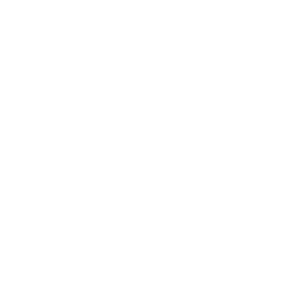


達芙妮國際控股有限公司
DAPHNE INTERNATIONAL HOLDINGS LIMITED

2014 Annual Results Presentation

25 March 2015



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Challenges in 2014

- GDP growth of the China market continued to slow down
- Consumer sentiment remained soft
- Increasing competition from small regional retail chains
- Intense online competition
- Inflationary pressure in operating costs, especially labour
- Excess inventory to be managed
- Absence of pre-CNY peak winter sales period
- Unpredictable weather patterns unfavourable to fashion retailers



Major Progress in 2014

■ Stepping up adaptation for China's slower growth

1. Group turnover comparable despite sluggish market

- Full-year same store sales improved to -3.4% from -10.4% last year
- Positive sales volume growth especially in second half of the year

2. Improved inventory level and cash balance

- 3. Revitalised brand and store image
- 4. Achieved high growth in e-commerce
- 5. Rationalised cost structure and focused investment to build more robust platform for future growth

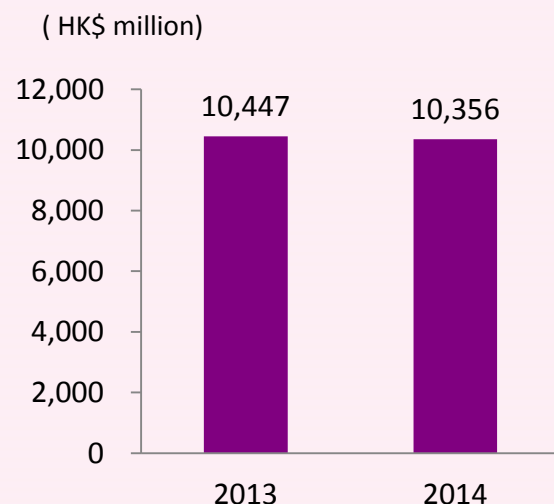


Comparable Group Turnover Despite Sluggish Market

- Group turnover remained stable despite sluggish market
- Full-year same store sales decline narrowed from -10.4% in 2013 to -3.4% in 2014
- Despite lower average selling price “ASP”, Core Brands sales volume increased marginally, expanding the customer base

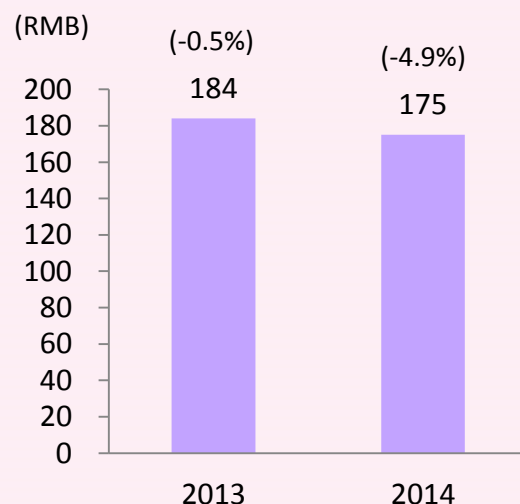
Group Turnover

(For the 12 months ended 31 Dec)



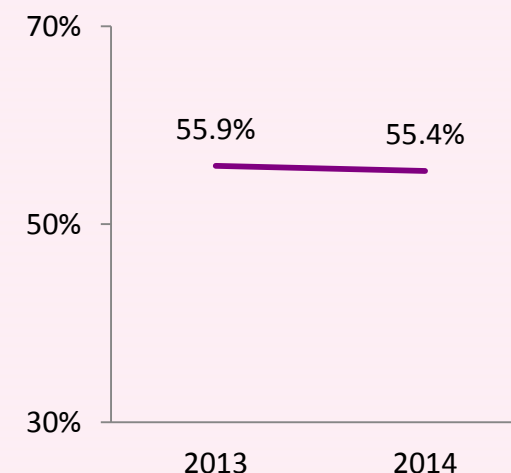
Core Brands ASP

(For the 12 months ended 31 Dec)



Group Gross Margin

(For the 12 months ended 31 Dec)

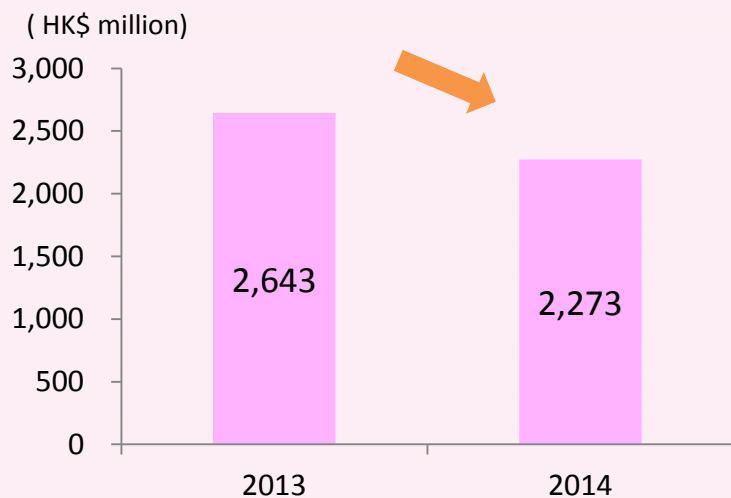


Improved Inventory Level

- Material reduction in old stocks
- More balanced inventory mix reduces destocking pressure
- Inventory turnover days improved to 194 days (2013: 198 days)
- Overall inventory value reduced significantly
- Reduced overall inventory value helps preserve cash for the Group's future development
 - Net cash increased by HK\$184 million, despite higher CAPEX due to one-time office purchase

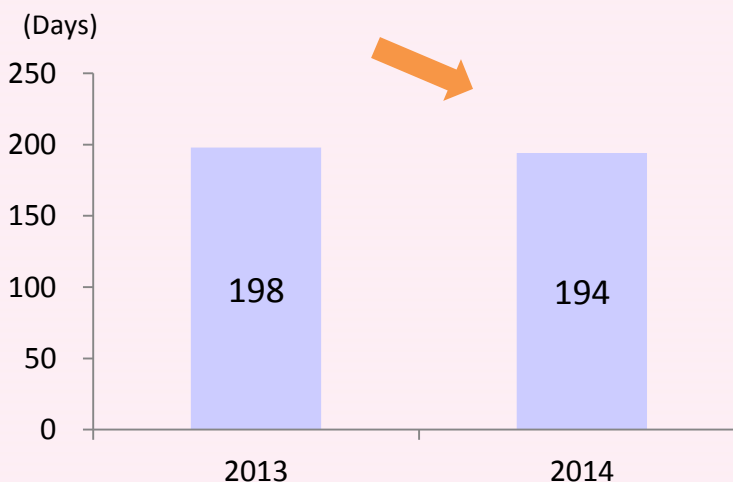
Group Inventory Value

(As at 31 Dec)



