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 2022

HIGHLIGHTS

- Revenue increased by 4% to HK$52.6 million
- Profit attributable to shareholders dropped by 57% to HK$19.1 million
- Basic earnings per share was 1.1 HK cents
- Cash and cash equivalents maintained at HK$226.4 million

* *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 2022, together with the comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Unaudited Six months ended 30 June **2022** **HK$'000**	 2021 HK$'000
Revenue	4	**52,604**	50,357
Cost of sales		**(14,078)**	(40,840)
Gross profit		**38,526**	9,517
Other income	5	**28,786**	28,001
Other gains - net	6	**882**	128,507
Selling and distribution expenses		**(12,433)**	(15,534)
General and administrative expenses		**(34,471)**	(73,475)
Reversal of impairment loss/(impairment loss) on financial assets		**997**	(2,276)
Operating profit	7	**22,287**	74,740
Finance costs	8	**(2,633)**	(2,212)
Share of profit/(loss) of associates and a joint venture		**45**	(67)
Profit before income tax		**19,699**	72,461
Income tax expense	9	**(199)**	(26,002)
Profit for the period		**19,500**	46,459
Attributable to:			
Shareholders of the Company		**19,097**	44,764
Non-controlling interests		**403**	1,695
		19,500	46,459
Earnings per share	10		
Basic *(HK cents)*		**1.1**	2.5
Diluted *(HK cents)*		**1.1**	2.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Profit for the period	**19,500**	46,459
Other comprehensive (loss)/income		
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	**(29,298)**	8,239
Total comprehensive (loss)/income for the period	**(9,798)**	54,698
Attributable to:		
Shareholders of the Company	**(7,264)**	51,838
Non-controlling interests	**(2,534)**	2,860
	(9,798)	54,698

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2022

	Note	**Unaudited 30 June 2022 HK$'000**	Audited 31 December 2021 HK$'000
Non-current assets			
Property, plant and equipment		**1,955**	18,740
Investment properties		**528,221**	541,188
Right-of-use assets		**5,242**	13,523
Interests in associates		**1,192**	1,200
Interest in a joint venture		**-**	-
		536,610	574,651
Current assets			
Trade receivables	12	**10,175**	7,653
Other receivables, deposits and prepayments		**26,708**	26,928
Financial asset at fair value through profit or loss		**35,625**	-
Cash and cash equivalents		**226,373**	227,489
		298,881	262,070
Current liabilities			
Trade payables	13	**3,155**	4,107
Other payables and accrued charges		**34,437**	46,917
Contract liabilities		**34,045**	12,739
Lease liabilities		**3,398**	3,107
Current income tax liabilities		**28,608**	29,693
		103,643	96,563
Net current assets		**195,238**	165,507
Total assets less current liabilities		**731,848**	740,158

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2022

	Unaudited 30 June 2022 HK$'000	Audited 31 December 2021 HK$'000
Equity attributable to shareholders		
Share capital	**181,406**	181,406
Reserves	**403,607**	408,646
	585,013	590,052
Non-controlling interests	**109,145**	111,679
Total equity	**694,158**	701,731
Non-current liabilities		
Convertible notes	**30,516**	29,377
Lease liabilities	**2,629**	4,301
Deferred income tax liabilities	**4,545**	4,749
	37,690	38,427
Total equity and non-current liabilities	**731,848**	740,158

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 and distribution of footwear and accessories in Mainland China.

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Cricket Square, Hutchins Drive, 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 2022 are unaudited and have been reviewed by the Audit Committee of the Company and approved for issue by the board of directors on 24 August 2022.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2022 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 2021, 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 2022 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2021, except for the accounting policies below:

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement depends on the Group's business model for managing the asset and the cash flow characteristics of the assets. There are two categories which the Group classifies its financial assets:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "other income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains - net", together with foreign exchange gains and losses.

- FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains - net" in the period in which it arises.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

New and amended standards adopted by the Group

The Group also adopted the amended standards that are effective for its reporting period beginning on 1 January 2022 as set out below.

Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018 - 2020
Amendments to HKFRS 3, HKAS16 and HKAS37	Narrow-scope Amendments
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The adoption of these 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 and distribution 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.

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Licensing fee income	**35,428**	14,728
Sales of goods	**17,176**	35,629
	52,604	50,357

5 Other income

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Government subsidies	**160**	542
Gross rental income	**22,928**	21,460
Interest income	**2,404**	298
Others	**3,294**	5,701
	28,786	28,001

6 Other gains – net

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Fair value gain on financial asset at FVPL	**509**	-
Gain on disposal of an asset classified as held-for-sale *(Note)*	**-**	131,441
Loss on disposal of property, plant and equipment	**(824)**	(2,250)
Net exchange gain/(loss)	**1,197**	(684)
	882	128,507

Note: During the six months ended 30 June 2021, a wholly-owned subsidiary of the Company entered into a land resumption agreement with Putian City Licheng District People's Government, pursuant to which the Group disposed of an investment property which was an asset classified as held-for-sale with a carrying value of HK$2,960,000 at a consideration of HK$134,401,000. Accordingly, the Group recognised a gain on disposal amounting to HK$131,441,000 in "other gains – net". The related compensation to existing tenants and other transaction costs amounting to HK$26,827,000 and HK$762,000, respectively, were recognised in "general and administrative expenses".

7 Operating profit

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

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Auditors' remuneration	**1,058**	1,164
Compensation to existing tenants in relation to disposal of an asset classified as held-for-sale	**-**	26,827
Cost of inventories sold, net of provision	**14,078**	40,840
Depreciation of investment properties	**9,877**	10,588
Depreciation of property, plant and equipment	**1,987**	2,000
Depreciation of right-of-use assets	**1,458**	1,267
Employee benefits expense	**20,677**	21,016
Expenses relating to short-term leases and variable lease payments	**-**	1,442
Impairment loss on value-added tax recoverable	**-**	6,108
Loss on termination of leases	**-**	590
(Reversal of impairment loss)/impairment loss on financial assets	**(997)**	2,276

8 Finance costs

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Interest on convertible notes	**2,471**	2,067
Interest on lease liabilities	**162**	145
	2,633	2,212

9 Income tax expense

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Current income tax	**199**	26,233
Over provision in prior years	**-**	(231)
	199	26,002

Income tax is accrued using the tax rate that would be applicable to estimated assessable profits for the period in the place where the Group operates.

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company of HK$19,097,000 (2021: HK$44,764,000) by the weighted average number of 1,814,056,622 (2021: 1,814,056,622) shares in issue during the six months ended 30 June 2022.

The computation of diluted earnings per share for the six months ended 30 June 2022 does not assume the conversion of convertible notes since it would have an anti-dilutive impact. In addition, share options of the Company were not dilutive as the exercise price of the options exceeded the average market price of the Company's ordinary shares during the six months ended 30 June 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 2022 (2021: Nil).

12 Trade receivables

	Unaudited 30 June 2022 HK$'000	Audited 31 December 2021 HK$'000
Trade receivables	**25,658**	26,470
Less: loss allowance	**(15,483)**	(18,817)
Trade receivables - net	**10,175**	7,653

The ageing analysis of trade receivables, net of loss allowance, based on invoice date is as follows:

	Unaudited 30 June 2022 HK$'000	Audited 31 December 2021 HK$'000
0 - 30 days	**8,548**	7,415
31 - 60 days	**1,627**	238
Over 60 days	**-**	-
	10,175	7,653

13 Trade payables

The carrying amount of trade payables is considered to be the same as its fair value, due to its short term in nature. The ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30 June 2022 HK$'000	Audited 31 December 2021 HK$'000
0 - 30 days	**612**	1,087
31 - 60 days	**-**	368
Over 60 days	**2,543**	2,652
	3,155	4,107

