# 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**)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

### HIGHLIGHTS OF 2015 ANNUAL RESULTS

- Turnover dropped by 19.1% to HK$8,379.1 million
- Gross profit decreased by 17.7% to HK$4,724.7 million with gross profit margin up by 1.0 percentage point to 56.4%
- Loss attributable to owners of the Company was HK$378.9 million
- Basic loss per share was HK23.0 cents
- Total number of points-of -sale decreased by 827 to 5,930
- Maintained net cash position
- E-commerce business continued to achieve sales growth with Daphne maintained its top ranking in Tmall women's shoes category in Alibaba's Single's Day event

* *for identification purpose only*

## ANNUAL RESULTS

The board of directors (the "Board") of Daphne International Holdings Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2015, together with the comparative figures for 2014.

### CONSOLIDATED INCOME STATEMENT
### FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | **2015** | 2014 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| Turnover | 3 | **8,379,095** | 10,355,616 |
| Cost of sales | | **(3,654,366)** | (4,618,058) |
| Gross profit | | **4,724,729** | 5,737,558 |
| Other income | 4 | **66,004** | 83,883 |
| Other losses – net | 5 | **(65,334)** | (24,761) |
| Selling and distribution expenses | | **(4,695,995)** | (5,042,300) |
| General and administrative expenses | | | |
| Factories relocation expenses | 6(a) | **(117,283)** | - |
| Other general and administrative expenses | | **(409,744)** | (491,984) |
| | | **(527,027)** | (491,984) |
| Operating (loss)/profit | 6 | **(497,623)** | 262,396 |
| Finance costs | 7 | **(12,059)** | (33,837) |
| Share of losses of associates and joint ventures | | **(2,778)** | (7,219) |
| (Loss)/profit before income tax | | **(512,460)** | 221,340 |
| Income tax credit/(expense) | 8 | **132,373** | (39,191) |
| (Loss)/profit for the year | | **(380,087)** | 182,149 |
| Attributable to: | | | |
| Owners of the Company | | **(378,888)** | 176,031 |
| Non-controlling interests | | **(1,199)** | 6,118 |
| | | **(380,087)** | 182,149 |
| (Loss)/earnings per share, basic and diluted (HK cents) | 9 | **(23.0)** | 10.7 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DEECEMBER 2015**

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| (Loss)/profit for the year | **(380,087)** | 182,149 |
| Other comprehensive (loss)/income | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Currency translation differences | **(437)** | 81 |
| Item that will not be reclassified subsequently to profit or loss: | | |
| Currency translation differences | **(226,591)** | (125,138) |
| Total comprehensive (loss)/income for the year | **(607,115)** | 57,092 |
| Attributable to: | | |
| Owners of the Company | **(600,183)** | 53,998 |
| Non-controlling interests | **(6,932)** | 3,094 |
| | **(607,115)** | 57,092 |

**CONSOLIDATED BALANCE SHEET**
**AS AT 31 DECEMBER 2015**

| | Note | **2015** | 2014 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| **Non-current assets** | | | |
| Intangible assets | | **66,715** | 78,948 |
| Land use rights | | **80,136** | 76,509 |
| Property, plant and equipment | | **1,190,401** | 1,377,485 |
| Interests in associates | | **2,007** | 2,214 |
| Interests in joint ventures | | **2,028** | 4,071 |
| Available-for-sale financial asset | | **374** | 374 |
| Deposits paid for acquisition of land use rights and property, plant and equipment | | **119** | 26,750 |
| Long-term rental deposits and prepayments | | **125,287** | 163,780 |
| Deferred income tax assets | | **334,136** | 177,753 |
| | | **1,801,203** | 1,907,884 |
| **Current assets** | | | |
| Inventories | | **2,091,619** | 2,273,330 |
| Trade receivables | 11 | **237,874** | 326,555 |
| Entrusted loans | | **-** | 3,070 |
| Other receivables, deposits and prepayments | | **1,475,031** | 1,552,393 |
| Income tax recoverable | | **65,886** | 68,503 |
| Derivative financial instrument | | **15,919** | - |
| Structured bank deposits | | **-** | 1,064,716 |
| Pledged bank deposits | | **3,225** | 6,928 |
| Cash and cash equivalents | | **1,072,401** | 457,034 |
| | | **4,961,955** | 5,752,529 |
| **Current liabilities** | | | |
| Trade payables | 12 | **982,616** | 1,005,154 |
| Other payables and accrued charges | | **442,053** | 550,935 |
| Current income tax liabilities | | **50,387** | 55,535 |
| Convertible bonds | | **-** | 680,716 |
| Bank loans – unsecured | | **620,792** | 96,460 |
| | | **2,095,848** | 2,388,800 |
| **Net current assets** | | **2,866,107** | 3,363,729 |
| **Total assets less current liabilities** | | **4,667,310** | 5,271,613 |

**CONSOLIDATED BALANCE SHEET**
**AS AT 31 DECEMBER 2015**

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Equity attributable to owners of the Company** | | |
| Share capital | **164,914** | 164,914 |
| Reserves | **4,297,701** | 4,893,038 |
| | **4,462,615** | 5,057,952 |
| Non-controlling interests | **186,511** | 194,439 |
| **Total equity** | **4,649,126** | 5,252,391 |
| **Non-current liabilities** | | |
| Deferred income tax liabilities | **18,094** | 19,132 |
| Other non-current liability | **90** | 90 |
| | **18,184** | 19,222 |
| **Total equity and non-current liabilities** | **4,667,310** | 5,271,613 |

## NOTES TO THE FINANCIAL INFORMATION

## 1 General information

Daphne International Holdings Limited and its subsidiaries are principally engaged in the manufacturing, distribution and retailing of footwear and accessories in Mainland China.

