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**)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS

- Revenue increased by 134% to HK$123.0 million
- Profit attributable to shareholders increased by 81% to HK$34.5 million
- Basic earnings per share was 1.9 HK cents
- Cash and cash equivalents amounted to HK$356.2 million, up by 14%

* *for identification purpose only*

INTERIM RESULTS

The board of directors (the "**Board**") of Daphne International Holdings Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited Six months ended 30 June **2023** **HK$'000**	 2022 HK$'000
Revenue	4	**123,022**	52,604
Cost of sales		**(56,298)**	(14,078)
Gross profit		**66,724**	38,526
Other income	5	**32,701**	28,786
Other (losses)/gains - net	6	**(7,576)**	882
Selling and distribution expenses		**(18,529)**	(12,433)
General and administrative expenses		**(33,040)**	(34,471)
(Impairment loss)/reversal of impairment loss on financial assets		**(2,085)**	997
Operating profit	7	**38,195**	22,287
Finance costs	8	**(2,914)**	(2,633)
Share of profit of associates and a joint venture		**40**	45
Profit before income tax		**35,321**	19,699
Income tax expense	9	**(422)**	(199)
Profit for the period		**34,899**	19,500
Attributable to:			
Shareholders of the Company		**34,539**	19,097
Non-controlling interests		**360**	403
		34,899	19,500
Earnings per share, basic and diluted *(HK cents)*	10	**1.9**	1.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Profit for the period	**34,899**	19,500
Other comprehensive loss		
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	**(23,002)**	(29,298)
Total comprehensive income/(loss) for the period	**11,897**	(9,798)
Attributable to:		
Shareholders of the Company	**13,767**	(7,264)
Non-controlling interests	**(1,870)**	(2,534)
	11,897	(9,798)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023

	Note	**Unaudited 30 June 2023 HK$'000**	Audited 31 December 2022 HK$'000
Non-current assets			
Investment properties		**442,268**	477,185
Property, plant and equipment		**2,933**	2,257
Right-of-use assets		**5,567**	7,709
Interests in associates		**1,163**	1,164
Interest in a joint venture		**-**	-
		451,931	488,315
Current assets			
Inventories		**1,484**	-
Trade receivables	12	**6,054**	12,736
Deposits, prepayments and other receivables		**18,872**	22,174
Financial assets at fair value through profit or loss		**22,585**	34,323
Cash and cash equivalents		**356,208**	312,776
		405,203	382,009
Current liabilities			
Trade payables	13	**26,043**	35,041
Accrued charges and other payables		**33,102**	36,897
Contract liabilities		**25,090**	37,106
Convertible notes		**33,219**	31,661
Lease liabilities		**3,705**	3,806
Current income tax liabilities		**25,906**	26,402
		147,065	170,913
Non-current liabilities			
Lease liabilities		**2,150**	4,292
Deferred income tax liabilities		**4,391**	4,341
		6,541	8,633
Net current assets		**258,138**	211,096
Net assets		**703,528**	690,778

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023

	Unaudited 30 June 2023 HK$'000	Audited 31 December 2022 HK$'000
Equity attributable to shareholders		
Share capital	**181,406**	181,406
Reserves	**419,275**	404,655
	600,681	586,061
Non-controlling interests	**102,847**	104,717
Total equity	**703,528**	690,778

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

Daphne International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the licensing, distribution and sale of footwear products 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, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

These condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

These condensed consolidated interim financial statements for the six months ended 30 June 2023 are unaudited and have been reviewed by the Audit Committee of the Company and approved for issue by the board of directors on 23 August 2023.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and it should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Principal accounting policies

The accounting policies applied in the condensed consolidated interim financial statements for the six months ended 30 June 2023 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2022, except for the adoption of the new and amended standards that are effective for its reporting period beginning on 1 January 2023 as set out below.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
HKFRS 17	Insurance Contracts

The adoption of these new and amended standards listed above did not have any material impact on the Group's accounting policies.

4 Revenue and segment information

The Group is principally engaged in licensing, distribution and sale of footwear products and accessories in Mainland China.