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2022, a new wave of coronavirus epidemic dealt a blow to the economy and society in China. The volatile epidemic situation, coupled with complex geopolitical landscape and rising macroeconomic uncertainty have put downward pressure on China's economy. In the first half of the year, China's gross domestic product growth slowed to 2.5% year-on-year, while the total retail sales of consumer goods recorded a year-on-year decrease of 0.7%. The retail sector was under immense pressure amid economic downturn. Nonetheless, thanks to the effective coordination of the epidemic prevention and control with the economic and social development, China's economy and total retail sales of consumer goods have been showing a momentum of recovery since May. The fundamentals of China's long-term sound economic growth have not changed despite macroeconomic headwinds.

Amid slowing economic activity, e-commerce has become a game changer for retailing and the Group has stepped up its efforts to strengthen online presence, especially on high-traffic platforms such as "Tmall" (「天貓」), "Douyin" (「抖音」) and "Xiaohongshu" (「小紅書」) that are popular among the younger generations. With the digital transformation, interest e-commerce, which is an e-commerce consumption model that stimulates users' potential interest through personalised recommendation technology, is about to take over traditional e-commerce. Consumers used to visit traditional e-commerce platforms with the intention to purchase, while consumers now visit interest e-commerce platforms for leisure and entertainment purposes. Interest e-commerce platforms precisely promotes goods to consumers based on the interest-based recommendation algorithm, which inspires new consumer experience and makes it easier for the Group and its online licensees to reach target customers, thereby driving sales growth.

The Group's Performance

In the first half of 2022, the volatile epidemic situation continued to rock the Group's operations and financial performance. The lingering epidemic, which has been around for more than two and a half years, has upended day-to-day lives across the globe and has fundamentally changed consumer behaviour. Social distancing mandates and lockdown policies have accelerated the shift from in-store shopping to online shopping. Consumers are also demanding better online shopping experience. Benefitting from the growing e-commerce economy, the Group further expanded its online licensing network and its licensing fee income increased by 141% year-on-year to HK$35.4 million in the first half of 2022. In addition, the online sales of Daphne's products operated by the Group's franchisees and licensees under the licensing arrangement on high-traffic e-commerce platforms outperformed the market during the period.

The Group has adopted an asset-light business model since its business transformation. For the first six months of 2022, the Group continued to actively rationalise its physical store network operated by franchisees, streamline organisational structure, carry out stringent cost control measures, etc. so as to become a leaner and more efficient organisation. The Group also continued to seek for opportunities in expanding its offline network operated by our franchisees. However, the pace of physical store expansion by our franchisees was hampered by macro-environmental factors.

Despite the daunting challenges posed by the ongoing epidemic and economic downturn in the first half of the year, the Group continued to manifest the efficacy of its business transformation, seize business opportunities created by the stay-at-home economy, and achieved operating profit growth, demonstrating considerable resilience. During the period under review, the Group recorded an operating profit of approximately HK$22.3 million compared to the operating loss of approximately HK$29.1 million if excluding the one-off gain on disposal of an asset classified as held-for-sale and the related costs for the corresponding period in last year. The operating results show that the Group is making strides towards its strategic direction as an asset-light brand owner.

Basic earnings per share was 1.1 HK cents, compared with the basic earnings of 2.5 HK cents per share for the same period in 2021. The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

Brand Licensing Business

Upon the business transformation, the Group has taken up a new role as an asset-light brand owner of the "Daphne" brand and has been focusing on brand management and the licensing of footwear products, including women's dress shoes and casual shoes, to franchisees and licensees in Mainland China.

