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 2009

HIGHLIGHTS OF 2009 ANNUAL RESULTS

- Turnover grew by 10% to HK$5,832.0 million
- Gross profit rose by 15% to HK$3,207.1 million
- Profit attributable to equity holders of the Company
  - increased by 21% to HK$597.3 million excluding fair value loss on warrants of HK$203.5 million
  - declined by 20% to HK$393.8 million including fair value loss on warrants of HK$203.5 million
- Basic earnings per share
  - increased by 21% to HK36.47 cents excluding fair value loss on warrants of HK$203.5 million
  - dropped by 20% to HK24.05 cents including fair value loss on warrants of HK$203.5 million
- Proposed final dividend of HK5.0 cents per share

* *for identification purpose only*

ANNUAL RESULTS

The board of directors (the "Board") of Daphne International Holdings Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009, together with the comparative figures for 2008 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Year ended 31 December 2009 HK$'000	2008 HK$'000
Turnover	2	5,831,994	5,289,297
Cost of sales		(2,624,916)	(2,501,911)
Gross profit		3,207,078	2,787,386
Other income	3	52,073	20,738
Other losses - net	4	(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
Profit before income tax	5	633,543	666,267
Income tax expense	6	(232,884)	(169,090)
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
		400,659	497,177
Earnings per share	7		
Basic (HK cents)		24.05	30.09
Diluted (HK cents)		23.93	30.09
Dividends	8	131,032	90,084

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
Profit for the year	400,659	497,177
Currency translation differences	30,511	72,387
Realisation upon disposal of a subsidiary	(4,424)	(3,488)
Realisation upon dissolution of a subsidiary	(315)	-
Impairment of an available-for-sale financial asset	-	4,000
Other comprehensive income for the year	25,772	72,899
Total comprehensive income for the year	426,431	570,076
Attributable to:		
Equity holders of the Company	420,425	563,342
Minority interests	6,006	6,734
	426,431	570,076

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2009 HK$'000	2008 HK$'000
Non-current assets			
Intangible assets		26,875	39,447
Land use rights		43,498	44,944
Fixed assets		560,594	574,735
Interest in an associated company		3,262	3,134
Available-for-sale financial assets		33,624	33,624
Long-term rental deposits and prepayments		92,420	87,703
Deferred income tax assets		41,466	31,771
		801,739	815,358
Current assets			
Inventories		889,319	1,355,280
Trade receivables	9	181,253	162,967
Other receivables, deposits and prepayments		442,731	480,794
Pledged bank deposit		2,915	-
Bank deposit with maturity over three months		78,000	-
Cash and cash equivalents		1,544,851	147,962
		3,139,069	2,147,003
Current liabilities			
Trade payables	10	385,317	397,006
Other payables and accrued charges		271,602	221,368
Income tax payable		206,764	165,325
Bank loans		14,567	270,655
Derivative financial instrument - warrants		284,261	-
		1,162,511	1,054,354
Net current assets		1,976,558	1,092,649
Total assets less current liabilities		2,778,297	1,908,007

	As at 31 December	
	2009	2008
	HK$'000	HK$'000
Equity		
Share capital	163,789	163,789
Reserves	2,039,109	1,690,744
Equity attributable to equity holders of the Company	2,202,898	1,854,533
Minority interests	39,027	36,765
Total equity	2,241,925	1,891,298
Non-current liabilities		
Convertible bonds	515,625	-
Deferred income tax liabilities	2,897	1,555
License fees payable	17,850	15,154
	536,372	16,709
Total equity and non-current liabilities	2,778,297	1,908,007

1. Basis of preparation

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

The preparation of accounts in conformity with HKFRS 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.

Standards and amendments effective and relevant to and adopted by the Group in 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
Improvements to HKFRSs 2008	

HKAS 1 (Revised) "Presentation of Financial Statements" prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit and loss account and statement of comprehensive income). The Group has elected to present two statements and the consolidated accounts have been prepared under these revised disclosure requirements.

Amendments to HKFRS 7 "Financial Instruments: Disclosures" requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKFRS 8 "Operating Segments" replaces HKAS 14, "Segment Reporting". It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the executive directors that make strategic decisions. In the past, segment was reported based on brand business and OEM business. Following the adoption of HKFRS 8, the presentation of the Group's segment results, segment assets and segment liabilities has been changed in order to be consistent with internal management assessment. Goodwill is allocated by management to groups of cash-generating units on a segment level.