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

## 2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

*(i) Amendments to standards effective and adopted by the Group in 2015*

| | |
|---|---|
| HKAS 19 (2011) (Amendment) | Defined Benefit Plans: Employee Contributions |
| HKFRSs (Amendment) | Improvements to HKFRSs (2010-2012) |
| HKFRSs (Amendment) | Improvements to HKFRSs (2011-2013) |

The adoption of these amendments has no material impact on the results and financial position of the Group.

*(ii) New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

*(iii) New standards and amendments to standards that have been issued but are not yet effective and not early adopted by the Group*

| | |
|---|---|
| HKAS 1 (Amendment) | Disclosure Initiative [1] |
| HKAS 16 and HKAS 38 (Amendment) | Clarification of Acceptable Methods of Depreciation and Amortisation [1] |
| HKAS 16 and HKAS 41 (Amendment) | Agriculture: Bearer Plants [1] |
| HKAS 27 (Amendment) | Equity Method in Separate Financial Statements [1] |
| HKFRS 9 | Financial Instruments [2] |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1] |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendment) | Investment Entities: Applying the Consolidation Exception [1] |

| | |
|---|---|
| HKFRS 11 (Amendment) | Accounting for Acquisitions of Interests in Joint Operations [1] |
| HKFRS 14 | Regulatory Deferral Accounts [1] |
| HKFRS 15 | Revenue from Contracts with Customers [2] |
| HKFRSs (Amendment) | Improvements to HKFRSs (2012-2014) [1] |

[1] Effective for accounting periods beginning on or after 1 January 2016
[2] Effective for accounting periods beginning on or after 1 January 2018

The Group is in the process of assessing the impact of the adoption of the above new/revised HKFRSs but not yet in a position to comment on the impact on the results and the financial position of the Group.

## 3 Turnover and segment information

The Group is principally engaged in the manufacturing, distribution and retailing of footwear and accessories.

The chief operating decision-maker ("CODM") has been identified as the executive directors. The CODM assesses the performance of the business from a business unit perspective, i.e. core brands business, other brands business and manufacturing business and allocate resources accordingly.

The CODM assesses the performance of the operating segments based on a measure of segment results before finance costs, amortisation and impairment of intangible assets and unallocated corporate income and expenses. Certain corporate overhead expenses, including management fee, rental and utilities were reallocated among individual segments based on estimated consumption.

Revenue from external customers is arrived after elimination of inter-segment revenue. Inter-segment revenue is charged in accordance with terms as determined and agreed mutually by relevant parties. Revenue from external customers of core brands business and other brands 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 for each of the two years ended 31 December 2015 and 2014.

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

The following is an analysis of the Group's revenue and results by reportable segment as reviewed by the CODM:

| | Core brands business HK$'000 | Other brands business HK$'000 | Manu-facturing business HK$'000 | Inter-segment elimination HK$'000 | Group HK$'000 |
|---|---|---|---|---|---|
| **<u>Year ended 31 December 2015</u>** | | | | | |
| Revenue from external customers | **7,521,043** | **832,650** | **25,402** | **-** | **8,379,095** |
| Inter-segment revenue | **199,117** | **-** | **822,703** | **(1,021,820)** | **-** |
| Total segment revenue | **7,720,160** | **832,650** | **848,105** | **(1,021,820)** | **8,379,095** |
| Segment results | **(362,364)** | **1,340** | **(105,955)** | **(4,954)** | **(471,933)** |
| Amortisation of intangible assets | | | | | **(5,079)** |
| Impairment of an intangible asset | | | | | **(4,000)** |
| Corporate income | | | | | **9,205** |
| Corporate expenses | | | | | **(25,816)** |
| Operating loss | | | | | **(497,623)** |
| Finance costs | | | | | **(12,059)** |
| Share of losses of associates and joint ventures | | | | | **(2,778)** |
| Loss before income tax | | | | | **(512,460)** |
| <u>Other information for disclosure:</u> | | | | | |
| Amortisation of intangible assets | **-** | **5,079** | **-** | **-** | **5,079** |
| Impairment of an intangible asset | **-** | **4,000** | **-** | **-** | **4,000** |
| Amortisation of land use rights | **1,174** | **-** | **1,264** | **-** | **2,438** |
| Depreciation of property, plant and equipment | **285,366** | **8,124** | **21,900** | **-** | **315,390** |
| Impairment of property, plant and equipment | **4,383** | **-** | **13,439** | **-** | **17,822** |
| Capital expenditure | **253,730** | **7,786** | **39,990** | **-** | **301,506** |
| <u>Year ended 31 December 2014</u> | | | | | |
| Revenue from external customers | 9,303,190 | 838,445 | 213,981 | - | 10,355,616 |
| Inter-segment revenue | 189,457 | - | 1,047,470 | (1,236,927) | - |
| Total segment revenue | 9,492,647 | 838,445 | 1,261,451 | (1,236,927) | 10,355,616 |
| Segment results | 225,172 | 17,909 | 58,748 | (8,493) | 293,336 |
| Amortisation of intangible assets | | | | | (5,134) |
| Corporate income | | | | | 9,605 |
| Corporate expenses | | | | | (35,411) |
| Operating profit | | | | | 262,396 |
| Finance costs | | | | | (33,837) |
| Share of losses of associates and joint ventures | | | | | (7,219) |
| Profit before income tax | | | | | 221,340 |
| <u>Other information for disclosure:</u> | | | | | |
| Amortisation of intangible assets | - | 5,134 | - | - | 5,134 |
| Amortisation of land use rights | 732 | - | 1,003 | - | 1,735 |
| Depreciation of property, plant and equipment | 267,292 | 12,122 | 22,022 | - | 301,436 |
| Impairment of property, plant and equipment | 3,441 | 395 | - | - | 3,836 |
| Capital expenditure | 466,077 | 9,132 | 43,698 | - | 518,907 |