Facing the sluggish economy, the Group capitalised on the e-commerce boom and further expanded its online licensing network in the first half of 2022. As of 30 June 2022, there were approximately 160 (31 December 2021: 190) physical shops operated by our franchisees and 480 (31 December 2021: 250) online shops operated by our licensees under the licensing arrangement of the Group. During the period under review, the Group's total revenue was approximately HK$52.6 million (2021: HK$50.4 million), comprising HK$35.4 million (2021: HK$14.8 million) from licensing fee income and HK$17.2 million (2021: HK$35.6 million) from sales of goods. Since online marketplaces enjoy the merits of lower operating costs, greater flexibility and easier set-up, the Group's exposure on e-commerce platforms has taken a little step ahead during the epidemic. However, the Group believes that brick-and-mortar presence is still crucial for a brand to broaden customer reach, and creating online and physical touchpoints can create synergies to improve sales, brand awareness, and operational efficiency. Therefore, the Group will continue to take a prudent approach in expanding the offline and online network operated by our franchisees and licensees, so as to tap into new markets.

As a bridge between franchisees and licensees and the supply chain, the Group continued its efforts in product design and development, improving the supply chain system and brand building to strengthen product competitiveness, consolidate strong brand image and enhance brand awareness. The Group has also kept abreast of the times by launching new collections to diversify its product portfolio. With the rise of "China-Chic", the Group collaborated with designers to launch a series of high-quality footwear with youthful and original designs and reasonable prices in order to attracting consumers with higher spending power. In an effort to strengthen its role as brand owner, the Group also adopted a few measures to reposition the "Daphne" brand to inject originality and vitality. As a brand rooted in China, the Group noticed that there has been a growing preference for domestic brands and products that are made in China, especially among young consumers. Thus, the Group will leverage its role as a brand owner to develop more good products to seize opportunities from growing appetite for domestic brands and the "China-Chic" trend. Following the debut of the "Sugar Cube Collection" last year, the Group launched the "Bubblegum Collection" this summer, which instantly received enthusiastic response from young consumers and exceeded the Group's expectations. In the future, the Group will continue to insist on the principle of original design, so as to broaden its customer base, further enhance its brand value, and expand the market share of the "Daphne" brand in the segmentised market.

To safeguard the long-standing reputation of the "Daphne" brand, the Group is committed to providing superb product comfort, quality footwear and consumer experience. During the period, the Group continued to adopt the "quick response for small orders" approach as it believes that supply chain system with flexibility and responsiveness can increase its resilience in the fast-changing and diversified footwear industry. The Group strives to provide franchisees and licensees with reliable supply-chain resources by continuously improving quality control and assurance and streamlining each stage along the supply chain system to ensure product quality and delivery efficiency. In the first half of the year, the Group stepped up its efforts in improving the supply chain system by setting up a dedicated team and office for better management, allowing franchisees and licensees to take a closer look at the style and quality of the samples, thereby shortening the order lead time and better respond to the market demand.

In addition, the Group endeavours to improve its brand image so as to enhance its brand value and expand its market share. The Group will continue to devote more resources to promote its brand on social media platforms with the aim to establish a deeper engagement with its consumers and boost brand awareness on high-traffic social media platforms. With the growing popularity of interest e-commerce platforms, the Group believes that innovative sales and marketing will help the Group reach out to potential customers, inject new impetus for market share expansion and drive sales growth.

FINANCIAL REVIEW

Financial Highlights

	Six months ended 30 June **2022**	2021	Change
Revenue (HK$' million)	**52.6**	50.4	+4%
Other income (HK$' million)	**28.8**	28.0	+3%
Operating profit (HK$' million)	**22.3**	74.7	-70%
Profit attributable to shareholders (HK$' million)	**19.1**	44.8	-57%
Operating margin (%)	**42.4**	148.4	-106.0ppt
Net margin (%)	**36.3**	88.9	-52.6ppt
Basic earnings per share (HK cents)	**1.1**	2.5	-56%

	30 June 2022	31 December 2021	Change
Cash and cash equivalents (HK$' million)	**226.4**	227.5	-1%
Investment in wealth management product (HK$' million)	**35.6**	-	+100%
Convertible notes (HK$' million)	**30.5**	29.4	+4%
Equity attributable to shareholders (HK$' million)	**585.0**	590.1	-1%
Current ratio (times) *(Note 1)*	**2.9**	2.7	+7%
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 lease liabilities and convertible notes 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 sales of goods in Mainland China. For the six months ended 30 June 2022, the Group's total revenue amounted to HK$52.6 million (2021: HK$50.4 million), an increase of 4% compared with the last corresponding period.