Chief operating decision-maker has been identified as the executive directors of the Company. Information reported to the executive directors, for the purposes of resources allocation and assessment of performance, focused specifically on the revenue analysis by category and the profit or loss of the Group as a whole. Hence, the directors considered that the Group has only one reportable segment.

The Group's revenue is derived from external customers located in Mainland China and most of the non-current assets of the Group are located in Mainland China. Accordingly, no geographical information is presented.

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Licensing fee income	**51,746**	35,428
Sale of goods	**71,276**	17,176
	123,022	52,604

5 Other income

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Government subsidies	**163**	160
Gross rental income	**23,974**	22,928
Interest income	**3,933**	2,404
Others	**4,631**	3,294
	32,701	28,786

6 Other (losses)/gains - net

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Fair value gain on financial assets at fair value through profit or loss	**787**	509
Gain/(loss) on disposal of property, plant and equipment	**176**	(824)
Loss on disposal of investment properties	**(8,095)**	-
Net exchange (loss)/gain	**(444)**	1,197
	(7,576)	882

7 Operating profit

Operating profit is stated after charging the following:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Auditors' remuneration	**1,130**	1,058
Cost of inventories sold, net of provision	**56,298**	14,078
Depreciation of investment properties	**9,642**	9,877
Depreciation of property, plant and equipment	**517**	1,987
Depreciation of right-of-use assets	**2,024**	1,458
Employee benefits expense	**22,548**	20,677

8 Finance costs

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Interest on convertible notes	**2,724**	2,471
Interest on lease liabilities	**190**	162
	2,914	2,633

9 Income tax expense

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Current income tax	**219**	199
Deferred income tax	**203**	-
	422	199

Income tax expense is recognised based on management's estimate of weighted average effective annual income tax rate expected for the full financial year. For the six months ended 30 June 2023, the effective tax rate the Group was approximately 1.2% (2022: 1.0%). The effective tax rate was lower than applicable tax rates from those jurisdictions, in which the Group was subject to tax, was due to utilisation of previously unrecognised tax losses.

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company of HK$34,539,000 (2022: HK$19,097,000) by the weighted average number of 1,814,056,622 (2022: 1,814,056,622) shares in issue during the six months ended 30 June 2023.

The Company has convertible notes and share options that are convertible into or are exercisable to subscribe for ordinary shares of the Company. The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 did not assume the conversion of convertible notes since it would have an anti-dilutive impact. In addition, share options were not dilutive as the exercise price of the share options exceeded the average market price of the Company's ordinary shares for the six months ended 30 June 2023 and 2022 and were excluded in the calculation of diluted earnings per share.

11 Dividend

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

12 Trade receivables

	Unaudited 30 June 2023 HK$'000	Audited 31 December 2022 HK$'000
Trade receivables	**19,676**	25,530
Less: loss allowance	**(13,622)**	(12,794)
Trade receivables - net	**6,054**	12,736

Customers are normally granted credit terms ranging from 30 to 60 days. As at 30 June 2023, the ageing analysis of trade receivables, net of loss allowance, based on invoice date is as follows:

	Unaudited 30 June 2023 HK$'000	Audited 31 December 2022 HK$'000
0 - 30 days	**313**	11,146
31 - 60 days	**544**	82
Over 60 days	**5,197**	1,508
	6,054	12,736

The carrying amounts of trade receivables, net of loss allowance, are denominated in RMB and approximate their fair value.

13 Trade payables

The carrying amounts of trade payables are considered to be the same as their fair value, due to their short-term in nature. Normal credit period for trade payables is 60 days. As at 30 June 2023, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30 June 2023 HK$'000	Audited 31 December 2022 HK$'000
0 - 30 days	**23,130**	32,565
31 - 60 days	**223**	-
Over 60 days	**2,690**	2,476
	26,043	35,041

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2023, downward pressure on the global economy gradually softened as the fallout from the COVID-19 epidemic began to fade. Inflation in major economies has also been cooling off from its peak last year. Since the optimisation of epidemic prevention and control measures in China, the major market where the Group operates, the daily lives of citizens slowly returned to normalcy and consumer sentiment began to pick up gradually in the first half of 2023. Despite a temporary revival in the consumer market, China's economic recovery is slightly slower than market expectations and the overall economic environment remains challenging. China's gross domestic product (GDP) grew 5.5% year-on-year in the first half of 2023, reaching RMB59,303.4 billion. Against the backdrop of a complex international environment, China made every effort to stabilise growth, employment and prices. Overall, the Company considers the long-term fundamentals of China's economy remain positive and market recovery is anticipated to continue.