The following is an analysis of the Group's assets and liabilities by reportable segment as reviewed by the CODM:

| | Core brands business HK$'000 | Other brands business HK$'000 | Manu-facturing business HK$'000 | Group HK$'000 |
|---|---|---|---|---|
| **<u>As at 31 December 2015</u>** | | | | |
| Segment assets | **5,590,887** | **380,196** | **291,107** | **6,262,190** |
| Goodwill | **15,079** | **-** | **-** | **15,079** |
| Other intangible assets | **-** | **51,636** | **-** | **51,636** |
| | **5,605,966** | **431,832** | **291,107** | **6,328,905** |
| Interests in associates | | | | **2,007** |
| Interests in joint ventures | | | | **2,028** |
| Available-for-sale financial asset | | | | **374** |
| Deferred income tax assets | | | | **334,136** |
| Derivative financial instrument | | | | **15,919** |
| Corporate assets | | | | **79,789** |
| Total assets | | | | **6,763,158** |
| Segment liabilities | **1,151,206** | **128,470** | **165,118** | **1,444,794** |
| Deferred income tax liabilities | | | | **18,094** |
| Corporate liabilities | | | | **651,144** |
| Total liabilities | | | | **2,114,032** |
| <u>As at 31 December 2014</u> | | | | |
| Segment assets | 6,409,650 | 505,702 | 409,611 | 7,324,963 |
| Goodwill | 15,079 | - | - | 15,079 |
| Other intangible assets | - | 63,869 | - | 63,869 |
| | 6,424,729 | 569,571 | 409,611 | 7,403,911 |
| Interests in associates | | | | 2,214 |
| Interests in joint ventures | | | | 4,071 |
| Available-for-sale financial asset | | | | 374 |
| Deferred income tax assets | | | | 177,753 |
| Corporate assets | | | | 72,090 |
| Total assets | | | | 7,660,413 |
| Segment liabilities | 1,252,360 | 65,864 | 230,956 | 1,549,180 |
| Deferred income tax liabilities | | | | 19,132 |
| Convertible bonds | | | | 680,716 |
| Corporate liabilities | | | | 158,994 |
| Total liabilities | | | | 2,408,022 |

## 4 Other income

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Franchise and royalty income | **7,718** | 8,217 |
| Government subsidies | **6,208** | 14,647 |
| Gross rental income | **1,885** | 1,820 |
| Interest income | **29,214** | 47,118 |
| Others | **20,979** | 12,081 |
| | **66,004** | 83,883 |

## 5 Other losses - net

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Fair value gain on a derivative financial instrument | **16,449** | 3,145 |
| Impairment of an intangible asset | **(4,000)** | - |
| Impairment of property, plant and equipment | **(17,822)** | (3,836) |
| Loss on disposal of a subsidiary | **-** | (580) |
| Loss on disposal of property, plant and equipment | **(35,394)** | (22,036) |
| Net exchange loss | **(24,567)** | (1,454) |
| | **(65,334)** | (24,761) |

## 6 Operating (loss)/profit

Operating (loss)/profit is stated after charging the following:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Amortisation of land use rights | **2,438** | 1,735 |
| Amortisation of license rights | **2,644** | 2,651 |
| Amortisation of trademarks | **2,435** | 2,483 |
| Auditors' remuneration | **4,907** | 5,441 |
| Cost of inventories sold, including provision for slow-moving inventories of HK$216,900,000 (2014: write-back of provision for slow-moving inventories of HK$119,751,000) | **3,292,164** | 4,069,662 |
| Depreciation of property, plant and equipment | **315,390** | 301,436 |
| Employee benefits expense (including directors' emoluments and share-based payment expense) | **1,325,482** | 1,504,278 |
| Net provision for impairment of trade receivables | **862** | 48 |
| Operating lease rentals (including concessionaire fees) in respect of land and buildings | **2,434,023** | 2,584,209 |

Note:

(a) During the year, the Group recognised one-off manufacturing business restructuring costs of approximately HK$141,094,000 in relation to the relocation of several factories. Included in the restructuring costs was staff redundancy cost of HK$117,283,000 which was recognised in "general and administrative expenses", provision for inventories of HK$10,372,000 which was recognised in "cost of sales" and impairment of property, plant and equipment of HK$13,439,000 which was recognised in "other losses – net".

## 7 Finance costs

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Interest on convertible bonds | **6,911** | 32,192 |
| Interest on bank loans | **5,148** | 1,645 |
| | **12,059** | 33,837 |

## 8 Income tax credit/(expense)

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Current income tax | **(34,561)** | (75,421) |
| (Under)/over provision in prior years | **(2,391)** | 235 |
| Deferred income tax | **169,325** | 35,995 |
| | **132,373** | (39,191) |

The applicable rate of Hong Kong profits tax is 16.5% (2014: 16.5%). No provision for Hong Kong profits tax has been made in the financial statements as the Group does not have any assessable profit arising in Hong Kong during the year ended 31 December 2015 and had sufficient tax losses to set off against its estimated assessable profits arising from Hong Kong for the year ended 31 December 2014.

Provision for China corporate income tax is calculated based on the statutory tax rate of 25% (2014: 25%) on the assessable income of each of the Group's entities.

Income tax on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profits for the year at the applicable rates of income tax prevailing in the places where the Group operates.

Pursuant to the China corporate income tax laws, 10% withholding tax is levied on all foreign investors, except that only 5% is levied for foreign investors which are incorporated in Hong Kong, in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 31 December 2007.