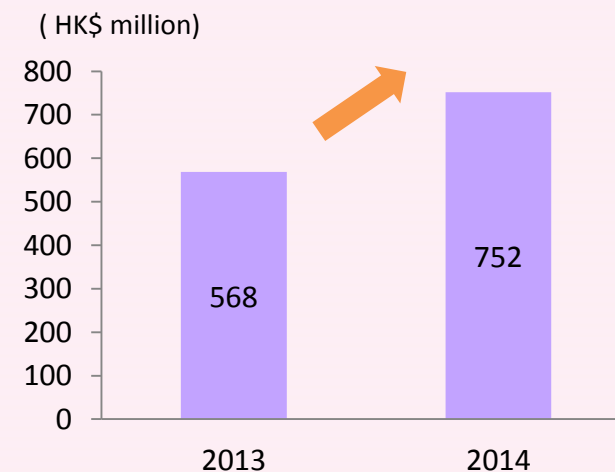
Inventory Turnover Days

(For the 12 months ended 31 Dec)



Net Cash

(As at 31 Dec)



Enhanced Brand Image

- New celebrity-driven marketing strategy successfully revitalised brand image, improved store traffic, and supported e-commerce growth
- Launched cross-over products with top celebrities and well-known brands

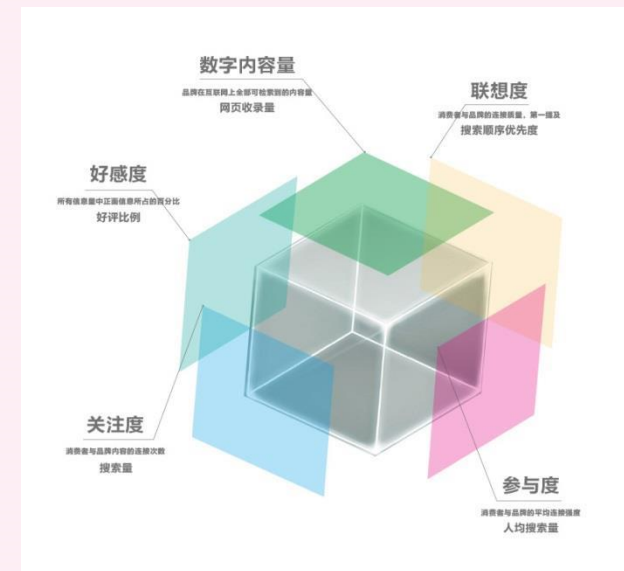


Strong Digital Brand Equity

- Daphne is the only local brand among top 5 in Baidu's brand digital equity survey (品牌數字資產榜) 2014 in Apparel & Accessories category, after Nike, Adidas, Zara and H&M
- The no. 1 ladies' footwear brand in China
- Ranked no. 5 in the overall ranking, up from no. 8 in 2013
- Has the highest ratio of positive mentions (好感度) among the top 5 brands



2014品牌数字资产榜
Brand Digital Equity



Data source: Baidu Brand Digital Equity Survey 2014



Store Renovation

- Renovated over 600 stores to enhance store image and increase competitiveness



Fast Growth of E-Commerce Business

■ Annual turnover of e-commerce nearly doubled



Fast Growth of E-Commerce Business (cont'd)

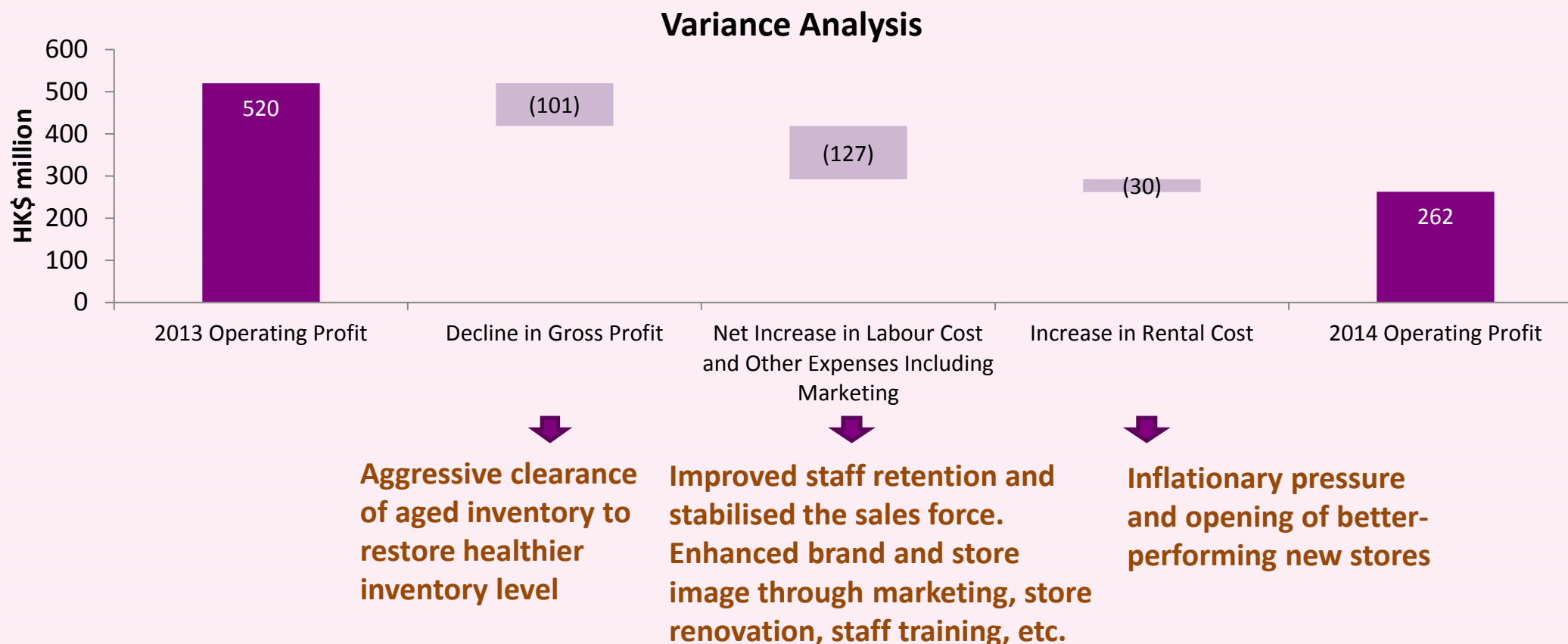
- Sales on Alibaba's Singles' Day 2014 almost doubled, and ranked top in the ladies' shoes category
- More frequent and in-depth partnership with major e-commerce platforms (e.g. Tmall, VIP.com and JD.com)
- Broadened online customer base via more interactive and diversified online promotions



Invested to Build Platform for Future Growth

■ Strived to contain rising operating expenses under inflationary environment

- Group operating expense growth slowed down from 8.8% in 2013 to 2.7% in 2014



Build a solid platform for long-term growth



FINANCIAL REVIEW



達芙妮國際控股有限公司
DAPHNE INTERNATIONAL HOLDINGS LIMITED

Group Financial Highlights

<i>(HK\$ million)</i>	2014	2013	YoY Change
Turnover	10,355.6	10,446.5	-0.9%
Gross profit	5,737.6	5,838.3	-1.7%
Operating profit	262.4	520.2	-49.6%
Profit attributable to shareholders	176.0	329.1	-46.5%
Basic EPS (HK cents)	10.7	20.0	-46.5%
Dividend per share (HK cents)	3.5	8.0	-56.3%
- Interim	3.5	6.0	-41.7%
- Final	nil	2.0	-
Gross profit margin	55.4%	55.9%	-0.5 ppt
Operating profit margin	2.5%	5.0%	-2.5 ppt
Net profit margin	1.7%	3.2%	-1.5 ppt