In view of the slowdown in real economic activities, China has been actively promoting the development of digital economy and e-commerce in recent years, encouraging the international development of online companies and platforms and providing tremendous impetus for e-commerce growth in the long run. It was reported that in the first half of 2023, online retail sales in China registered a solid year-on-year growth of 13.1% to RMB7,162.1 billion. In particular, interest-based e-commerce has been taking the e-commerce world by storm, rapidly seizing the market share of traditional e-commerce. Essentially, interest-based e-commerce leverages technology to gain insights into the diverse consumer preferences and carry out precision marketing through a personalised recommendation system to accurately promote products to target segments so as to arouse customers' interest in products and meet the ever-changing consumer demand. Riding on the promising future of e-commerce, the Group maintained its strategic focus on online licensing business, targeting popular interest-based e-commerce platforms that have largely a young and eager-to-spend user base such as "Douyin", "Tmall", and "Xiaohongshu" to effectively increase brand exposure and broaden customer base, striving to increase revenue.

The Group's Performance

Digital technologies have revolutionised the business world, enabling greater efficiency, increased flexibility, and enhanced customer experiences. While they have created new ways for brands and businesses to interact with consumers, they have also intensified competition in the market. In today's crowded and highly competitive market, staying ahead of the curve is more important than ever. To further hone its competitive edge, the Group took an important step to embark on a business transformation journey in 2019. Since then, the Group has shifted to an asset-light business model, allowing more room to focus on the management of its most valuable asset, namely the "DAPHNE" brand. The Group continued its endeavours to optimise our business model through refining its brand licensing business, supply chain management, and franchisees management in the first half of 2023. To achieve its ambition, the Group also kept a keen watch on market changes to prudently adjust its online licensing network and physical store network operated by franchisees and streamline its supply chain system in a timely manner, striving to become a leaner organisation with high efficiency.

In recent years, the epidemic has altered people's living habits and consumption patterns. Online shopping has become a ubiquitous part of everyday life, leading to vigorous development of the online retail sector. With such a dynamic shift, new channels and new platforms have been emerging in an endless stream, and consumers have higher expectations on online shopping. Despite the fading epidemic, demand for online shopping remains robust. Capitalising on the continuous rise of e-commerce, the Group devoted more resources to digital marketing and optimised the online licensing network, leading to a sustainable growth in its online licensing business. For the period under review, the Group's licensing fee income expanded 46% year-on-year to approximately HK$51.7 million (2022: HK$35.4 million).

In the face of the sluggish economic recovery, the Group's business transformation in past years proves effective and achieved satisfactory operating results in the first half of the 2023. Leveraging the long-standing reputation of the "DAPHNE" brand, trendy and affordable yet high-quality products, rapid development of the online licensing business, and the concerted efforts of its management team and staff, the Group regained momentum quicker than the general market amid a slow consumption recovery. For the six months ended 30 June 2023, the Group's total revenue surged by 134% year-on-year, reaching HK$123.0 million (2022: HK$52.6 million), while the Group's operating profit grew by 71% to approximately HK$38.2 million (2022: HK$22.3 million). As the economy slowly rebuilds, the Group's business is poised to sustain healthy development through progressive and steady strides.

Basic earnings per share was 1.9 HK cents, compared to the basic earnings of 1.1 HK cents per share for the same period in 2022. The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

Brand Licensing and Distribution Business

In order to stay ahead in today's dynamic and rapidly evolving business landscape, the Group shifted its role from a retailer to an asset-light brand owner in recent years. At present, the Group is primarily engaged in brand management and the licensing and distribution of footwear products, including women's dress shoes and casual shoes, for both online and offline channels in Mainland China.