Other than as noted above, the adoption of the new HKFRS had no material impact on the preparation and presentation of the results and financial position of the Group for the current or previous accounting periods.

Standards, amendments and interpretations that have been issued but are not yet effective nor have been adopted by the Group in 2009

HKAS 24 (Revised)	Related Party Disclosures [6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendment)	Classification of Rights Issues [4]
HKAS 38 (Amendment)	Intangible Assets [1]
HKAS 39 (Amendment)	Eligible Hedged Items [1]
HKFRS (Amendment)	Improvements to HKFRSs 2009 [3]
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [2]
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share - based Payment Transactions [2]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 5 (Amendment)	Non-current Assets held for Sale and Discontinued Operations [2]
HKFRS 9	Financial Instruments [7]
HK(IFRIC) - Int 14 (Amendment)	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [6]
HK(IFRIC) Int - 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) Int - 18	Transfers of Assets from Customers [1]
HK(IFRIC) Int - 19	Extinguishing Financial Liabilities with Equity Instruments [5]

1 Effective for accounting periods beginning on or after 1 July 2009
2 Effective for accounting periods beginning on or after 1 January 2010
3 Effective for accounting periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
4 Effective for accounting periods beginning on or after 1 February 2010
5 Effective for accounting periods beginning on or after 1 July 2010
6 Effective for accounting periods beginning on or after 1 January 2011
7 Effective for accounting periods beginning on or after 1 January 2013

The effect of adopting HKFRS 3 (Revised) on the results and the financial position of the Group will depend on the nature and timing of business combinations occurring on or after 1 January 2010. The management anticipates that the adoption of other standards, amendments to standards and interpretations will not result in any significant impact on the results and the financial position of the Group.

2. Turnover and segment information

The Group is principally engaged in the manufacturing and distribution of footwear, apparel and accessories. During the year, the directors have assessed and redefined the reportable segments as brand business and manufacturing business. Trading business which was formerly identified as a separate reportable segment in the interim period ended 30 June 2009 has been combined with manufacturing business to better reflect management's perspective on segment information. The comparative figures have been reclassified to conform with the current year's presentation.

The segment information for the year ended 31 December 2009 is as follows:

	Brand business			Manufacturing business	Inter-segment elimination	Group
	Daphne	Shoebox	Licensed brands			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	4,059,034	954,671	277,580	540,709	-	5,831,994
Inter-segment revenue	3,937	-	1,003	573,292	(578,232)	-
Turnover	4,062,971	954,671	278,583	1,114,001	(578,232)	5,831,994
Segment results	780,159	102,272	(66,581)	56,514	8,144	880,508
Unallocated corporate income						4,552
Unallocated corporate expenses						(21,977)
Fair value loss on derivative financial instrument - warrants						(203,466)
Finance costs						(26,704)
Share of profit of an associated company						630
Profit before income tax						633,543
Depreciation and amortisation	85,228	20,927	10,922	17,997	-	135,074
Impairment on goodwill	-	-	10,606	-	-	10,606
Capital expenditure	88,137	24,253	7,905	22,427	-	142,722

The segment information for the year ended 31 December 2008 is as follows:

	Brand business			Manufacturing business	Inter-segment elimination	Group
	Daphne	Shoebox	Licensed brands			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	3,624,950	616,981	403,896	643,470	-	5,289,297
Inter-segment revenue	23,398	-	-	551,660	(575,058)	-
Turnover	3,648,348	616,981	403,896	1,195,130	(575,058)	5,289,297
Segment results	641,037	51,077	(4,082)	25,386	(6,302)	707,116
Unallocated corporate income						3,000
Unallocated corporate expenses						(31,136)
Finance costs						(13,307)
Share of profit of an associated company						594
Profit before income tax						666,267
Depreciation and amortisation	72,303	13,455	10,234	21,312	-	117,304
Capital expenditure	131,889	21,670	25,309	55,459	-	234,327

Inter-segment revenue is charged in accordance with terms determined and agreed mutually by the relevant parties. Revenue from external customers of brand business is mainly derived from Mainland China and revenue from external customers of manufacturing business is mainly derived from overseas countries. None of the customers accounted for 10% or more of the total turnover of the Group during both years ended 31 December 2009 and 31 December 2008.