Pursuant to the China corporate income tax laws, withholding tax at a reduced rate of 7% (2014: 7%) by treaty is applied to the Group's entities incorporated in Hong Kong for royalties received or receivable net with value-added tax. Withholding tax of 7.5% (2014: 7.5%) is applied to management fee received or receivable from a Group's entity with tax jurisdiction in Mainland China.

## 9 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company of HK$378,888,000 (2014: profit of HK$176,031,000) by the weighted average number of 1,649,142,384 (2014: 1,649,142,384) shares in issue during the year.

For each of the two years ended 31 December 2015 and 31 December 2014, basic and diluted (loss)/earnings per share are the same as there was no dilutive potential share.

## 10 Dividends

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Nil interim dividend paid (2014: HK3.5 cents per share) | **-** | 57,720 |

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2015 (2014: Nil).

## 11 Trade receivables

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Trade receivables | **239,682** | 327,574 |
| Less: Provision for impairment | **(1,808)** | (1,019) |
| Trade receivables - net | **237,874** | 326,555 |

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| 0 - 30 days | **140,814** | 207,657 |
| 31 - 60 days | **57,711** | 71,825 |
| 61 - 90 days | **20,189** | 18,658 |
| 91 - 120 days | **7,851** | 7,555 |
| 121 - 180 days | **4,593** | 10,444 |
| 181 - 360 days | **2,845** | 9,985 |
| Over 360 days | **3,871** | 431 |
| | **237,874** | 326,555 |

The carrying values of trade receivables approximate their fair values. 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.

## 12 Trade payables

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| 0 - 30 days | **402,218** | 468,140 |
| 31 - 60 days | **297,712** | 237,993 |
| 61 - 90 days | **273,146** | 289,588 |
| 91 - 120 days | **2,637** | 2,976 |
| 121 - 180 days | **4,431** | 1,836 |
| 181 - 360 days | **1,741** | 3,304 |
| Over 360 days | **731** | 1,317 |
| | **982,616** | 1,005,154 |

## 13 Capital commitments for purchase of land use rights and property, plant and equipment

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Contracted but not provided for | **1,326** | 6,929 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

***Market Overview***

Retailers had a very difficult year in China in 2015 as the economy and consumer markets further slowed down. The country's gross domestic product (GDP) growth decelerated from 7.4% in 2014 to 6.9% in 2015, a 25-year low. Growth in the total retail sales of consumer goods dwindled to 10.7% in 2015 from 12.0% in 2014 and 13.1% in 2013.

While trying to adapt to the "new normal" of China's economy, the retailers had to cope with other problems such as the challenges from e-commerce players, the global warming effect, notably delayed summer and a warmer winter in the fourth quarter of 2015. To manage the slow-moving inventories caused by the erratic weather, fashion retailers offered bigger discounts earlier. The sales and promotional efforts made the retail sector very competitive, especially in the second half of the year.

On the other hand, the volatility of the stock market in China dealt a blow to the already weak consumer sentiment. Weak Asian currencies induced some mainland Chinese consumers to travel and shop overseas, thus affecting the domestic consumption. Moreover, the retailers were weighed down with inflationary operating costs, including rents and wages.

***Group Performance***

For the year of 2015, the Group's turnover amounted to HK$8,379.1 million (2014: HK$10,355.6 million), representing a drop of 19.1% due to the decline in Core Brands Business and shrinking business volume from OEM Business. Gross profit declined by 17.7% to HK$4,724.7 million (2014: HK$5,737.6 million). Gross profit margin increased to 56.4% (2014: 55.4%), although the provision for slow-moving inventories charged to cost of sales went up to HK$216.9 million in 2015 compared to a write-back of HK$119.8 million in 2014.

During the year under review, the Group turned to an operating loss of HK$497.6 million in contrast to an operating profit of HK$262.4 million in 2014. Loss attributable to owners of the Company was HK$378.9 million (2014: profit of HK$176.0 million).

Basic earnings per share for the year ended 31 December 2015 decreased from HK10.7 cents in 2014 to loss per share of HK23.0 cents for the year of 2015. No interim dividend was declared for the year ended 31 December 2015 (2014: HK3.5 cents) and the board of directors does not recommend the payment of a final dividend (2014: Nil).

The performance of the Group was below expectations. It was affected by the adverse market conditions, erratic and extreme weather patterns with delayed summer and unusually warm winter, inflationary operating costs, increased negative operating leverage, and increased charges that resulted from decisions on rationalisation of inventories, stores, factories and staff as part of prudent management.

As the market conditions deteriorated in the second half of 2015, the Group carried out a number of decisive measures, including the acceleration of closures of loss-making stores, downsizing of the back offices, relocation of factories from the coastal to inland area, putting focus on the inventory level including cancellation of most replenishment orders. These rationalisation initiatives incurred increased charges comprising the provision for slow-moving inventories of HK$216.9 million (2014: write-back of provision of HK$119.8 million), and one-off restructuring costs of approximately HK$130.7 million (excluding provision for inventories of HK$10.4 million) in relation to the relocation of several factories (2014: Nil). All these significantly impacted the Group's performance in 2015.

The abnormal weather pattern in 2015 was a major cause of the unfavourable accumulation of inventories during the year. Despite the adjustment in replenishment orders, and a lower inventory level at the end of 2015 than that at the end of 2014, the inventory turnover days increased to 218 days (2014: 194 days).

The Group rationalised its stores during the year by closing down loss-making stores so as to improve the quality of the overall store network in the future. This resulted in a net decrease of 827 points of sales ("POS"). As at 31 December 2015, the Group's POS numbered 5,930, consisting of 5,597 POS under its Core Brands Business ("Daphne" and "Shoebox" in Mainland China) and 333 POS for its Other Brands Business. The Core Brands Business had a net reduction of 805 POS, representing a decrease of 12.6% in the number of stores compared with that in 2014. However, the substantial number of store closures and the subsequent reduction of staff incurred increased operating costs in 2015.