Benefitting from the burgeoning e-commerce market, the Group's online licensing business continues to be a strong growth driver. In the first half of 2023, the Group devoted more resources to strengthening its presence and promoting its products on e-commerce platforms, especially through cooperation with emerging short video platforms such as "Douyin" to drive online discussions and customer engagement, endeavouring to increase brand reach and boost sales. As interest-based e-commerce continues to gain momentum, the Group reinforced advertising efforts on interest-based e-commerce platforms, allowing the brand to reach potential customers who are looking for similar items and stimulating sales. Supported by the Group's reasonable pricing strategy and continued online marketing efforts, the Group's online licensing business achieved relatively good results on "Douyin" and "Tmall" in the past year, allowing the Group to gain an upper hand in the market. During the period under review, the Group actively and prudently adjusted its online licensing network and physical store network operated by franchisees according to the ever-changing macroenvironment, operating environment, and store performance and efficiency. As of 30 June 2023, there were approximately 110 (31 December 2022: 149) physical shops and 554 (31 December 2022: 585) online shops, all operated by our franchisees under the licensing arrangement of the Group. Moreover, the Group also tried to operate its own physical store with a new brand, "DAPHNE.LAB" in Shanghai during the period under review. Facing the uncertain operating environment, the Group will remain cautious and mindful in expanding its online licensing network and physical store network operated by franchisees.

In a time of constant change and heightened customer expectations, it is crucial to keep the "DAPHNE" brand revitalised and maintain its relevance to unlock the spending power of targeted consumers for sustainable growth. Since adopting the new role as a brand operator, the Group has been mindfully allocating resources to enhancing the competitiveness of its products, reinforcing its brand image and raising brand awareness. To move with the times, the Group continues to launch new brand and new collection to enrich and diversify its product mix and refresh its image, thereby meeting the ever-changing demands of targeted consumers.

In Spring this year, the Group took a further step forward with the launch of a new brand, “DAPHNE.LAB”. Positioned to embrace young consumers, products of “DAPHNE.LAB” feature bold original designs and excellent price per quality ratio which are deeply favored by the high-spending demographic, Generation Z. “DAPHNE.LAB” seamlessly weaves the bold and innovative spirit of the brand into the design of shoe silhouette, use of colours and materials, as well as marketing strategies, offering high-quality footwear products that are unique, bold, edgy and eccentric. With boldness at its core, “DAPHNE.LAB” highlights its brand philosophy “be bold to break gender stereotypes” in its products and marketing strategies to embrace women’s power, aligning with Generation Z’s desire for self-expression. In celebration of Women’s Day (8 March), “DAPHNE.LAB” collaborated with influencers to promote the brand and its philosophy to young consumers, Generation Z in particular, through short videos, pictures, text and other forms on social media. In April 2023, the first “DAPHNE.LAB” physical store was officially opened in TX Huaihai Youth Energy Center, a young power gathering place in Shanghai.

Tapping on the young consumers’ penchant for self-expression, Daphne has launched the “Bubblegum Collection” and “Sugar Cube Collection” highlighting originality in recent years, which received great response from young consumers. To create desire among young consumers and drive future growth, “DAPHNE.LAB”, which is at the forefront of trends, integrated digital technologies into the research and development of new products in the footwear industry with its strong design vision. In April 2023, “DAPHNE.LAB” stepped outside the box and broke new ground with the launch of the innovative “Sugar Free Collection”. Combining cutting-edge technology, 3D printing, and its brand proposition to be bold, the “Sugar Free Collection” presents futuristic 3D printed high heels with unconventional silhouette and daring colours, reinterpreting its original intention of pursuing self-expression and innovation, while meeting the needs of front-line consumers. “DAPHNE.LAB” also collaborated with young artist to launch the limited “Lollipop Collection” that features footwear products with eccentric designs to demonstrate the unconventional personality. Since its launch, “DAPHNE.LAB” has been insisting on forging the ultimate product strength with original designs that resonate with Generation Z and has received positive and active response.

As the cornerstone of customer satisfaction and long-term development, product quality has always been the core focus for Daphne. The Group aims at providing a wide range of high-quality, stylish and comfortable footwear products at reasonable prices. Due to product popularity, the growing market size and the accelerated sales of online franchisees, the Group executes stringent product quality control in the supply chain to safeguard the long-established reputation of “DAPHNE”. During the period, the Group stepped up its efforts in refining the supply chain system for greater efficiency, flexibility and responsiveness.

