

[For Immediate Release]

Daphne International Holdings Limited
2013 Annual Results Announcement

* * *

Group Turnover at HK\$10.4 Billion

E-commerce Revenue Grew by over 200%

Adopted Multi-pronged Strategies to Enhance Operating Efficiency

Operational Highlights:

- Group turnover stayed essentially flat at HK\$10,446.5 million
- Turnover of core brands business amounted to HK\$9,561.3 million
- Proportion of directly-managed stores under the Core Brands* increased to 87%
- Total number of points-of-sale increased reached 6,702 of which the number of Core Brands amounted to 6,319
- Launched Retail Management System in Shoebox in the fourth quarter as planned
- Consolidated Other Brands business with improved financial performance
- E-commerce annual turnover grew by more than 200%

**Core Brands business refers to the business of "Daphne" and "Shoebox" in Mainland China*

(25 March 2014 – Hong Kong) – The leading ladies' footwear retailer in China – **Daphne International Holdings Limited** ("Daphne" or the "Group", stock code: 0210), announced today its annual results for the year ended 31 December 2013.

Against the backdrop of the general deceleration in China's economic growth and low visibility in the market outlook, consumer confidence remained weak. This, together with inflationary pressure in labour and rental costs, exerted mounting pressure to the Group's performance in 2013. For the year ended 31 December 2013, the Group's consolidated turnover was essentially flat at HK\$10,446.5 million (2012: HK\$10,529.1 million).

Profit attributable to shareholders for the year amounted to HK\$329.1 million (2012: HK\$955.7 million). Basic earnings per share were 20.0 HK cents (2012: 58.1 HK cents). The Board recommended payment of a final dividend of 2.0 HK cents (2012: 9.0 HK cents) per share for the year ended 31 December 2013, which together with the interim dividend of 6.0 HK cents (2012: 9.0 HK cents) per share, brings the total dividend per share for 2013 is 8.0 HK cents (2012: 18.0 HK cents). The dividend payout ratio is 40% (2012: 31%).

As at 31 December 2013, the Group's points-of-sale (POS) totaled 6,702, representing a net decrease of 179 POS during the year.

In 2013, Daphne was ranked in the Top 75 for investor relations in Greater China in the investor perception survey for the *IR Magazine Asia Awards 2013/2014* among over 2,400 listed companies in the region. This serves as recognition of the Group's ongoing endeavour to improve its investor relations and transparency by the investment community.

Core Brands Business

During the year under review, while consumer sentiment remained weak in China, unfavourable weather patterns and keen competition aggravated the situation. A higher proportion of newly trained frontline staff further dampened the Group's ability to combat the challenges in the market. With negative same store sales growth and net store closures, turnover of the Group's Core Brands business, under its proprietary brands "Daphne" and "Shoebox" in Mainland China, stood at HK\$9,561.3 million (2012: HK\$9,591.9 million). The segment continued to be the largest turnover contributor to Group turnover at 90% (2012: 90%). Same store sales recorded a low double-digit decrease in 2013 led by volume drop against the high base for 2012. Average selling price during the year was essentially flat when compared to last year.

To cope with the softer market and manage store rental pressure, the Group conducted a stringent review of the store portfolio in the second half of 2013 and initiated closures of non-performing stores in order to enhance the quality of the overall store portfolio. The Group ended the year with a total of 6,319 POS under its Core Brands, representing a net decrease of 50 POS after net closures of 245 stores in the fourth quarter. The directly-managed stores comprised 87% of the total store portfolio of Core Brands, up from 85% of last year.

Other Brands Business

The Other Brands business of the Group mainly refers to the operation of mid- to high-end brands, including own-brands and brands with exclusive distribution rights, in Mainland China, Hong Kong and Taiwan. Brands including "AEE", "Step Higher", "ALDO", and "AEROSOLE" in this business segment cater to the growing middle-class consumer segment and broaden the Group's customer base in the long run. During the year, turnover of Other Brands business grew 5.9% to HK\$731.8 million (2012: HK\$690.9 million) and contributed approximately 7% (2012: 7%) to the Group's total turnover. Consolidation of the mid- to high-end brand portfolio continued in the year and showed good progress, narrowing the operating loss for the segment from HK\$127.6 million in 2012 to HK\$86.1 million in 2013. The Group reduced the number of POS under Other Brands by 129 to 383 POS as at 31 December 2013.

Efficiency Improvement Initiatives

The Group remained committed to the efficiency improvement initiatives introduced earlier, and dedicated efforts to improve staff retention and training, rationalize non-performing stores and adopted a more prudent approach in managing its inventory. Measures were also stepped up to monitor and control costs, especially on the labour and rental cost front. Additionally, a new Retail Management System commenced operation for one of the Core Brands in the fourth quarter of 2013, and is expected to be fully implemented for the segment in 2014, thereby enhancing future sales productivity and inventory management. These initiatives will underpin the foundation for future improvement in the Group's financial performance.

In view of the low visibility in the market outlook, fast-changing consumer preferences and market place, the Group realizes it has to strengthen its core competitive advantages, and drive for increasing efficiency and effectiveness in its management and operations to maintain its edge in the competition. After a careful and detailed review and analysis, the Group now adopts multi-pronged strategies to increase the sophistication of the management and operation in various aspects covering people, products, channels, marketing, management systems and procedures. A business plan with focus on sales productivity, supply chain and inventory management, and merchandising and marketing is mapped out in order to weather the tough times and enhance its overall sales performance and profitability in the long term.

Looking ahead, Mr. Eddie Chen, Daphne’s Chairman and Chief Executive Officer, commented, “Despite the existing headwinds in the retail market, we believe China’s rising living standard and rapid urbanization will be conducive to the growth of women’s footwear market in the medium and long term. We are determined and are rising to meet the challenge and prevail. Daphne Group has a long track record of success through both tough and positive economic circumstances. By adjusting our strategies and devising comprehensive measures to strengthen the Group’s core strengths and competitiveness, leveraging its dynamic brand equity and strong financial foundation, we are confident that we will be able to thrive continuously and achieve our goal of sustainable development in the competitive and ever-changing market.”

– End –

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 MidCap Index, effective on 7 March 2011. The Group is principally engaged in the manufacturing, marketing and distribution of ladies’ footwear under its own and exclusively-distributed brands, with over 6,700 points-of-sale in Mainland China, Taiwan and Hong Kong. Its core own-brand, “Daphne”, is now a leading ladies’ footwear brand in Mainland China, and another own-brand, “Shoebox”, is also growing at a fast pace in the mass market of Mainland China.

Daphne ranked the second in the award of the Best Managed Mid-Cap Companies in China 2012 by *FinanceAsia*, a leading financial publication in Asia.

For further information, please visit www.daphne.com.cn or contact:

Daphne International Holdings Limited

Macy Leung

Tel: (852) 2367 9022

Fax: (852) 2311 3170

Email: macyleung@daphneholdings.com

iPR Ogilvy & Mather

Callis Lau / Janette Lo / Janis Lai / Cherry Chen

Tel : (852) 2136 6952 / 3920 7647 / 2169 0646 / 3920 7651

Fax : (852) 3170 6606

Email : daphne@iprogilvy.com