Inflationary operating costs, including rental and staff costs kept increasing as a percentage of sales during the year. To control the production cost, the Group rationalised its production capacity by relocating its production lines from the coastal areas to its new production base in-land, where the labour cost was relatively more competitive. Such consolidation of its production capacity and other above-mentioned rationalisation initiatives incurred increased operational expenses. The operating margin was further dragged by the increased negative operating leverage and therefore resulted in a negative operating profit margin of 5.9%. (2014: positive operating profit margin of 2.5%).

Moreover, the Group's gross profit margin increased by 1.0 percentage point from 55.4% for 2014 to 56.4% for 2015 despite the slowdown in the market and the lower average selling price of the products under its Core Brands Business. If the provision for slow-moving inventories was excluded, the Group's gross profit margin would have increased by 4.8 percentage points from 54.2% to 59.0%. The gross profit margin improved because of: (i) improved sales mix; (ii) enhancement in the product design process; (iii) a new pricing strategy; and (iv) lower product costs.

***Core Brands Business***

The Group's Core Brands Business refers to the business of retailing women's footwear under its own brands, "Daphne" and "Shoebox", in Mainland China. As the retail market became softer in 2015, turnover from external customers of the Core Brands Business decreased by 19.2% to HK$7,521.1 million from HK$9,303.2 million for 2014. The decline was attributable to the negative same-store sales performance and the net closure of a substantial number of stores. The Group accelerated the closures of loss-making stores, especially in the fourth quarter of 2015. This resulted in a net decrease of 805 POS during the year (including a net decrease of 692 directly-managed stores and a net decrease of 113 franchised stores). This represented a reduction of 12.6% in the number of stores compared with that in 2014. The Group had a total of 5,597 POS under its Core Brands, comprising 5,056 directly-managed stores and 541 franchised stores, as at 31 December 2015. Segment revenue from external customers accounted for 90% of the Group's total revenue during the year under review (2014: 90%).

*Number of POS of Core Brands Business:*

| | **At 31 December 2015** | | At 31 December 2014 | | Change | |
|---|---|---|---|---|---|---|
| Directly-managed stores | **5,056** | ***90%*** | 5,748 | *90%* | -692 | -12.0% |
| Franchised stores | **541** | ***10%*** | 654 | *10%* | -113 | -17.3% |
| Total | **5,597** | ***100%*** | 6,402 | *100%* | -805 | -12.6% |

*Number of POS of Core Brands Business by city tier:*

| | **At 31 December 2015** | | At 31 December 2014 | | Change | |
|---|---|---|---|---|---|---|
| Tier 1 | **637** | ***11%*** | 731 | *12%* | -94 | *-12.9%* |
| Tier 2 | **1,376** | ***25%*** | 1,607 | *25%* | -231 | *-14.4%* |
| Tier 3 | **1,030** | ***18%*** | 1,238 | *19%* | -208 | *-16.8%* |
| Tier 4-6 | **2,554** | ***46%*** | 2,826 | *44%* | -272 | *-9.6%* |
| Total | **5,597** | ***100%*** | 6,402 | *100%* | -805 | *-12.6%* |

During the year, the Group enriched and restructured Daphne's product range and mix by categorising the products into seven series since the spring and summer to enhance its appeal to a broader customer base and to increase its differentiation from competitors. The enhanced product series are Parties & Evening Charm, Cosmopolitan, Soft & Comfort, Daphne Young, Ondul, Dulala and Hello Kitty Collection by Daphne. Each of them is tailored to different niche markets and to different occasions. A top young actresse in Mainland China, Cecilia Liu, joined celebrities from the region, such as the popular Korean actress, Jun Ji-Hyun, and pop singer and leading actor, Nicholas Tse, in being the Group's spokespersons. By strengthening the association of the product lines with the celebrities, the Group built a strong brand image, and improved the marketing efforts.

Besides, the Group enhanced the product quality which was well received by customers. The enriched product lines, the stronger brand association with celebrities and improved product quality allowed the Group to adopt a new pricing strategy with less emphasis on discounts as a means of attracting customers. Nevertheless, the Group's new pricing structure attributed to the lower average selling price for Core Brands which recorded about 4.6% year-on-year decrease. As the unusually warm winter in 2015 made the demand softer and the competition more intense, the Group was compelled to offer steeper discounts during the second half of the year to remain competitive. The deeper discounts on products and increased provision for the inventories cut the gross profit margin of Core Brands Business by 0.1 percentage point to 53.7% from 53.8%.

The decrease in sales induced significant pressure on inventory management and operating margin. At the same time, the Group's rationalisation of stores and staff incurred increased operational expenses for the year under review, although these measures would help the Group build a better cost structure in the coming years. The increased operating expenses, the negative operating leverage (which means that fixed cost has a greater portion in the total cost structure at the Group's retail operations) and the inflationary operating costs resulted in a negative operating profit margin of 4.7% for the Core Brands Business (2014: positive operating profit margin of 2.4%).

***Other Brands Business***

The Other Brands Business of the Group mainly consists of the operations of mid- to high-end brands (including own-brands and brands with exclusive distribution rights, comprising "AEE", "Step Higher", "AEROSOLES" and "ALDO" in Mainland China, Hong Kong and Taiwan) and the growing e-commerce unit. The e-commerce unit kept increasing its contribution to the revenue at the Other Brands Business in recent years. For the year ended 31 December 2015, the aggregate turnover of the Other Brands Business decreased by 0.7% to HK$832.7 million (2014: HK$838.4 million), and accounted for 10% of the Group's total turnover in 2015 (2014: 8%). This business segment essentially achieved breakeven in a challenging year.

