

DAPHNE INTERNATIONAL HOLDINGS LIMITED

達 芙 妮 國 際 控 股 有 限 公 司

Daphne Reported Satisfactory FY2009 Annual Results Turnover Grows 10% to HK\$5,832.0 million

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Strategically Taps into the Mid-to-high-end Footwear Market in China

(12 April 2010 – Hong Kong) – **Daphne International Holdings Limited** (“Daphne” or the “Group”) (stock code: 210), a leading retailer of ladies footwear in China that owns the well-known “Daphne” and “Shoebox” brands, today announced its annual results for the year ended 31 December 2009.

The Group continued to deliver overall satisfactory results despite a challenging business environment. For the year ended 31 December 2009, the Group’s turnover grew by 10% to HK\$5,832.0 million (2008: HK\$5,289.3 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) increased by 27% to HK\$863.1 million (2008: HK\$679.0 million). Due to a mark-to-market fair value loss on the warrants in the profit and loss account of HK\$203.5 million, profit attributable to shareholders decreased by 20% to HK\$393.8 million (2008: HK\$492.9 million). If excluding the fair value loss on warrants, the Group posted a strong growth of 21% to HK\$597.3 million of profit attributable to shareholders.

Basic earnings per share were HK24.05 cents (2008: HK30.09 cents). The Board recommended the payment of a final dividend of HK5.0 cents (2008: HK3.0 cents) per share for the year ended 31 December 2009. Including the interim dividend of HK3.0 cents (2008: HK2.5 cents) per share, total dividend per share for year 2009 is HK8.0 cents (2008: HK5.5 cents).

Mr. Chen Ying-Chieh, Chairman of Daphne, said, “Our prime focus, namely “Daphne” and “Shoebox”, continued to excel despite the fluctuating economic situation especially during the first half of the year. Riding on our solid presence in the Mainland China, together with the PRC government’s economic stimulus programme, we are very confident in maintaining as the leader in the female footwear market. Meanwhile, we persistently strive to diversify our product offerings and rapidly foster our brand presence by establishing franchised outlets.”

Brand Business

Accounting for 70% of the Group's total turnover, "Daphne" remained as the Group's major profit contributor with turnover, gross profit and operating profit all growing satisfactorily. The Group added 514 points-of-sale for "Daphne" during the year under review, which boosted the presence of the brand across the country. As at 31 December 2009, Daphne had 1,904 stores, 716 counters and 743 franchised outlets. Daphne continued to reinforce branding and public awareness by engaging the famous girl pop group S.H.E and Ms. Rene Liu as spokespersons. Carefully striking a balance between cost control and marketing efforts, the Group is cautious in maintaining its spending on advertising and promotion at an optimal level.

Targeted towards the mass market that values good quality footwear at affordable prices, "Shoebox" performed well for the entire year under review, with outstanding growth in both turnover and operating profit. "Shoebox" has been gaining popularity among consumers and the Group believes the brand has immense potential to grow. During the year, the Group added 197 stores for the brand, bringing the total to 813.

Licensed Brands

The Group has adjusted its business strategies to focus resources on ladies footwear business and gradually exit the sportswear business. As at 31 December 2009, the Group had closed all Nike selling points and significantly scaled down its adidas points-of-sale to 41 during the review year.

As consumer appetite for mid-to-high-end products diminished following the financial crisis, the Group adjusted business strategies to slow down the expansion of the mid-to-high-end "Sofft" and "Born" brands during the year, as well as re-engineer the business to prepare for better growth in the future. The Group operated 4 "Arezzo" and 4 "Sofft" points-of-sale as at the end of the year.

Manufacturing Business

The Group's manufacturing business includes revenues from company-owned brand business and from OEM customers. The Group's strategy of the segment is to increase production for its own brands.

During the year, the Group forged a strategic partnership with TPG, which made a strategic investment in the Company through subscription of RMB550 million worth of convertible bonds and 100 million warrants due 2014. This strategic investment from TPG further strengthened the Group's cash position.

Mr. Chen Hsien Min, Managing Director of Daphne, said, “While working on strengthening our existing own brands focused on mass markets, we are also cautiously developing mid-to-high-end markets with growth potential when the overall economy is starting to pick up momentum.”

In 2010, the Group plans to open 500 and 250 points-of-sale for “Daphne” and “Shoebox” respectively, to expand coverage of its sales networks and to capture market opportunities. In January 2010, the Group acquired 60% equity interest in Full Pearl International Limited which owns the brands “Aee”, “Ameda”, as well as licensed brands including the renowned Canadian brand “ALDO” and American fashion brand “Jessica Simpson”. The acquisition provides the Group direct access to the PRC sales network in the mid-to-high-end market.

Mr. Chen Ying-Chieh concluded, “This year marked milestones for us, in particular in gaining the strategic investment and expert advice from TPG. Daphne has seen marked improvement in our corporate governance standard, transparency and better management structure. All these have provided a solid foundation for us to seize opportunities ahead for capturing larger market share. We are optimistic about ultimately realising our goal to becoming a world-leading ladies footwear retailer.”

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 Composite Mainland Index, effective on 11 September 2006. The Group is principally engaged in the manufacturing, marketing and distribution of footwear, apparel and accessories products under its own and licensed brands and on an OEM basis. Its major markets include China and the US. In 1990, the Group launched its footwear business in China under the brand name “Daphne” which is now a leading ladies’ footwear brand in China. Currently the Group operates over 4,000 outlets in Mainland China, Taiwan and Hong Kong.

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(N.B.: Enclosed please find the Consolidated Profit & Loss Account of Daphne International Holdings Limited.)

Daphne International Holdings Limited Consolidated Profit and Loss Account

| | <u>For the year ended 31 December</u> | |
|---|---------------------------------------|-------------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| TURNOVER | 5,831,994 | 5,289,297 |
| Cost of sales | (2,624,916) | (2,501,911) |
| | <hr/> | <hr/> |
| GROSS PROFIT | 3,207,078 | 2,787,386 |
| Other income | 52,073 | 20,738 |
| Other losses - net | (24,622) | (25,957) |
| Selling and distribution expenses | (2,065,555) | (1,821,969) |
| General and administrative expenses | (305,891) | (281,218) |
| Fair value loss on derivative financial instrument - warrants | (203,466) | - |
| Finance costs | (26,704) | (13,307) |
| Share of profit of an associated company | 630 | 594 |
| | <hr/> | <hr/> |
| PROFIT BEFORE INCOME TAX | 633,543 | 666,267 |
| Income tax expense | (232,884) | (169,090) |
| | <hr/> | <hr/> |
| PROFIT FOR THE YEAR | 400,659 | 497,177 |
| Attributable to: | | |
| Equity holders of the Company | 393,838 | 492,920 |
| Minority interests | 6,821 | 4,257 |
| | <hr/> | <hr/> |
| | 400,659 | 497,177 |
| | <hr/> | <hr/> |
| EARNINGS PER SHARE (HK cents) | | |
| Basic | 24.05 | 30.09 |
| Diluted | 23.93 | 30.09 |
| | <hr/> | <hr/> |
| DIVIDENDS | 131,032 | 90,084 |
| | <hr/> | <hr/> |