(For the 12 months ended 31 December)



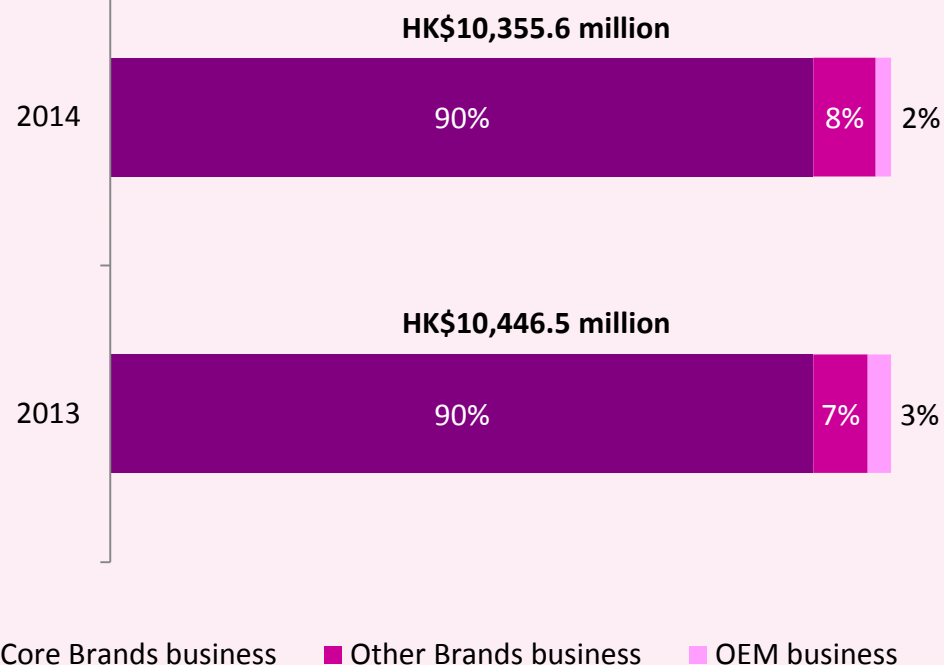
Group Turnover

- Core Brands business remains the largest contributor to Group turnover
- Solid growth in Other Brands business, turnover of which increased to 8% of Group turnover



Group Turnover Breakdown

(For the 12 months ended 31 December)



Note: Core Brands segment refers mainly to the operations under the brands "Daphne" and "Shoebox" in Mainland China



Group Profit Margins

- **Group gross profit margin decreased by 0.5 ppt YoY**
 - Aggressive clearance of old stocks led to higher sales mix of off-season products and more inventory provision write-back
 - Gross profit margin of Other Brands business improved
- **Group operating profit margin decreased by 2.5ppt YoY**
 - Increasing operating costs such as labour and rental costs, etc.
 - Good progress in e-commerce and mid- to high-end brands business partially offset the decline in operating profit



Inventory Turnover Days & Working Capital

- Group inventory turnover days was 194 days, down by 4 days YoY
 - Aggressive clearance of off-season items resulted in a significant decline in overall inventory value
- Creditor turnover days lengthened by 18 days to 103 days
 - Improvement in efficiency of group working capital management
- More CAPEX mainly due to purchase of self-use office

	2014	2013	Change
Average Inventory Turnover (days)	194	198	-4
Average Debtors Turnover (days)	12	12	-
Average Creditors Turnover (days)	103	85	+18
Cash Conversion Cycle (days)	103	125	-22
CAPEX (HK\$ million)	518.9	344.2	+50.8%



Other Key Financial Indicators

- Cash and bank balances increased by 11.2% to HK\$ 1,528.7 million
 - Reduction in overall inventory value
 - Improvement in efficiency of working capital management
- Maturity date of convertible bonds with conversion price at HK\$3.5 was extended to 24 April 2015 and no conversion during 2014.

<i>(HK\$ million)</i>	As at 31 Dec 2014	As at 31 Dec 2013	Change
Cash and bank balances	1,528.7	1,374.4	+11.2%
Bank loans	96.5	117.0	-17.6%
Convertible bonds	680.7	689.2	-1.2%
Equity attributable to owners of the Company	5,058.0	5,043.7	+0.3%
Current ratio (times)	2.4	2.4	-
Net gearing ratio	Net cash	Net cash	-



Historical Financial Performance

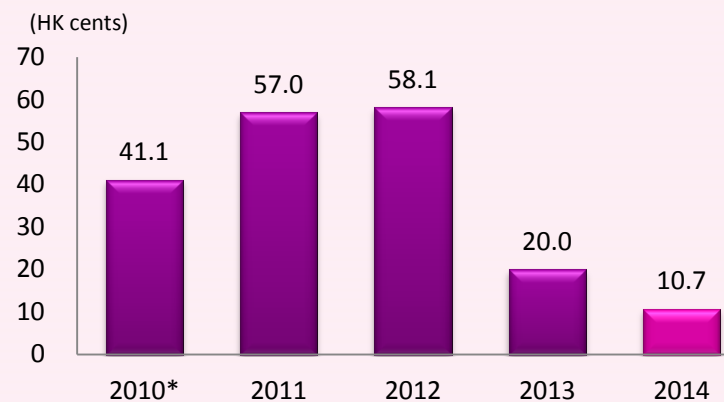
Turnover

(For the 12 months ended 31 December)



Basic EPS

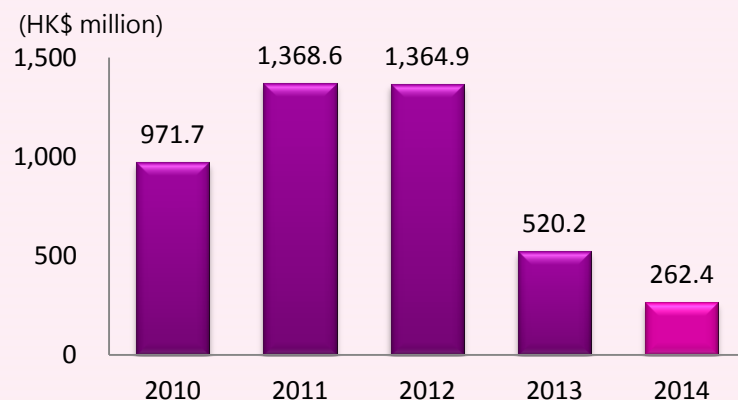
(For the 12 months ended 31 December)



* Amount excluding fair value loss on warrants

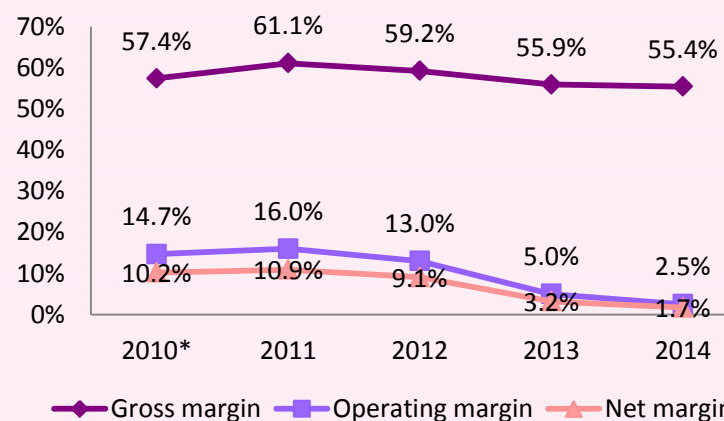
Operating Profit

(For the 12 months ended 31 December)