Revenue generated from the portfolio of mid- to high-end brands decreased due to a net reduction of 22 POS during the year and the adverse effect of the erratic weather. The warm winter in 2015 affected the demand for winter shoes and boots, and led retailers to step up promotional efforts and therefore intensified the competition. Therefore, the business of mid- to high-end brands recorded a slight decline in the gross profit margin.

The Group's e-commerce business continued to deliver sales growth and profit. Despite more fierce online competition with increased entries of international brands into China, Daphne still maintained its top ranking in sales in the women's shoes category in Alibaba's Single's Day event in 2015. This reflected its strong brand equity and leadership position in the online sales channel. The Group opened more online stores in various platforms of major shopping sites to increase its products' exposures in the online market and reach different segments of customers. During the year, the Group launched its warehouse sharing programme which would enhance its online shopping service, provide stronger support to its O2O business and improve the overall inventory management in the future.

## FINANCIAL REVIEW

### Financial and Operational Highlights

***Financial Performance***

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2015** | 2014 | Change |
| Turnover (HK$' million) | **8,379.1** | 10,355.6 | -19.1% |
| Gross profit (HK$' million) | **4,724.7** | 5,737.6 | -17.7% |
| Operating (loss)/profit (HK$' million) | **(497.6)** | 262.4 | -289.6% |
| (Loss)/profit attributable to owners of the Company (HK$' million) | **(378.9)** | 176.0 | -315.2% |
| Gross profit margin (%) | **56.4** | 55.4 | +1.0ppt |
| Operating profit margin (%) | **-5.9** | 2.5 | -8.4ppt |
| Net profit margin (%) | **-4.5** | 1.7 | -6.2ppt |
| Basic (loss)/earnings per share (HK cents) | **(23.0)** | 10.7 | -315.0% |
| Dividend per share (HK cents) | **-** | 3.5 | -100.0% |

***Key Financial Indicators***

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2015** | 2014 | Change |
| Average inventory turnover (days) *(Note 1)* | **218** | 194 | +24 |
| Average debtors turnover (days) *(Note 2)* | **12** | 12 | - |
| Average creditors turnover (days) *(Note 3)* | **113** | 103 | +10 |
| Cash conversion cycle (days) *(Note 4)* | **117** | 103 | +14 |
| Capital expenditure (HK$' million) *(Note 5)* | **301.5** | 518.9 | -41.9% |

| | As at 31 December | | |
|---|---|---|---|
| | **2015** | 2014 | Change |
| Cash and bank balances (HK$' million) *(Note 6)* | **1,075.6** | 1,528.7 | -29.6% |
| Bank loans (HK$' million) | **620.8** | 96.5 | +543.6% |
| Convertible bonds (HK$' million) | **-** | 680.7 | -100.0% |
| Equity attributable to owners of the Company (HK$' million) | **4,462.6** | 5,058.0 | -11.8% |
| Current ratio (times) *(Note 7)* | **2.4** | 2.4 | - |
| Net gearing ratio (%) *(Note 8)* | **Net cash** | Net cash | N/A |

*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 365 days.*

2. *The calculation of average debtors turnover (days) is based on the average of opening and closing balances of trade receivables divided by the turnover and multiplied by 365 days.*

3. *The calculation of average creditors turnover (days) is based on the average of opening and closing balances of trade payables divided by the purchases and multiplied by 365 days.*

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

5. *Capital expenditure comprises acquisition of land use rights and property, plant and equipment, cash expenditure on license rights and capital contribution to joint ventures.*

6. *Cash and bank balances comprise cash and cash equivalents, pledged bank deposits and structured bank deposits.*

7. *The calculation of current ratio (times) is based on total current assets divided by total current liabilities as at 31 December.*

8. *The calculation of net gearing ratio (%) is based on net debt (being the total of bank loans and convertible bonds, less cash and bank balances) divided by equity attributable to owners of the Company as at 31 December.*

***Segmental Analysis***

The business performance of individual segments for the year ended 31 December 2015 is summarised as follows:

| | Core Brands Business | | Other Brands Business | | Manufacturing Business | |
|---|---|---|---|---|---|---|
| *(HK$ million)* | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| *Revenue from external customers* | ***7,521.1*** | *9,303.2* | ***832.7*** | *838.4* | ***25.4*** | *214.0* |
| *Inter-segment revenue* | ***199.1*** | *189.4* | **-** | - | ***822.7*** | *1,047.5* |
| Total segment revenue | **7,720.2** | 9,492.6 | **832.7** | 838.4 | **848.1** | 1,261.5 |
| Segment gross profit | **4,149.2** | 5,103.3 | **505.6** | 525.3 | **74.9** | 117.6 |
| *Segment gross margin* | ***53.7%*** | *53.8%* | ***60.7%*** | *62.7%* | ***8.8%*** | *9.3%* |
| Segment operating (loss)/ profit | **(362.4)** | 225.2 | **1.3** | 17.9 | **(106.0)** | 58.7 |
| *Segment operating margin* | ***-4.7%*** | *2.4%* | ***0.2%*** | *2.1%* | ***-12.5%*** | *4.7%* |

During the year ended 31 December 2015, significant operating loss was mainly due to certain initiatives incurred increased charges comprising the provision for slow-moving inventories of approximately HK$216.9 million (2014: write-back of provision of HK$119.8 million), and one-off restructuring costs of approximately HK$130.7 million (excluding provision for inventories of HK$10.4 million) in relation to the relocation of several factories (2014: Nil).