FINANCIAL REVIEW

Financial Highlights

	Six months ended 30 June **2023**	2022	Change
Revenue (HK$' million)	**123.0**	52.6	+134%
Other income (HK$' million)	**32.7**	28.8	+14%
Operating profit (HK$' million)	**38.2**	22.3	+71%
Profit attributable to shareholders (HK$' million)	**34.5**	19.1	+81%
Operating margin (%)	**31.0**	42.4	-11.4 ppt
Net margin (%)	**28.1**	36.3	-8.2 ppt
Basic earnings per share (HK cents)	**1.9**	1.1	+73%

	30 June 2023	31 December 2022	Change
Cash and cash equivalents (HK$' million)	**356.2**	312.8	+14%
Financial assets at fair value through profit or loss (HK$' million)	**22.6**	34.3	-34%
Convertible notes (HK$' million)	**33.2**	31.7	+5%
Equity attributable to shareholders (HK$' million)	**600.7**	586.1	+2%
Current ratio (times) *(Note 1)*	**2.8**	2.2	+27%
Net gearing ratio (%) *(Note 2)*	**Net cash**	Net cash	N/A

Notes:

1. *The calculation of current ratio (times) is based on total current assets divided by total current liabilities as at the relevant period/year end.*

2. *The calculation of net gearing ratio (%) is based on net debt (being total of convertible notes and lease liabilities less cash and cash equivalents) divided by equity attributable to shareholders as at the relevant period/year end.*

Revenue and Gross Profit

The Group's revenue mainly comprises licensing fee income and sale of goods in Mainland China. For the six months ended 30 June 2023, the Group's total revenue amounted to HK$123.0 million (2022: HK$52.6 million), an increase of 134% compared to the last corresponding period.

	Six months ended 30 June		
	2023	2022	Change
	HK$' million	HK$' million	
Licensing fee income	**51.7**	35.4	+46%
Sale of goods	**71.3**	17.2	+315%
Cost of sales	**(56.3)**	(14.1)	+300%
Gross profit from sale of goods	**15.0**	3.1	+383%
Gross margin from sale of goods	***21.0%***	*18.0%*	*+3.0 ppt*
Total revenue	**123.0**	52.6	+134%
Total gross profit	**66.7**	38.5	+73%

During the first half of 2023, revenue from licensing fee income increased by 46%, from HK$35.4 million to HK$51.7 million, mainly attributable to the increase in unit price and overall volume of footwear products licensed to the online franchisees.

Besides, the Group has also been focusing on the distribution of footwear products for better quality control and supply chain management to both online and offline franchisees since the second half of last year. As such, more franchisees placed purchase orders with the Group directly and our revenue from sale of goods increased significantly by about 3 times to HK$71.3 million during the period under review compared to HK$17.2 million for the corresponding period in 2022. Gross margin from sale of goods also improved from 18.0% to 21.0% for the period under review.

Other Income

For the period ended 30 June 2023, the Group's other income was HK$32.7 million (2022: HK$28.8 million), mainly comprising gross rental income of approximately HK$24.0 million (2022: HK$22.9 million) from investment properties.

Operating Expenses

The Group's operating expenses (including other (losses)/gains - net, selling and distribution expenses, general and administrative expenses, and (impairment loss)/reversal of impairment loss on financial assets) were approximately HK$61.2 million during the period under review, compared to the operating expenses of HK$45.0 million for the corresponding period in 2022. The increase in operating expenses was mainly due to impairment loss on financial assets and loss on disposal of investment properties.

Operating Profit

For the first half of 2023, the Group recorded an operating profit of HK$38.2 million, an increase of HK$15.9 million or 71% compared to the operating profit of HK$22.3 million in the last corresponding period.

Finance Costs

Finance costs represent interests on convertible notes and lease liabilities, amounting to HK$2.7 million (2022: HK$2.5 million) and HK$0.2 million (2022: HK$0.2 million) respectively during the period under review.