Margins

(For the 12 months ended 31 December)



* Amount excluding fair value loss on warrants



OPERATIONAL HIGHLIGHTS

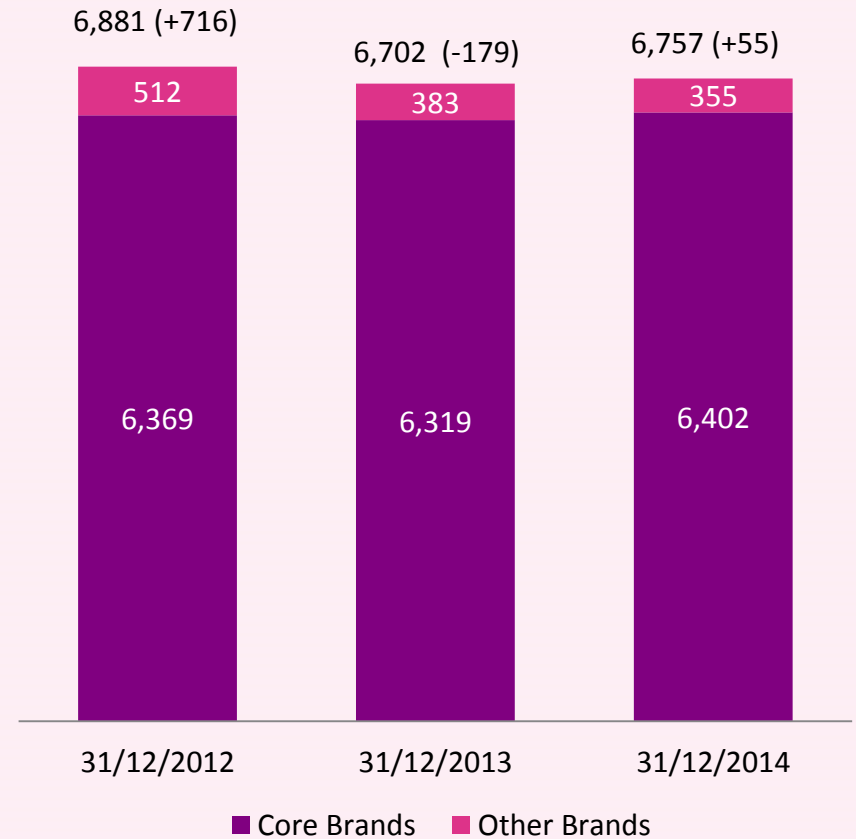


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Group Sales Network



Total Number of Points-of-Sales (POS)



Core Brands Sales Network



- Proportion of directly-managed stores increased to 90%
- Net addition of 83 POS (including net opening of 257 directly-managed stores and net closure of 174 franchised stores)
- Stepped up opening of directly-managed stores in 2H as prompted by improved performance of new stores and format

Number of POS

	As at 31 Dec 2014	As at 31 Dec 2013	Change	% Change
- Directly-managed POS	5,748 (90%)	5,491 (87%)	+257	+4.7%
- Franchised POS	654 (10%)	828 (13%)	-174	-21.0%
Core Brands Total	6,402	6,319	+83	+1.3%

Quarterly change in POS number

	1Q 14	2Q 14	3Q 14	4Q 14
- Directly-managed POS	-12	-6	+103	+172
- Franchised POS	-41	-26	-26	-81
Core Brands Total	-53	-32	+77	+91



Core Brands Sales Network (cont'd)



- The Group maintained greater representation in lower tier cities

	As at 31 Dec 2014		As at 31 Dec 2013		Change	% Change
	No.	%	No.	%		
Tier 1 Cities	731	12%	703	11%	+28	+4.0%
Tier 2 Cities	1,607	25%	1,394	22%	+213	+15.2%
Tier 3 Cities	1,238	19%	992	16%	+246	+24.8%
Tier 4-6 Cities	2,826	44%	3,230	51%	-404	-12.5%
Total	6,402	100%	6,319	100%	+83	+1.3%



Core Brands Business - Performance



(HK\$ million)	2014	2013	YoY Change
Turnover	9,492.6	9,561.3	-0.7%
Gross profit	5,103.3	5,344.6	-4.5%
Gross margin	53.8%	55.9%	-2.1 ppt
Operating profit	225.2	616.2	-63.5%
Operating margin	2.4%	6.4%	-4.0 ppt

■ Turnover of Core Brands business comparable despite sluggish environment

- Same store sales decline narrowed to 3.4%, offset by better performance of new stores and other channels/wholesale business
- Weak consumer sentiment prevailed
- Keen competition
- Absence of the pre-CNY winter shopping season
- Unusual weather patterns

■ Operating margin decreased by 4.0 ppt

- Decline in same store sales
- Lower gross profit margin:
 - Aggressive clearance of aged inventory
- Increasing staff and rental costs



Core Brands Business - SSSG



- Same store sales improved to -3.4% (last year:-10.4%)

	2014					
	1Q	2Q	1H	3Q	4Q	FY
Same store sales growth	-9.5%	-2.4%	-5.5%	+6.3%	-7.5%	-3.4%

- Average selling price decreased by 4.9% to RMB 175
 - Dragged by aggressive clearance of aged products



Other Brands Business



(HK\$ million)	2014	2013	YoY Change
Turnover	838.4	731.8	+14.6%
Gross profit	525.3	405.6	+29.5%
Gross margin	62.7%	55.4%	+7.3 ppt
Operating profit /(loss)	17.9	(86.1)	From loss to profit
Operating margin	2.1%	(11.8%)	+13.9 ppt

■ Driven by strong growth in e-commerce, turnover of Other Brands business increased by 14.6%

■ E-commerce annual turnover almost doubled

- Ranked top in Alibaba's Singles' Day 2014 event - ladies' footwear category
- More frequent and in-depth partnership with third-party e-commerce platforms
- More clearance sales through online partners

■ Mid- to high-end brands' performance improved

- Net closure of 28 POS
- Overall turnover decreased slightly
- Sales performance per store improved

■ Overall gross margin of Other Brands business improved by 7.3 ppt, mainly due to

- Lower product cost
- Improvement in product sales mix

■ Other Brands business achieved turnaround with operating profit of HK\$17.9 million



OUTLOOK



達芙妮國際控股有限公司
DAPHNE INTERNATIONAL HOLDINGS LIMITED

Retail Market Outlook in 2015

Negative factors

- Consistent signs for improvement of consumer sentiment yet to be seen
- Intense competition from online and local regional players
- Increasing labour cost

Positive factors

- Recent increase in minimum wage boosts purchasing power of mass-segment consumers
- Urbanisation continues and leads to further expansion of the mass market segment
- Raw material costs likely to fall, which will help lower product cost and improve gross profit margin
- Healthier inventory level will boost gross profit margin and cash flows
- Fast growth of e-commerce business encourages the Group to step up its efforts to gain market share in online field