	Six months ended 30 June **2022 HK$' million**	2021 HK$' million	Change
Licensing fee income	**35.4**	14.8	+141%
Sales of goods	**17.2**	35.6	-52%
Cost of sales	**(14.1)**	(40.9)	-66%
Gross profit/(loss) from sales of goods	**3.1**	(5.3)	N/A
Total revenue	**52.6**	50.4	+4%
Total gross profit	**38.5**	9.5	+305%

During the first half of 2022, revenue from licensing fee income increased by 1.4 times, from HK$14.8 million to HK$35.4 million, mainly attributable to the increase in number of online shops operated by our licensees.

Revenue from sales of goods continued to shrink to HK$17.2 million during the period under review compared to HK$35.6 million for the corresponding period in 2021. Gross profit from sales of goods was HK$3.1 million while the gross margin turned to positive at approximately 18.0% for the period under review compared to the negative gross profit and margin due to the clearance of inventories during the corresponding period in last year.

Other Income

For the period ended 30 June 2022, the Group's other income was HK$28.8 million (2021: HK$28.0 million), mainly comprising the gross rental income of HK$22.9 million (2021: HK$21.5 million) from investment properties.

Operating Expenses

The Group's operating expenses (including other gains - net, selling and distribution expenses, general and administrative expenses and reversal of impairment loss/impairment loss on financial assets) were approximately HK$45.0 million during the period under review, compared with the operating expenses of HK$66.6 million if excluding the gain on disposal of an asset classified as held-for-sale of HK$131.4 million and other related costs of HK$27.6 million for the corresponding period in 2021. The decrease in operating expenses was mainly due to less impairment loss on financial assets and value-added tax recoverable.

Operating Profit

For the six months ended 30 June 2022, the Group recorded an operating profit of HK$22.3 million, a decrease of HK$52.4 million or 70% compared to the operating profit of HK$74.7 million in the last corresponding period.

Finance Costs

Finance costs represent interests on convertible notes and lease liabilities, amounting to HK$2.5 million (2021: HK$2.1 million) and HK$0.2 million (2021: HK$0.1 million) respectively during the period under review.

Income Tax Expense

For the period ended 30 June 2022, the Group's income tax expense reduced by HK$25.8 million to HK$0.2 million from HK$26.0 million in the last corresponding period. Significant decrease is mainly attributable to the utilisation of tax losses during the period under review and there was taxable income on the disposal of an asset classified as held-for-sale in the same period last year.

Profit Attributable to Shareholders

For the period ended 30 June 2022, the Group's profit attributable to shareholders was HK$19.1 million (2021: HK$44.8 million), representing a decrease of HK$25.7 million or 57% compared with the last corresponding period. Basic earnings per share was 1.1 HK cents (2021: 2.5 HK cents) during the period under review.

Liquidity and Financial Resources

As at 30 June 2022, the Group had equity attributable to shareholders totalling HK$585.0 million (31 December 2021: HK$590.1 million). Cash and cash equivalents amounted to HK$226.4 million (31 December 2021: HK$227.5 million), which were denominated mainly in Renminbi and Hong Kong Dollar. During the first half of 2022, the net increase/(decrease) in cash and cash equivalents is as follows:

	Six months ended 30 June	
	2022	2021
	HK$' million	HK$' million
Net cash generated from/(used in) operating activities	**42.6**	(73.3)
Capital expenditure	**(0.2)**	(2.1)
Proceeds from disposal of property, plant and equipment and asset classified as held-for sale	**-**	73.7
Investment in wealth management product	**(35.1)**	-
Interest received	**2.4**	0.3
Lease payments	**(1.5)**	(1.9)
	8.2	(3.3)

During the first half of 2022, the Group's interest income on bank balances and deposits was HK$2.4 million (2021: HK$0.3 million).