***Liquidity and Financial Resources***

As at 31 December 2015, the Group had cash and bank balances, comprising cash and cash equivalents, pledged bank deposits and structured bank deposits, amounting to HK$1,075.6 million (2014: HK$1,528.7 million) denominated mainly in Renminbi. The net decrease in cash and bank balances of HK$453.1 million (2014: net increase of HK$154.3 million) during the year is analysed as follows:

| *(HK$ million)* | **2015** | 2014 |
|---|---|---|
| Net cash generated from operating activities | **5.4** | 667.8 |
| Capital expenditure | **(301.5)** | (518.9) |
| Proceeds from disposal of property, plant and equipment | **5.5** | 1.6 |
| Decrease in entrusted loans | **3.0** | 99.4 |
| Net dividend paid | **(1.0)** | (92.2) |
| Net interest received | **24.1** | 39.9 |
| Net bank loans borrowed/(repaid) | **524.3** | (20.5) |
| Redemption of convertible bonds | **(695.5)** | - |
| Effect of exchange rate changes and others | **(17.4)** | (22.8) |
| | **(453.1)** | 154.3 |

On 12 June 2009, the Company issued unlisted and unsecured RMB denominated USD settled convertible bonds due in 2014 with a principal amount of RMB550 million in which the maturity date was subsequently extended to 24 April 2015 pursuant to the Deed of Amendment relating to the convertible bonds. The Company had redeemed the convertible bonds in full for a total amount of approximately HK$695.5 million upon its maturity on 24 April 2015. All the payment was satisfied by the Group's internal cash and bank borrowings. As at 31 December 2015, no convertible bonds were outstanding.

As at 31 December 2015, the Group had unutilised banking facilities amounting to HK$158.3 million (2014: HK$61.6 million). The Group's current ratio was 2.4 as at 31 December 2015 (2014: 2.4). The Group has sufficient resources currently to support expansion and development of business in the future.

To maximise the return on idle liquid resources, during the year, the Group placed a number of principal-protected structured bank deposits with licensed banks in Mainland China. Total bank interest income earned for the year was HK$29.2 million (2014: HK$47.1 million).

As at 31 December 2015, the Group's net gearing, calculated on the basis of net debt (being total bank loans less cash and bank balances (2014: total of bank loans and convertible bonds less cash and bank balances)) over equity attributable to owners of the Company, was in a net cash (2014: net cash) position. The bank loans were at floating rates and fixed rates during the year under review.

***Foreign Exchange Risk Management***

Management closely monitors the market situation and may consider tools to manage foreign exchange risk whenever necessary. During each of the two years ended 31 December 2015, the Group entered into a foreign exchange forward contract to hedge the foreign exchange risk exposure on a bank loan denominated in United States dollar.

***Pledge of Assets***

As at 31 December 2015, the Group's pledged bank deposits amounting to HK$3.2 million (2014: HK$6.9 million) were pledged for certain banking facilities.

***Capital Expenditure***

During the year, the Group incurred capital expenditure of HK$301.5 million (2014: HK$518.9 million) mainly for retail network expansion and renovation, acquisition of land use rights and construction of production facilities, regional warehouses and offices, etc.

***Contingent Liabilities***

As at 31 December 2015 and 2014, the Group had no significant contingent liabilities.

***Human Resources***

As at 31 December 2015, the Group had a workforce of about 18,000 (2014: 26,000) people predominantly in Mainland China, Taiwan and Hong Kong. Employee benefits expense, including directors' emoluments and share-based payment expense, for the year was HK$1,325.5 million (2014: HK$1,504.3 million). The decrease was mainly due to the reduction in headcount of factories, stores and back office. 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. In addition, share options, share appreciation rights and discretionary bonuses are granted to eligible employees based on the performance of the Group and of the individual employee. The Group also provides mandatory provident fund schemes, medical insurance schemes, staff purchase discounts and training programmes to employees.

## AWARDS

Daphne's unparalleled brand awareness and customer loyalty in China was reflected by its top ranking in the "China Brand Power Index 2015" (Women's Shoes category) for the fifth time in a row. This independent annual survey was conducted by Chnbrand, an institution funded by the Chinese Government's Ministry of Industry and Information Technology, and is reputed to be one of the most credible brand rating organisations in China. By interviewing 11,500 consumers in 30 cities across China, this survey examined brand awareness and loyalty by industry and category.

Besides, the Group has also been recognised by the investor community for its persistent efforts in disclosure of information and corporate governance. It received the award of "Best IR Company – Small Cap" in the inaugural Investor Relations Award 2015 organised by the Hong Kong Investor Relations Association.

## OUTLOOK

The year 2016 is poised to remain challenging and the Chinese government prudently sets the GDP growth target at a range of between 6.5% and 7%. Nonetheless, China still ranks among the fastest-growing major economies and its domestic demand should remain stronger than those of other countries. In its 13th Five-year Plan, the Chinese government will press ahead with the transition to an economy that will be driven by domestic demand from one that depends on exports for growth. The Chinese government has taken a number of measures to support the economic transition. The Group is confident that the consumption in China will thrive in the medium and long term.

***Rationalisation Continues***

To address the deceleration of China's growth, and the economic and financial volatilities that may lurk during the economic transition, the Group is evolving and adapting in multiple dimensions to the "new normal" of China. It took decisive initiatives in rationalising the stores, inventories, factories, and staff towards the end of 2015. It also conducted stringent cost control exercise throughout the year. All these measures serve to lay the foundations for a more efficient cost structure. In 2016, the Group will continue to consolidate its store network and workforce and tighten its inventory management until it is well-positioned to cope with the new market dynamics.

***Increasing Differentiation and Revitalising Marketing Endeavours***

Moreover, the Group will also focus on enhancing sales and management efficiency to boost sales and profitability, and will also adopt new approaches to various aspects of its operations. For instance, the Group will make an effort to increase its differentiation to strengthen its competitive strengths. To lay the groundwork for this pursuit, the Group conducted a customer survey in the fourth quarter of 2015 by interviewing more than 2,600 customers in 170 cities in China. The survey has improved our understanding of the customers, and will enable us to explore new opportunities in the market. The findings from the survey reinforce our belief in pursuit of differentiation to succeed in the competition. As a result, we will allocate more resources to product differentiation, and will revitalise and diversify our marketing endeavours to support it. For example, the Group, jointly-developed with Tencent, launched kid shoes with a global positioning system ("GPS") feature in early 2016 to project a trend-setting brand image.

