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**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)

**Amendment of Terms of the Warrants**

On 25 August 2010, the Company executed the Amendment Deed in accordance with the terms of the Warrant Instrument, pursuant to which, amongst other amendments, the denomination of the Exercise Price of the Warrants will be changed from HK\$ to RMB with effect from 25 August 2010.

The Directors consider that the terms of the Amendment Deed are fair and reasonable so far as the Shareholders are concerned and it is in the best interest of the Company and the Shareholders as a whole to execute the Amendment Deed.

Reference is made to the announcements of Daphne International Holdings Limited (the “**Company**”) dated 25 May 2009 and 12 June 2009 (the “**Announcements**”). Unless otherwise defined, all terms used in this announcement have the same meaning as defined in the Announcements.

Pursuant to the terms of the Investment Agreement, the Company has issued the warrant instrument constituting the Warrants on 11 June 2009 (the “**Warrant Instrument**”), and on 12 June 2009, the Company issued the Warrants which are subject to and have the benefits of the Warrant Instrument and the terms and conditions set out therein. As at the date of this announcement, none of the Warrants has been exercised by the Investor.

The Company is an investment holding company. The Company together with its subsidiaries are principally engaged in the manufacturing and distribution of footwear, apparel and accessories in the PRC and export sales with major market in the United States of America, and the functional currency of the Company is RMB. In accordance with the prevailing accounting standards adopted by the Company, the exercise price of the Warrants, which is currently denominated in HK\$ and not in the functional currency of the Company, would need to be stated at fair value. Owing to the accounting treatment as prescribed under the prevailing accounting standards adopted by the Company, the Company has recorded fair value loss on the derivative financial instrument - Warrants. The Directors consider that this accounting treatment as prescribed under the prevailing accounting standard does not reflect fairly the operating results of the Company and consider the redenomination of the Exercise Price of the Warrants from HK\$ to RMB, thereby eliminating the impact of the fair value adjustment of the Warrants on the financial statements of the Company, will better reflect the performance of the Company.

In view of the abovementioned, on 25 August 2010, the Company has in accordance with the terms of the Warrants executed an amendment deed in relation to the Warrant Instrument (the “**Amendment Deed**”), pursuant to which the denomination of the Exercise Price (the “**Denomination**”) of the Warrants has been changed from HK\$ to RMB, all RMB denominated amounts will be settled in US\$, and the relevant provisions in the Warrant Instrument arising from the amendment to the Denomination have also been amended accordingly. The Investor has consented to the amendments set out in the Amendment Deed. The following amendment to the Denomination has been made in the Amendment Deed:

*“Exercise Price: Each Warrant carries the right to subscribe for one Share. The price at which a Share will be issued upon exercise of a Warrant, as adjusted from time to time, (the **Exercise Price**), will initially be RMB3.49792 (being the RMB equivalent of HK\$4.00 converted using a fixed rate of HK\$1.00 = RMB0.87448, which is the Spot Rate for the Rate Calculation Date) per Share but will be subject to adjustment in accordance with the terms and conditions of the Amendment Deed.”*

In the Amendment Deed,

“Rate Calculation Date” means the day which is 25 August 2010; and

“Spot Rate” means the RMB/HK Dollar official mid rate, expressed as the amount of RMB per one HK Dollar, reported by the People’s Bank of China which appeared on the People’s Bank of China website ([www.pbc.gov.cn](http://www.pbc.gov.cn)) at or about 9:15 a.m. (Beijing time) on the Rate Calculation Date.

Save for the abovementioned proposed change of the Denomination and the consequential changes required to be made to the Warrant Instrument, all the other terms and conditions of the Warrant Instrument remain unchanged and in full force and effect.

The Board confirms that the amendments to the Warrant Instrument will not result in any change in the number of the Warrant Exercise Shares as contemplated in the Warrant Instrument at the time the Warrants were issued. As such, the Warrant Exercise Shares will remain to be issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 16 May 2008.

The Directors consider that the terms of the Amendment Deed are fair and reasonable so far as the Shareholders are concerned and it is in the best interest of the Company (and the Shareholders as a whole) to execute the Amendment Deed.

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

Hong Kong, 25 August 2010

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

\* *for identification purpose only*