Major Strategic Initiatives in 2015



Further Market Segmentation



Jun Ji-Hyun
全智賢

Parties & Evening Charm

Trend-setting,
sexy, enchanting



Cecilia Liu
劉詩詩

Cosmopolitan

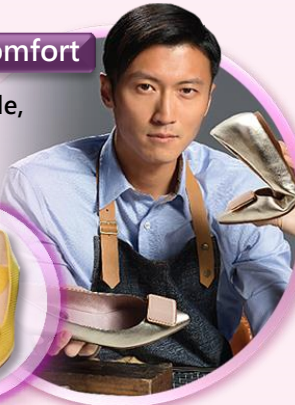
Stylish, vogue



Nicholas Tse
謝霆鋒

Soft & Comfort

Comfortable,
soft



Puff Kuo
郭雪芙

Daphne Young

Young,
energetic,
casual, trendy



Gao Yuanyuan
高圓圓

Ondul ONDUL
圓潔

Elegant, exquisite,
designed by Gao
Yuanyuan



Hello Kitty

collection by
DAPHNE

Hello Kitty

Cute, sweet,
fancy, carefree



dulala 杜拉拉

Dulala 杜拉拉

Minimalist, basic,
versatile, value-
for-money



Further Market Segmentation

- Add more styles to its product range to attract customers with different preferences and address various social occasions
- Expand the price range to target a wider scope of customers
- Enhance store and product display to include 7 product lines / sub-brands
- Drive further differentiation for product lines/sub-brands under Daphne to enhance its appeal to a wider range of customers
 - Enrich product offerings of each product line and drive further differentiation between product lines/sub-brands
 - Strengthen the association of each product line/sub-brand with a distinguished celebrity to boost its image
 - Improve in-store display system to make product display more attractive and user-friendly
 - Strengthen the sales staff training in product knowledge and sales skills to enable better customer communication and enhance shopping experience



New Commercials for Daphne



Further Market Segmentation (cont'd)

- Appoint Richie Jen (任賢齊) as Shoebox's brand ambassador



- Drive for channel diversification
- Put emphasis on high-growth product categories
- Expand product offerings to capture different types of young customers



Accelerating E-commerce Development

- To address the popularity of e-shopping among young customers, and offer shopping convenience to a broader customer base, the Group will allocate more resources to and accelerate the development of e-commerce business, including online shopping, mobile shopping, O2O, etc.



Mobile shopping at Weigou, shopping platform of Wechat

Accelerating E-commerce Development (cont'd)

- Strive to replicate the success factors of last Singles' Day event to overall e-commerce operation
- Improve efficiency of e-commerce operation
- Strengthen partnership with major e-commerce online shopping platforms



Improving Margins

■ Strengthen inventory management

- Healthier inventory mix, after aggressive stock clearance in 2014, gradually reduces further destocking pressure
- Raise average selling price and gross margin by improving sales mix
- Healthier inventory level and more balanced sales mix will continue to boost cash balance for future business development

■ Reduce product cost by adjusting merchandising strategy



Daphne...

... Is No. 1 ladies' footwear brand in China (mass market)

... Has the largest distribution network in the industry (for a single brand)

... Ranked 1st in ladies' footwear sector in Brand Digital Equity Ranking 2014, Baidu's proprietary consumer brand survey

... Is the only local brand ranking among top 5 in Brand Digital Equity Ranking 2014, Baidu's proprietary consumer brand survey

... Has over 20 years' experience in the ladies' footwear market in China

... Has sound financial position



Vision

A leading brand management company that provides ladies and their family members with trendsetting and quality products



“The Group is committed and confident to strengthen its competitiveness, and achieve growth in mid-to-long term”



THANK YOU

.....Q&A Session



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DAPHNE INTERNATIONAL HOLDINGS LIMITED

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macyleung@daphneholdings.com



APPENDIX

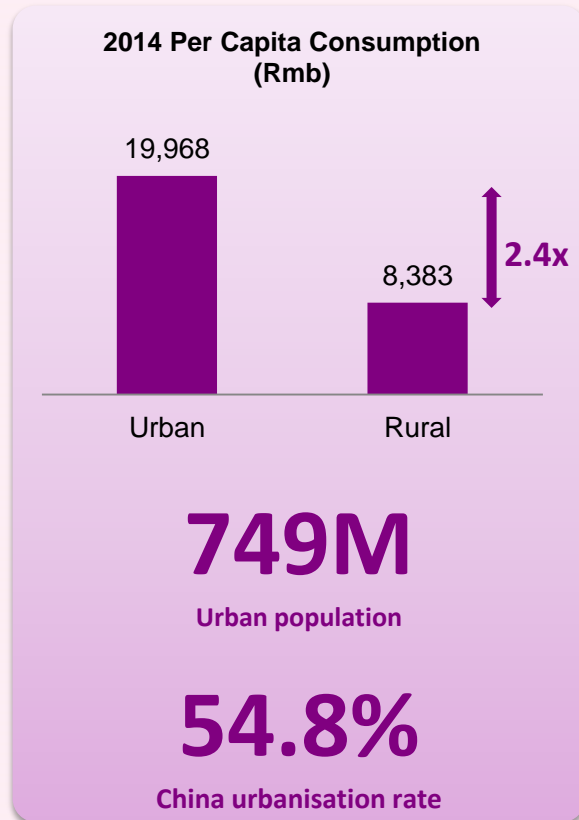


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Growing Market Potential of China

Continued urbanisation

- Government policies to embark on a new phase of urbanisation
- Continued urbanisation drives consumption growth