Certain corporate overhead expenses are allocated to individual segments based on estimated consumption.

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

3. Other income

	2009 HK$'000	2008 HK$'000
Government incentives	29,623	4,730
Interest income	6,609	2,715
Franchise and royalty income	4,150	1,282
Income derived from an available-for-sale financial asset	3,000	3,000
Handling income	1,516	1,920
Gross rental income	465	599
Tax refund on reinvestment	-	1,345
Others	6,710	5,147
	52,073	20,738

4. Other losses – net

	2009 HK$'000	2008 HK$'000
Gain/(loss) on disposal of a subsidiary	1,197	(3,417)
Gain on dissolution of a subsidiary	315	-
Impairment loss on an available-for-sale financial asset	-	(4,000)
Impairment loss on goodwill	(10,606)	-
Loss on disposal of fixed assets	(18,876)	(20,235)
Loss on disposal of land use rights	-	(90)
Net exchange gain	3,348	1,785
	(24,622)	(25,957)

5. Profit before income tax

Profit before income tax is stated after charging/(crediting) the following:

	2009 HK$'000	2008 HK$'000
Amortisation of land use rights	1,816	1,032
Amortisation of a license right	1,966	1,392
Auditors' remuneration	3,941	3,663
Cost of inventories sold including provision for slow-moving inventories of HK$38,989,000 (2008: HK$2,480,000)	2,318,998	2,092,146
Depreciation of fixed assets	131,292	114,880
Employee benefits expense including directors' emoluments	607,393	614,013
Operating lease rentals (including concessionaire fees) in respect of land and buildings	1,151,107	1,014,450
(Write-back)/provision for bad and doubtful debts	(152)	3,721

6. Income tax expense

	2009 HK$'000	2008 HK$'000
Current tax - Mainland China	237,338	153,805
Under-provision in prior years	3,665	9,144
Deferred tax	(8,119)	6,141
	232,884	169,090

No provision for Hong Kong profits tax has been made in the accounts as the Group does not have any assessable profit arising in Hong Kong during the year. Income tax on profits arising outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of income tax prevailing in the countries/places in which the Group operates.

Provision for China corporate income tax was calculated based on the statutory tax rate of 25% (2008: 25%) on the assessable income of each of the Group's entities except that certain subsidiaries of the Company operating in China are eligible for certain tax exemptions and concessions including tax holiday and reduced corporate income tax rate during the year. Accordingly, the China corporate income tax for such subsidiaries has been provided for after taking into account of these tax exemptions and concessions.

7. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK$393,838,000 (2008: HK$492,920,000) and 1,637,892,384 (2008: 1,637,892,384) ordinary shares in issue throughout the year.

The calculation of diluted earnings per share is based on the adjusted profit attributable to equity holders of the Company of HK$415,681,000 (2008: HK$492,920,000) and the adjusted weighted average number of ordinary shares of 1,737,173,606 (2008: 1,637,892,384) after taken into consideration of conversion of the convertible bonds.

	2009 HK$'000	2008 HK$'000
Profit attributable to equity holders of the Company	393,838	492,920
Interest on the liability component of the convertible bonds	21,843	-
Adjusted profit attributable to equity holders of the Company	415,681	492,920
	Number of shares	Number of shares
Number of ordinary shares in issue throughout the year	1,637,892,384	1,637,892,384
Effect of conversion of convertible bonds	99,281,222	-
Weighted average number of ordinary shares adjusted for effect of dilution	1,737,173,606	1,637,892,384

The warrants are anti-dilutive and are ignored in the calculation of diluted earnings per share for the year ended 31 December 2009.

8. Dividends

	2009 HK$'000	2008 HK$'000
Interim dividend, paid, of HK3.0 cents (2008: HK2.5 cents) per ordinary share	49,137	40,947
Final dividend, proposed, of HK5.0 cents (2008: HK3.0 cents) per ordinary share	81,895	49,137
	131,032	90,084

At a meeting held on 12 April 2010, the Board proposed a final dividend of HK5.0 cents per share in respect of the year ended 31 December 2009. The proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained profits for the year ending 31 December 2010.