Income Tax Expense

For the period ended 30 June 2023, the Group's income tax expense was HK$0.4 million, compared to HK$0.2 million for the same period last year. The effective tax rate of the Group was approximately 1.2% (2022: 1.0%). The effective tax rate was lower than applicable tax rates from those jurisdictions, in which the Group was subject to tax, was due to utilisation of previously unrecognised tax losses.

Profit Attributable to Shareholders

For the six months ended 30 June 2023, the Group's profit attributable to shareholders was HK$34.5 million (2022: HK$19.1 million), representing an increase of HK$15.4 million or 81% compared to the last corresponding period. Basic earnings per share was 1.9 HK cents (2022: 1.1 HK cents) during the period under review.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2023, cash and cash equivalents amounted to HK$356.2 million (31 December 2022: HK$312.8 million), which were denominated mainly in Renminbi and Hong Kong Dollar. During the first half of 2023, the change of cash and cash equivalents was as follows:

	Six months ended 30 June	
	2023	2022
	HK$' million	HK$' million
Net cash generated from operating activities	**40.6**	42.6
Capital expenditure	**(1.3)**	(0.2)
Payments for acquisition of financial investments	**(23.5)**	(35.1)
Proceeds from redemption of financial investments	**35.3**	-
Proceeds from disposal of investment properties	**2.0**	-
Proceeds from disposal of property, plant and equipment	**0.2**	-
Bank interest income	**3.9**	2.4
Lease payments	**(2.3)**	(1.5)
Effect of foreign exchange rate changes	**(11.5)**	(9.3)
	43.4	(1.1)

During the first half of 2023, the Group's interest income on bank balances and deposits was HK$3.9 million (2022: HK$2.4 million).

The Group also invests in financial investments, comprising wealth management products and certificates of deposit, which are classified as financial assets at fair value through profit or loss.

Upon the maturity of the wealth management product in April 2023, the gain of the wealth management product was approximately HK$0.7 million (2022: HK$0.5 million) for six months ended 30 June 2023.

During the period under review, the Group purchased certain certificates of deposit from certain commercial banks in Mainland China amounting to RMB20.8 million, equivalent to HK$23.5 million. The certificates of deposit have maturity of 6 to 36 months and bear fixed interest rate. As at 30 June 2023, the Group had certificates of deposit with aggregate carrying amount of approximately HK$22.6 million.

As at 30 June 2023, the Group had equity attributable to shareholders totaling HK$600.7 million (31 December 2022: HK$586.1 million) and total debts (being total of convertible notes and lease liabilities) of HK$39.1 million (31 December 2022: HK$39.8 million). The Group's net gearing ratio remained in net cash (31 December 2022: net cash) position and the current ratio further improved to 2.8 times (31 December 2022: 2.2 times). Management will continuously monitor the Group's financial performance and liquidity position and believes that the Group has sufficient working capital and financial resources for its operation in future.

Foreign Exchange Risk Management

The Group mainly operates in Mainland China with transactions primarily settled in Renminbi. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in currencies other than the functional currency of the Group's entities to which they operate. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to Hong Kong dollars.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and the Group may use forward foreign exchange contracts when major fluctuation in the relevant foreign currency is anticipated. During the period ended 30 June 2023, the Group did not enter into any foreign exchange forward contract to hedge the foreign exchange risk exposure. Any significant exchange rate fluctuations of foreign currencies against Renminbi may have had financial impact on the Group.

Significant Investments

As at 30 June 2023, the Group did not have any significant investments.

Future Plans for Material Investments and Capital Assets

As at 30 June 2023, the Group did not have any plans for material investments or capital assets.

Pledge of Assets

As at 30 June 2023, the Group had no pledged assets.

Capital Expenditure and Commitments

During the period under review, the Group incurred capital expenditure of HK$1.3 million (2022: HK$0.2 million) primarily in leasehold improvement and motor vehicles. As at 30 June 2023, the Group did not have any material capital commitments.

Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities.

Human Resources

As at 30 June 2023, the Group had a total of 94 (31 December 2022: 90) employees predominantly in Mainland China and Hong Kong. Employee benefits expense, including directors' emoluments, retirement benefit costs and share-based payment expense, was HK$22.5 million (2022: HK$20.7 million) for the period under review.