Increasing per capita income

- Per capita disposable income on the rise



Growing domestic consumption

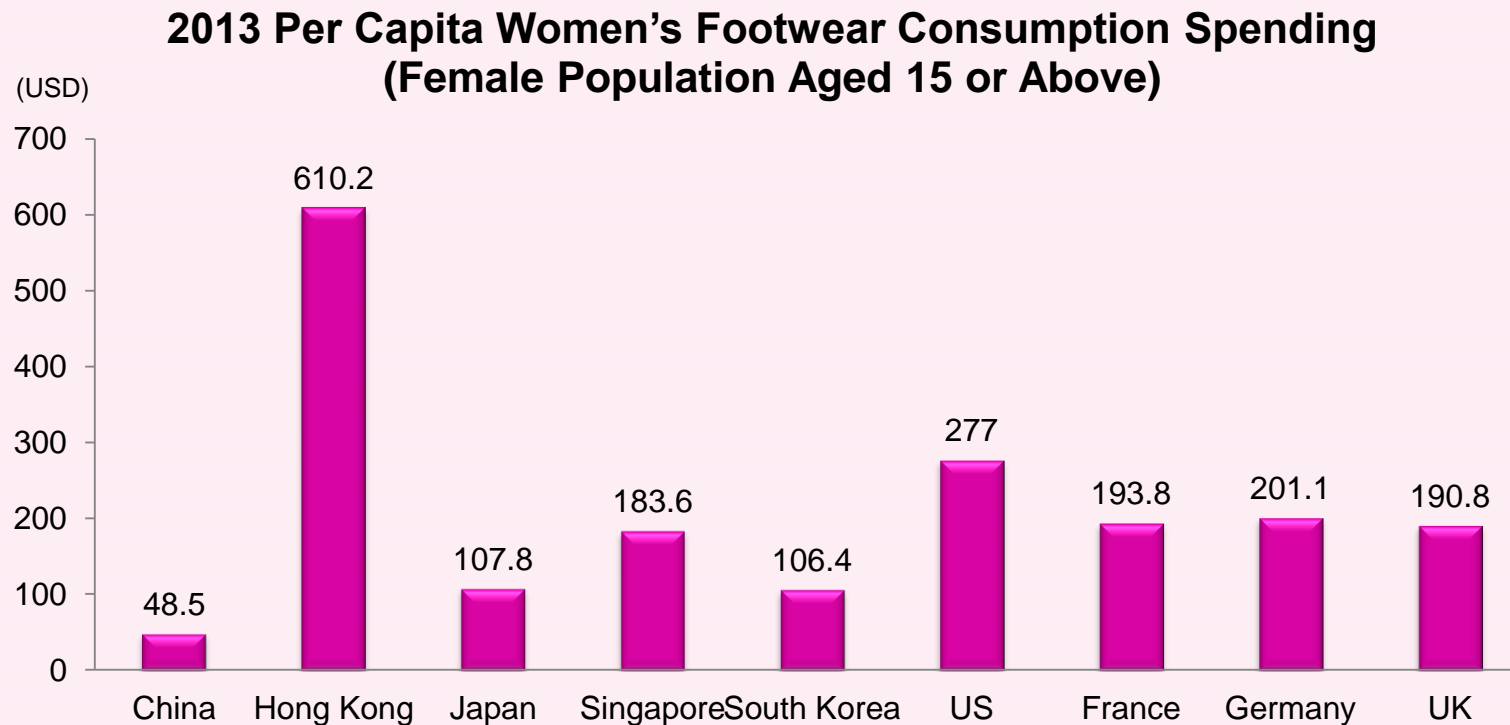
- Rebalancing of China economy favours growth of domestic consumption



Data source: China National Bureau of Statistics, 2014 data



China Women's Footwear Market Potential



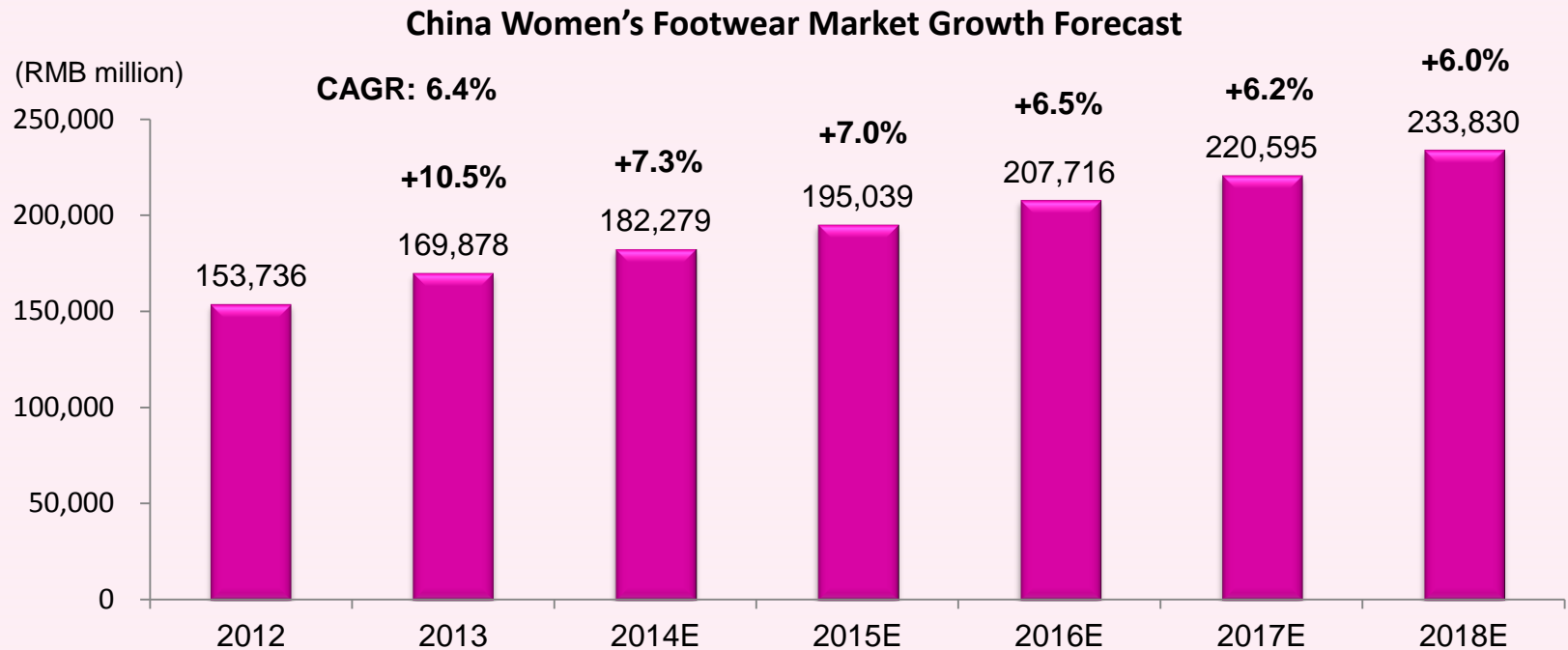
Data Source: Euromonitor

■ Per capita Women's footwear consumption in China is low

- Per capita footwear consumption among female population aged 15 or above in China was USD 48.5 in 2013, approximately one-sixth of that of the United States
- Per capita footwear consumption in China was lower than developed economies in Asia, such as Hong Kong, Singapore, Japan, etc.



China Women's Footwear Market Potential (cont'd)



Data source: Euromonitor, Feb 2015

■ Euromonitor forecasts China women's footwear market to continue to grow in the coming 4 years

- Euromonitor forecasts China women's footwear market to reach RMB 233.8 billion by 2018, representing a CAGR of 6.4%









Company Overview

- One of the leading women's footwear retailers in China
- Engage in product design & development, production, distribution, retail, and brand management
- Has 6,757 points-of-sale (POS) (as at 31 December 2014)
- The Group's core brands ("Daphne" and "ShoeBox") are distributed in 6,402 POS in China, of which 90% are directly managed POS
- Other than "Daphne" and "ShoeBox", the Group's brand portfolio also includes "AEE", "Step Higher", "ALDO", "AEROSOLE", etc.
- Listed on the Main Board in the Hong Kong Stock Exchange in 1995