9. Trade receivables

	2009 HK$'000	2008 HK$'000
Trade receivables	183,310	166,688
Less: Provision for impairment of receivables	(2,057)	(3,721)
Trade receivables - net	181,253	162,967

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

	2009 HK$'000	2008 HK$'000
0 - 30 days	160,280	152,548
31 - 60 days	11,001	4,642
61 - 90 days	6,361	2,105
91 - 120 days	1,628	1,468
121 - 180 days	1,165	1,394
181 - 360 days	400	461
Over 360 days	418	349
	181,253	162,967

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.

10. Trade payables

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

	2009 HK$'000	2008 HK$'000
0 - 30 days	185,629	166,462
31 - 60 days	159,957	116,134
61 - 90 days	24,059	94,624
91 - 120 days	3,789	8,758
121 - 180 days	1,846	1,424
181 - 360 days	3,893	4,723
Over 360 days	6,144	4,881
	385,317	397,006

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Brand Business

Brand business has continued to be the major growth driver of the Group. For the year under review, the business continued to report satisfactory results despite the fluctuating economic situation in the first half of the year caused by the global financial crisis. The Group's prime focus "Daphne" continued to deliver sustainable growth driven by sales network expansion and its strong brand name. The popular "Shoebox" brand was also developing quickly. As consumer appetite for mid-to-high-end products diminished following the financial crisis, the Group adjusted business strategies to slow down 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. At the same time, as the Group decided to exit the sportswear business, it has successfully withdrawn from all "Nike" points-of-sale and has also significantly scaled down the contribution from "adidas".

"Daphne"

"Daphne" is the major profit contributor to the Group. As consumption sentiment picked up in the ladies' footwear market, 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. Its turnover, gross profit and operating profit all grew satisfactorily during the year. The number of "Daphne" points-of-sale is summarised as follows:

	As at 31 December 2009	2008	Change
Directly-managed stores			
- D18	331	347	-16
- D28	1,442	1,331	+111
- D18 & D28	131	137	-6
	1,904	1,815	+89
Directly-managed counters			
- D18	122	115	+7
- D28	539	441	+98
- D18 & D28	55	60	-5
	716	616	+100
Franchised outlets	743	418	+325
Total	3,363	2,849	+514

In Taiwan, as a result of the Group's effort to effectively control costs and improve its supply chain management, operating loss in 2009 continued to narrow. During the year, the Group added two stores and operated a total of 56 points-of-sale.

The Group has been careful about striking a balance between cost control and marketing efforts. During the year, Daphne continued to reinforce its branding strategies and public awareness of "Daphne-D18" and "Daphne-D28" by engaging the famous girl pop group S.H.E and Ms. Rene Liu as spokespersons, respectively. "Daphne" is already well-established, while the business sentiment was slow and cost control became important during the financial crisis, the Group reduced spending on advertising and promotion, resulting to a savings on advertising and promotional expenses as a percentage of turnover, as compared to last year.

"Shoebox"

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.

Analysis of "Daphne" and "Shoebox" Points-of-Sale by City Tiers as at 31 December 2009

City tier	Daphne *	Shoebox
Tier 1	356	110
Tier 2	616	171
Tier 3	442	149
Tier 4	613	173
Tier 5	531	160
Tier 6	749	50
Total	3,307	813

* *excluding Daphne outlets in Taiwan*

Licensed Brands

To focus resources on the ladies footwear business, the Group has decided to gradually exit the sportswear market. As at 31 December 2009, the Group had closed all "Nike" selling points and reduced "adidas" points-of-sale to 41 only.

Under the uncertain operating environment during the year, the Group's mid-to-high-end brand "Arezzo", the international brand "Sofft" and its subsidiary brand "Born", all of which the Group distribute exclusively in the Mainland China, recorded less than expected performances, the Group has therefore been reviewing and consolidating its strategic plans for its mid-to-high-end footwear business. 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, which accounted for 51% (2008: 46%) and 49% (2008: 54%), respectively of the segment turnover. The Group's strategy is to increase our production for our own brands. Turnover from OEM customers decreased by 16% to HK$540.7 million (2008: HK$643.5 million), accounting for only 9% (2008: 12%) of the Group's total turnover.

Strategic Investment from TPG Capital ("TPG")

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. The bonds carry an annual coupon rate of 3.125% payable semi-annually, and will be convertible, subject to certain conditions, into Daphne's new ordinary shares at an initial conversion price of HK$3.50 per ordinary share. The bonds will be redeemed at par if not converted. The warrants can be exercised at HK$4.0 per ordinary share. This strategic investment from TPG further strengthens the Group's cash position.