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 and discretionary bonuses are granted to eligible employees based on the performance of the Group and of the individual employee. The Group also provides various retirement plans, medical insurance schemes, staff purchase discounts and training programmes to employees.

OUTLOOK

Looking ahead to the second half of 2023, driven by domestic consumption promotion policies and the accelerated recovery of consumers' demand for services, consumption is expected to maintain a moderate recovery and gradually advance towards the goal of further boosting consumer confidence. Overall, economic outlook brightened slightly but persisting macro headwinds will continue to dampen consumer sentiment. The macroenvironment remains challenging and China's road to a full recovery is bound to be bumpy. Nevertheless, the overall consumer market is expected to gradually pick up and the Group remains positive about the long-term development of China's consumer market.

As part of the Group's ongoing moves to sharpen its competitive edge, the Group continued its efforts to refresh its brand image and build a new brand with the launch of new product collections in the first half of the year. Supported by collaborations with renowned artist, celebrities and influencers, the online and offline debut of "DAPHNE.LAB", "Sugar Free Collection" and "Lollipop Collection" received encouraging response and spurred active discussions on social media. The Group will continue to actively explore collaboration opportunities with designers to develop more original footwear products with good value for money in the second half of the year, capturing young and high-spending consumers and maintaining its brand relevance for long-term stable growth.

As e-commerce continues to spike and evolve, the Group will devote more resources to enhancing its development in the online retail market. To keep abreast of market trends, the Group is committed to building stronger presence on existing e-commerce platforms and debuting on new e-commerce platforms through its licensing network, leveraging on the popularity and customer base of e-commerce platforms to seize market opportunities and grow its market share. With the receding epidemic and ever-growing popularity of social media, the Group plans to launch more innovative, interesting and fun online and offline marketing campaigns to increase customer interactions and brand exposure. Furthermore, the Group will explore ways to establish a membership programme and integrate online and offline marketing strategies, to foster long-term customer loyalty and create better and more seamless customer experience.

In view of China's cloudy economic outlook in the short term, the Group will closely monitor market development and prudently enhance business operations and fine-tune its business strategy accordingly, thereby reinforcing the foundation of its business. Insisting its brand management strategy, the Group will mindfully allocate more resources to improve the supply chain system to further enhance efficiency. At the same time, the Group will pay close attention to the performance of online and physical stores to adjust its licensing operating model, endeavouring to achieve sustainable development of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures for the six months ended 30 June 2023.

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 (the "**Stock Exchange**"). Following specific enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2023.

The Company also requires the relevant officers and employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities, be bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he/she possesses inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company during the period.

CHANGES IN DIRECTORS' INFORMATION

The was no change in directors' details of the Company since the date of the Annual Report 2022 and up to the date of this interim report which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The biography details of the directors of the Company are available at the Company's website (www.daphneholdings.com).

CORPORATE GOVERNANCE

The Company has applied the principles set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2023, the Company has complied with all the applicable code provisions set out in the CG Code.

The Board will continue to enhance its corporate governance practices appropriate to the operation and growth of its business and to review such practices from time to time to ensure that the Company complies with statutory and professional standards and align with the latest development.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the directors throughout the six months ended 30 June 2023 and up to the date of this announcement, the Company has maintained sufficient public float of more than 25% of the Company's total issued share capital as required by the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The directors of the Company are not aware of any significant event which had material effect on the Group subsequent to 30 June 2023 and up to the date of this announcement.

REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 and was satisfied that these unaudited condensed consolidated financial statements were prepared in accordance with applicable accounting standards.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the HKEXnews (www.hkexnews.hk) and the Company (www.daphneholdings.com). The interim report 2023 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board of Directors
Daphne International Holdings Limited
Chang Chih-Kai
Chairman

Hong Kong, 23 August 2023

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Chang Chih-Kai, Mr. Chang Chih-Chiao and Mr. Wang Jungang; and three Independent Non-executive Directors, namely Mr. Huang Shun-Tsai, Mr. Hon Ping Cho Terence and Mr. Tan Philip.