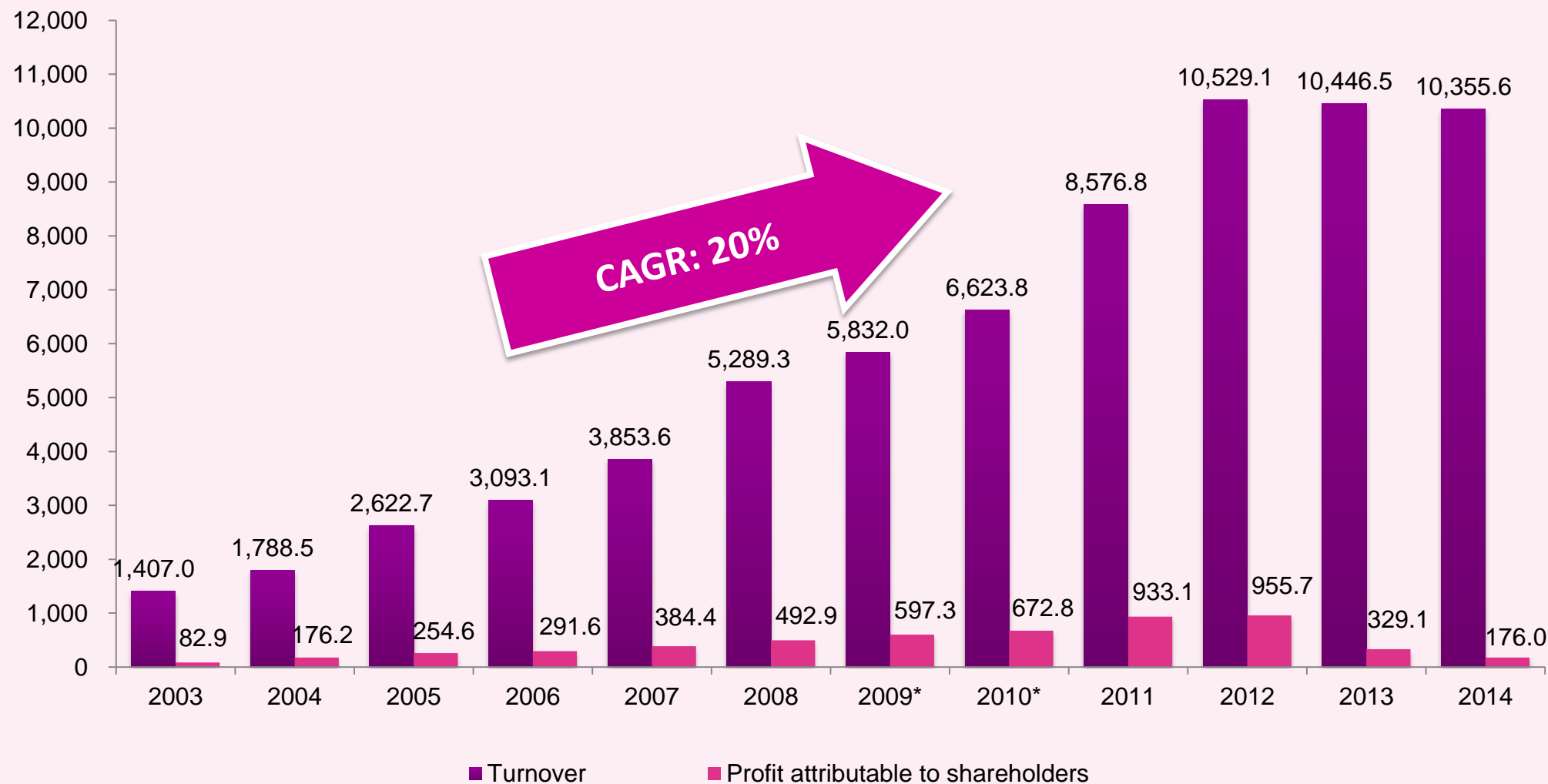
Major Brand Portfolio

		Brand Ownership	ASP (RMB)
Core Brands		Own brand (product)	200 – 300
		Own brand (channel)	<200
Mid- to High-end Brands		Own brand (product)	400 – 1,200
		Sole distributorship (international brand)	
		Sole distributorship (international brand)	400 – 1,200
		Own brand (channel)	



Daphne Group's Turnover Growth

(HK\$ million)

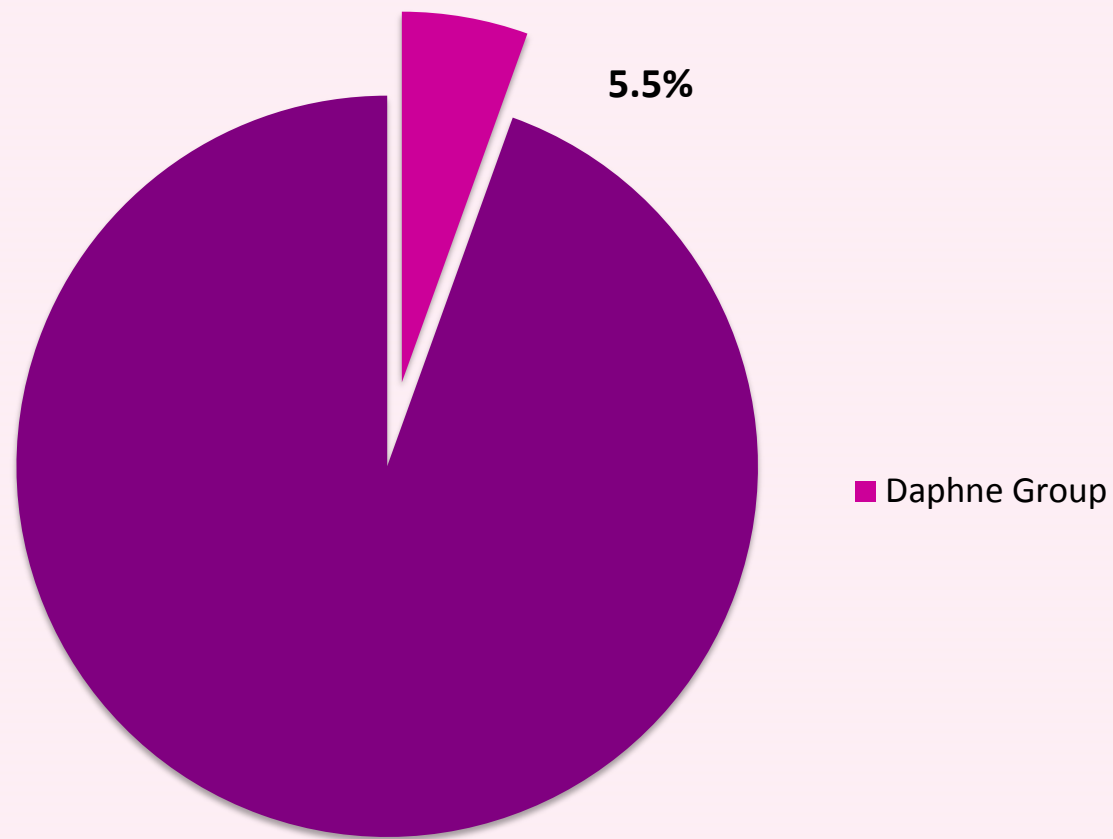


* Amount excluding fair value loss on warrants



Daphne Group's Market Share

China Women's Footwear Market in 2013:
RMB 169.9 billion



Data source: Euromonitor



Competitive Advantages

- Leading retailer in women's footwear in China with strong own-brands, "Daphne" and "Shoebox"
- Unparalleled leadership position in the mass market
- Extensive nationwide sales network with over 6,700 outlets penetrating into even 6th tier cities
- Vast directly-managed store network enables direct contact with customers, high autonomy and management control
- Solid base in mass market offers growth potential through diversification
- Sound financial structure
- Experienced and professional management team



E-commerce platform

Omni-channel Distribution Model

Physical Stores



Virtual Stores

Official Online Store (www.daphne.com.cn)