***Driving Improvement in Supply Chain and Inventory Management***

To strengthen inventory management and to increase the flexibility in coping with the changes in customer demand and market conditions, the Group will make major adjustments in its supply chain to enable small-batch productions, and will overhaul in the logistics process. It will take a comprehensive approach to managing the supply chain, store operation, and promotional activities to facilitate inventory turnover and tighten inventory control.

*Uplifting Store Performance*

With regard to the uplifting of the store performance, the Group will turn some of its stores into "multi-brand" stores, which offer broader product offerings in a refreshing shopping environment, so as to boost customer spending and increase sales productivity. This new store format will be closely monitored and may adapt them further to better meet the changing customer preferences. In addition to its ongoing efforts to improve its sales channel mix and rental reduction through lease negotiation, the Group is also exploring new retail concepts. Also, to improve the accountability and motivation of frontline managers, the Group simplifies their "Key Performance Index" system by putting profit as the top priority, flattens the organisation structure of frontline management, and adopts new approaches to store management and incentive schemes, namely, the introduction of a profit-sharing scheme, to better align their interests with the Group's.

*Expanding E-commerce Business*

To capitalise its strong online brand equity and leadership position, the Group will continue to invest and expand its e-commerce business. It will continue to increase its exposure on all major online shopping platforms and extend its presence on emerging online shopping websites. This will expand our reach to different types of customers. To embrace the emerging mobile-shopping trend, marketing emphasis will be put on both online and mobile marketing, and our e-commerce capabilities will be built accordingly. The warehouse sharing programme now in good progress will help promote the O2O trade in the future by enabling more efficient product delivery and inventory management. The Group is also exploring various O2O initiatives to draw on the synergy between its online and offline sales operations.

*Conclusion*

By taking bold steps in rationalisation, and becoming lean and focused, the Group aims to improve its cost structure, management and sales efficiency. The Group also ventures out to adopt new methods and approaches to invigorate its key functions, so as to adapt to the new market conditions and changing customer preferences and behaviours. The Group believes these actions will deliver sustainable improvements in the business operation and competitive strengths in long term. The Group is committed, with its best endeavour, to taking comprehensive actions to weather the current headwinds, so as to restore its performance. With such key strengths as a sound balance sheet, a strong national brand equity, and the product excellence, the Group is confident that it will be able to make great strides to reinforce its market leadership.

As the Group entering into 2016, the momentum of same store sales of Core Brands Business appears more stabilised compared to the same period last year, and registered a mid-single-digit decline for the first quarter-to-date of 2016 on a year-on-year basis. Considering a reduction of 12.0% in the number of directly-managed stores (692 directly-managed stores) in 2015, and a further net closure of approximately 150 stores during the first quarter-to-date, the year-on-year sales decline of Core Brands for the same period was likely in the range of 10% to 15%. Based on the management's assessment of preliminary unaudited information, it is anticipated that the profitability of the first quarter-to-date is likely to improve slightly from that of the same period last year. However, the second quarter, as an important quarter when the new spring and summer products are launched, is still challenging with a lot of uncertainties. The Group will continue to dedicate itself to working on the improvement initiatives, and endeavour to improve its performance for the remaining of the year.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year ended 31 December 2015. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. Following specific enquiry by the Company, all directors have confirmed that they fully complied with the required standards as set out in the Model Code during the year ended 31 December 2015.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year except for the deviations from code provision A.2.1 and A.6.7 which are explained below.

Mr. Chen Ying-Chieh is the Chairman of the Board and the Chief Executive Officer of the Company. This was in deviation from code provision A.2.1 of the CG Code which stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. As Mr. Chen has been with the Group for over 20 years and he has extensive experience in the footwear distribution industry, the Board believes that it is in the best interest of the Group to have Mr. Chen taking up both roles for continuous effective management and business development of the Group. The Board will periodically review the balance of power and authority between the Board and the management of the Company and considers segregating the roles when it thinks appropriate.

During the year, the Company held an annual general meeting (the "AGM") on 20 May 2015. Due to unavoidable business engagements, Mr. Huang Shun-Tsai, the independent non-executive director of the Company, was unable to attend the AGM. This was in deviations from code provision A.6.7 of the CG code.

## REVIEW OF FINANCIAL STATEMENTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The Group's audited consolidated financial statements for the year ended 31 December 2015 including the accounting principles and practices adopted have been reviewed by the Audit Committee of the Company.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary results announcement have been agreed by the Group's independent auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary results announcement.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend (2014: Nil) for the year ended 31 December 2015.

## ANNUAL GERNAL MEETING

It is proposed that the forthcoming annual general meeting of the Company will be held on 25 May 2016. A notice of the forthcoming annual general meeting will be issued and disseminated to shareholders in due course. The register of members will be closed from 23 May 2016 to 25 May 2016, both dates inclusive. In order to qualify to attend and vote at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 20 May 2016.

## PUBLICATION OF THE ANNUAL RESULTS ANNONCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the HKExnews (www.hkexnews.hk) and the Company (www.daphneholdings.com). The annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 29 March 2016

*As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely Mr. Chen Ying-Chieh, Mr. Chang Chih-Chiao, Mr. Chang Chih-Kai and Mr. Chen Tommy Yi-Hsun, three Independent Non-executive Directors, namely Mr. Huang Shun-Tsai, Mr. Kuo Jung-Cheng, and Mr. Lee Ted Tak Tai.*