FINANCIAL REVIEW

Results Performance

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 expense) increased by 27% to HK$863.1 million (2008: HK$679.0 million). Due to a mark-to-market fair value loss on 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) and basic earnings per share were HK24.05 cents (2008: HK30.09 cents). 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 and HK36.47 cents of basic earnings per share. The Board recommended payment of a final dividend of HK5.0 cents (2008: HK3.0 cents) per share for the year ended 31 December 2009. Including interim dividend of HK3.0 cents (2008: HK2.5 cents) per share, total dividend per share for 2009 is HK8.0 cents (2008: HK5.5 cents), representing an increase of 45% compared to last year.

Key Financial Indicators

	For the year ended 31 December	
	2009	2008
Average inventory turnover (days) *(Note 1)*	156	171
Average debtors turnover (days) *(Note 2)*	11	11
Average creditors turnover (days) *(Note 3)*	77	61
Cash conversion cycle (days) *(Note 4)*	90	121
Capital expenditure (HK$ million)	142.7	234.3
Effective tax rate (%) *(Note 5)*	36.8	25.4

	As at 31 December	
	2009	2008
Cash and bank balances (HK$ million) *(Note 6)*	1,625.8	148.0
Bank loans (HK$ million)	14.6	270.7
Convertible bonds (HK$ million)	515.6	-
Equity attributable to holders of the Company (HK$ million)	2,202.9	1,854.5
Current ratio (times) *(Note 7)*	2.70	2.04
Net gearing ratio (%) *(Note 8)*	Net cash	6.6

Notes:

1. *The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances divided by 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 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 purchases and multiplied by 365 days.*

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

5. *Effective tax rate is calculated based on income tax expense including PRC withholding tax HK$19.9 million and profit before income tax including fair value loss on warrants of HK$203.5 million.*

6. *Cash and bank balances comprise cash and cash equivalents, bank deposit with maturity over three months and pledged bank deposit.*

7. *The calculation of current ratio (times) is based on the 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 total bank loans and convertible bonds, less total cash and bank balances) divided by equity attributable to equity holders of the Company as at 31 December.*

The business performance of individual segments for the year 2009 is summarised as follows:

(HK$' million)	Brand business						Manufacturing business	
	Daphne		Shoebox		Licensed brands			
	2009	2008	2009	2008	2009	2008	2009	2008
Turnover	4,063.0	3,648.3	954.7	617.0	278.6	403.9	1,114.0	1,195.1
Gross profit	2,410.5	2,115.2	521.9	331.5	92.3	179.8	174.3	167.2
Operating profit	780.2	641.0	102.3	51.1	(66.6)	(4.1)	56.5	25.4

Liquidity and Financial Resources

As at 31 December 2009, the Group's cash and bank balances, comprised of cash and cash equivalents, bank deposit with maturity over three months and pledged bank deposit, grew significantly to HK$1,625.8 million from HK$148.0 million as at 31 December 2008. The net increase of HK$1,477.8 million is analysed as follows:

	HK$' million
Net cash generated from operating activities	1,350.0
Capital expenditure	(142.7)
Proceeds from disposal of fixed assets	5.1
Net proceed from disposal of a subsidiary	3.5
Net dividend paid	(101.5)
Net interest paid	(7.2)
Net bank loans repaid	(256.3)
Net proceed from issue of convertible bonds and warrants	609.7
Others	0.1
Effect of exchange rate changes	17.1
	1,477.8

As at 31 December 2009, the Group had unutilised banking facilities amounting to HK$188.4 million (2008: HK$182.3 million) and current ratio increased from 2.04 as at 31 December 2008 to 2.70. The Group has sufficient resources currently to support expansion and development of business in the future.

As at 31 December 2009, the Group was in a net cash position compared with a net gearing ratio of 6.6% as at 31 December 2008. The calculation is as follows:

	2009 HK$'000	2008 HK$'000
Bank loans	14,567	270,655
Convertible bonds	515,625	-
Less: Cash and bank balances	(1,625,766)	(147,962)
Net (cash)/debt	(1,095,574)	122,693
Equity attributable to equity holders of the Company	2,202,898	1,854,533
Net gearing ratio	Net cash	6.6%

Foreign exchange risk management

The Group did not engage in any foreign exchange derivatives during the year. Management closely monitors the market situation and may consider tools to manage foreign exchange risk whenever necessary.