Third-party marketplaces



Tmall



JD.com



Dangdang



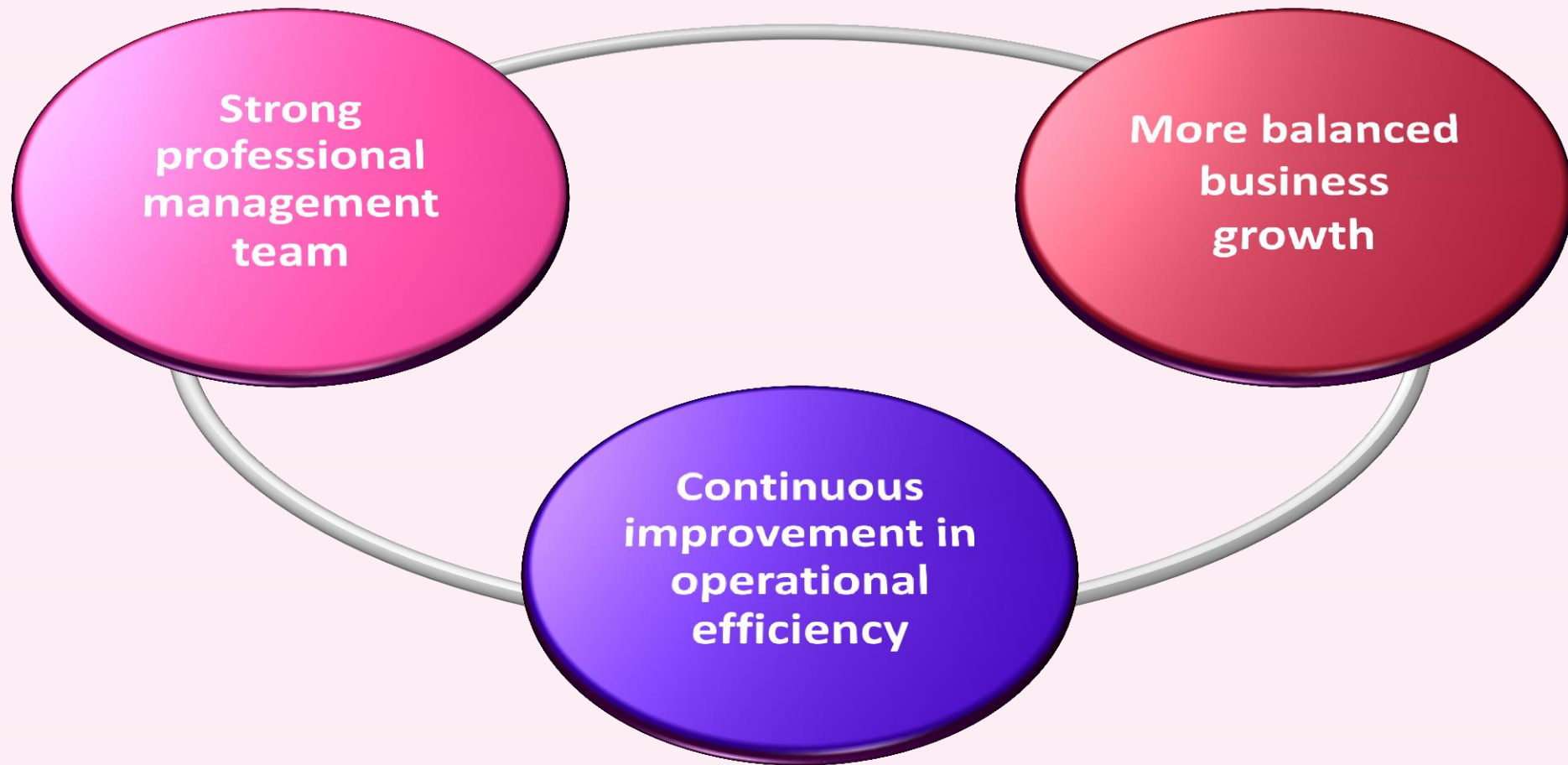
Yihaodian



VIP.com

CRM enables targeted marketing to drive sales

Growth Drivers



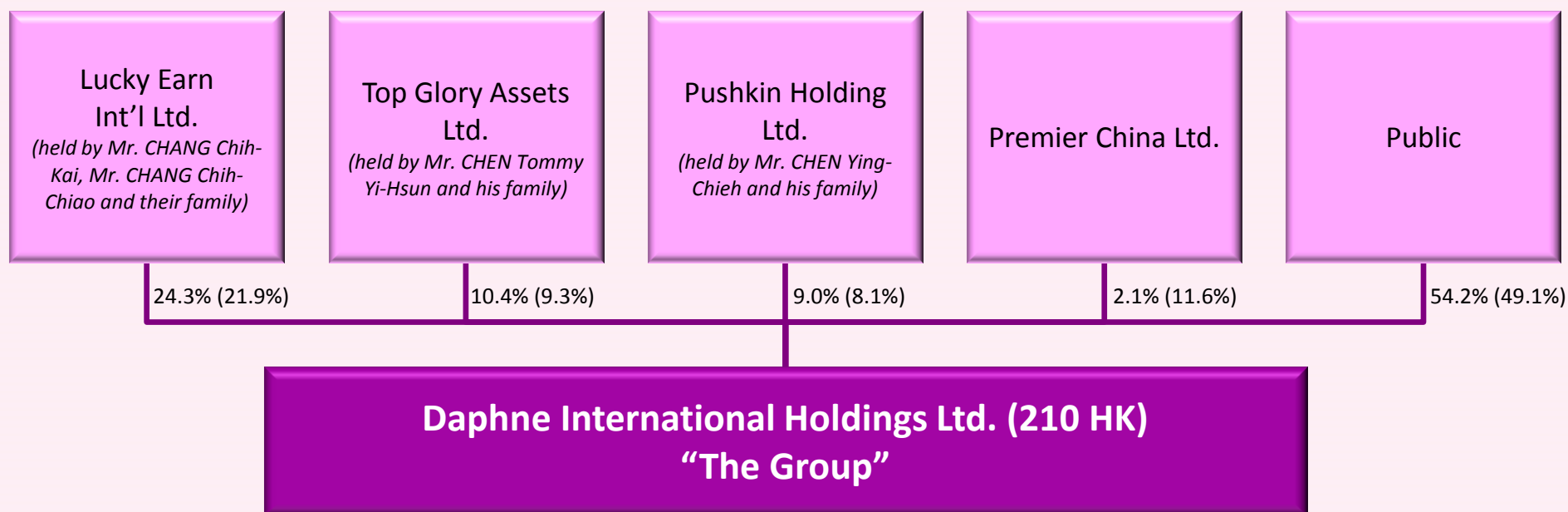
- More focused sales operation
- More agile and efficient supply chain management
- Further enhancement in product design and development

- Increasing the depth and breadth of marketing
- Strengthening brand management
- Strengthen presence in e-commerce



Shareholding Structure

As at 31 December 2014



Notes:

1. Mr. CHEN Ying-Chieh is the Chairman and CEO of the Group
2. Mr. CHEN Tommy Yi-Hsun, Mr. CHANG Chih-Kai and Mr. CHANG Chih-Chiao are executive directors of the Group
3. Premier China Ltd. is a subsidiary of TPG Group Holdings (SBS) Advisors Inc.
4. Figures in the bracket indicate shareholding % after full conversion of convertible bonds by Premier China Ltd.
5. Upon full conversion of convertible bonds, Premier China Ltd. will obtain an additional 178,510,572 shares of the Group



Group Milestones

