cash generated from operating activities	294.3	713.4
Proceeds from disposal of fixed assets	0.7	3.8
Capital expenditure	(146.1)	(104.4)
Net dividend paid	(102.0)	(85.0)
Repayment of bank loan	(4.0)	(33.7)
Net cash flow used in acquisition of subsidiaries and other investments	(15.3)	(32.3)
Net interest received/(paid)	17.0	(0.6)
Effect of exchange rate changes	35.3	14.5
	79.9	475.7

As at 30 June 2011, unutilised banking facilities amounted to HK$183.6 million (31 December 2010: HK$214.9 million). The Group's current ratio was 3.10 as at 30 June 2011, versus 3.38 as at 31 December 2010. The Group has sufficient resources currently to support expansion and development of business in future.

To maximise the return on liquid resources, during the period, the Group placed a number of principal-guaranteed structured deposits with registered banks in Mainland China. The interest income earned for the period was HK$27.4 million, higher than that of last year the same period of HK$9.7 million.

As at 30 June 2011, the Group's net gearing, calculated on the basis of net debt (being total bank loan and convertible bonds less total cash and bank balances) over shareholders' equity, was in a net cash (31 December 2010: net cash). The bank loan was at floating rates during the period under review.

Foreign Exchange Risk Management

The Group did not engage in any foreign exchange derivatives during the period under review (2010: nil). Management closely monitors the market situation and may consider tools to manage foreign exchange risk whenever necessary.

Significant Capital Investments

During the period, the Group incurred capital expenditure of HK$146.1 million (2010: HK$104.4 million) mainly for retail network expansion and renovation, purchase and construction of premises, warehouses and offices in Mainland China.

Pledge of Assets

As at 30 June 2011 and 31 December 2010, the Group had no pledge of assets and the bank loan was unsecured.

Contingent Liabilities

As at 30 June 2011 and 31 December 2010, the Group had no significant contingent liabilities.

Human Resources

As at 30 June 2011, the Group had over 25,000 employees (31 December 2010: 23,000) in Mainland China, Hong Kong, Taiwan and Korea. Employee and directors' expenditure, including share-based payment expense of HK$21.8 million (2010: HK$26.5 million), for the period under review was HK$543.1 million (2010: HK$388.9 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 conditions and terms as well as individual qualifications. The Group also provides mandatory provident funds schemes, medical insurance, staff purchase discounts and training programmes to employees.

PROSPECTS

The Group will uphold the "Daphne" brand rejuvenation program with the introduction of more higher-quality products with competitive prices, in order to attract greater volume of customer traffic. As for the "Shoebox" label, its marketing initiatives to drive sustainable development of the brand will persist in the year ahead. Recognising the experience gained last year, the Group will monitor the latest market trend closely, enhance its product mix and improve stock management measures. All of these will further stimulate sales growth for core brand business.

In 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 customers. To this end, the Group will introduce the upscale brand, "ALDO", to the China market in the coming half year.

To conclude, both the Group's presence and recognition of its brands in the country have grown significantly over last year. Supported by continued sales network development in China coupled with appropriate strategies, the Group is confident and optimistic about its future business prospects.

INTERIM DIVIDEND

The Board has resolved on 18 August 2011 to declare an interim dividend of HK8.0 cents (2010: HK6.0 cents) per ordinary share for the year ending 31 December 2011. The interim dividend will be payable on or before 26 September 2011 to shareholders whose names appear on the register of members of the Company at 4:00 p.m. on 15 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 September 2011 to 15 September 2011 (both days inclusive) during which period no transfer of shares will be effected. 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, Hong Kong no later than 4:00 p.m. on 9 September 2011.

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 2011. 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 (the "Listing Rules") throughout the period save for the deviations stated below.

On 27 January 2011, Mr. Chen Ying-Chieh, the Chairman of the Company, was appointed as the Chief Executive Officer of the Company. This was in deviation from Code Provision A.2.1 of the Code. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. Going forward, the Group will periodically review the effectiveness of this arrangement and considers segregating the roles when it thinks appropriate.

On 27 January 2011, Mr. Chen Hsien Min was re-designated as a non-executive director of the Company who was not appointed for a specific term but is subject to retirement by rotation and is eligible for re-election. This was in deviation from Code Provision A.4.1 of the Code. The Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they fully complied with the required standard as set out in the Model Code during the six months ended 30 June 2011.

AUDIT COMMITTEE

The Audit Committee, comprises the three independent non-executive directors and one non-executive director 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 financial information has been reviewed and approved by the Audit Committee, who is of the opinion that such financial information complies 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 websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.daphneholdings.com). 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, 18 August 2011

As at the date of this announcement, the Board comprises Mr. Chen Ying-Chieh, Mr. Chang Chih-Kai and Mr. Chang Chih-Chiao being the executive directors, Mr. Chen Hsien Min and Mr. Kim Jin-Goon being the non-executive directors; Mr. Hsiao Hsi-Ming, Mr. Huang Shun-Tsai and Mr. Kuo Jung-Cheng being the independent non-executive directors and Mr. Lau Wai Kei, Ricky, being the alternate director to Mr. Kim Jin-Goon.