Pledge of Assets

As at 31 December 2009, the Group's bank loans of HK$14.6 million was secured by an available-for-sale financial asset with nil carrying value and a deposit of HK$2.9 million was pledged for banking facilities. As at 31 December 2008, the Group had short-term bank loans of HK$92.5 million secured by certain leasehold buildings of a total net book value of HK$32.5 million and an available-for-sale financial asset with nil carrying value.

Significant Capital Investments

During the year, the Group incurred a capital expenditure of HK$142.7 million (2008: HK$234.3 million) mainly for retail network expansion and construction of logistics centres and office buildings.

Contingent Liabilities

As at 31 December 2009, the Group had no significant contingent liabilities.

Human Resources

As at 31 December 2009, the Group had approximately 21,000 (2008: 21,000) employees in Hong Kong, Taiwan and the PRC. Employee expenditure for the year under review amounted to HK$607.4 million (2008: HK$614.0 million). The Group values human resources and recognises the importance of retaining high calibre employees. Remuneration packages are generally structured by reference to market terms and the qualifications of individual employees. In addition, share options and discretionary bonuses are granted to eligible employees based on the performance of the Group and the individual employee. The Group also provides mandatory provident fund schemes, medical insurance schemes, staff purchase discounts and training programmes to employees.

PROSPECTS

Looking ahead, the Group will continue to grow its points-of-sale and expand coverage of its sales network to capture market opportunities. In the coming year, the Group plans to increase a total of 500 "Daphne" points-of-sale (including 250 directly-managed stores/counters and 250 franchised outlets) to boost sales growth and market penetration. As for "Shoebox", the Group targets to add 250 points-of-sale in the country to tap the vast mass ladies footwear market with immense potential.

In January 2010, the Group acquired 60% equity interest in Full Pearl International Limited. Full Pearl is a retailer of quality mid-to-high-end footwear in first and second tier cities in the PRC, Taiwan and Hong Kong. The acquisition provides the Group direct access to the PRC sales network in the mid-to-high-end market. Full Pearl currently operates approximately 200 stores, selling its own brands "Aee" and "Ameda" as well as licensed brands including the renowned Canadian brand "ALDO" and American fashion brand "Jessica Simpson". The Group believes that its investment in Full Pearl will boost its brand portfolio, complement its strong position in the mass market, and enable it to expand presence in the flourishing mid-to-high-end female footwear market.

With TPG investing in Daphne, we have seen marked improvement in our corporate governance standard, transparency and management structure. The Group has appointed Ms. Mary Ma, Managing Director of TPG, as a Non-executive Director of the Company. With expertise advice from TPG, the Group has been working on enhancing its supply chain system with the aim of raising operational efficiency in the short to medium term.

Furthermore, the Group has appointed supervisors for various departments including Finance, Human Resources, Supply Chain Management, Marketing, and Risk Management. These new appointments formed part of the better communication structure of the Group and helped raising its operational efficiency.

With a strategic expansion plan in place, a comprehensive product portfolio, a highly committed workforce, an enhanced management structure and ample capital resources, Daphne is optimistic about its ability to seize opportunities ahead for capturing larger market share and ultimately realise its goal of becoming a world-leading ladies footwear retailer.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK5.0 cents (2008: HK3.0 cents) per ordinary share for the year ended 31 December 2009. Subject to the approval by shareholders of the Company at the annual general meeting to be held on 19 May 2010, the payment of the final dividend will be paid on or before 26 May 2010 to shareholders whose names appear on the register of members of the Company on 19 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 May 2010 to 19 May 2010 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend and to attend and vote at the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 14 May 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year ended 31 December 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all directors of the Company confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2009.

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 consolidated accounts have been reviewed and approved by the Audit Committee, who is of the opinion that such accounts comply with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

ANNUAL GERNAL MEETING

The annual general meeting of the Company will be held on 19 May 2010. A notice of the annual general meeting will be issued and disseminated to shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND REPORT

This results announcement is published on the websites of HKExnews (http://www.hkexnews.hk) and the Company (http://www.daphneholdings.com). The annual 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, 12 April 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.