During the period under review, the Group purchased the wealth management product offered and managed by Hua Xia Wealth Management Co., Ltd. in Mainland China with contractual terms of 399 days from 8 March 2022 to 11 April 2023. The wealth management product is non-principal guaranteed with variable return totalling HK$35.1 million (equivalent to RMB30.0 million) and the expected annualised rate of return is around 4.45%. For details of this wealth management product, please refer to the announcements of the Company dated on 19 March 2022 and 22 March 2022.

As at 30 June 2022, the Group's investment in wealth management product was classified as financial asset at fair value through profit or loss in the condensed consolidated balance sheet and amounted to approximately HK$35.6 million (31 December 2021: Nil). For the period ended 30 June 2022, the unrealised gain on fair value change from the wealth management product amounted to approximately HK$0.5 million (2021: Nil).

The purchase of the wealth management product was carried out by the Group for treasury management purpose in order to maximise the utilisation of surplus cash. The Group considers that the purchase of the wealth management products will provide the Group with better returns than the returns on deposits generally offered by commercial banks, and would not affect the working capital or the normal business operation of the Group. As such, the directors are of the view that the purchases of the wealth management products are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

As at 30 June 2022, the Group's net gearing ratio remained in net cash (31 December 2021: net cash) position and the current ratio further improved to 2.9 times (31 December 2021: 2.7 times). Management will continuously monitor the Group's financial performance and liquidity position and believed that the Group has sufficient working capital and financial resources for its operation in future.

Foreign Exchange Risk Management

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 2022, the Group did not enter into any foreign exchange forward contract to hedge the foreign exchange risk exposure. As at 30 June 2022, the Group's exposure to foreign exchange risk was not significant.

Pledge of Assets

As at 30 June 2022 and 31 December 2021, the Group had no pledged assets.

Capital Expenditure and Commitments

During the period under review, the Group incurred capital expenditure of HK$0.2 million (2021: HK$2.1 million) primarily for office equipment. As at 30 June 2022 and 31 December 2021, the Group did not have any material capital commitments.

Contingent Liabilities

As at 30 June 2022 and 31 December 2021, the Group did not have any significant contingent liabilities.

Human Resources

As at 30 June 2022, the Group had a total of 92 (31 December 2021: 75) employees predominantly in Mainland China and Hong Kong. Employee benefits expense, including directors' emoluments, retirement benefit costs and share-based payment expense, was HK$20.7 million (2021: HK$21.0 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 mandatory provident fund schemes, medical insurance schemes, staff purchase discounts and training programmes to employees.

OUTLOOK

Against the backdrop of the ongoing epidemic, uncertainty remains pervasive in the second half of the year. Facing the adverse economic conditions, the Group maintains a cautious view on the overall market sentiment and will make strategic adjustments and take appropriate measures in response to the latest challenging operating environment.

Regarding the Group's core licensing business, the retail sales of our branded products have been performing well on high-traffic e-commerce platforms and the Group hopes to expand the online licensing network operated by our licensees to build online presence on various e-commerce platforms, leveraging the popularity and customer base of e-commerce platforms to capture more market opportunities and increase market penetration. Meanwhile, the Group will prudently adjust the offline licensing network operated by our franchisees to enhance efficiency and tap into new markets.

Despite the challenging operating environment, the new asset-light business model has helped the Group build resilience. Looking ahead, the Group will pay close attention to the operating environment and allocate resources accordingly to enhance and refine the supply chain system as well as the franchising and licensing playbook, striving to maintain its brand reputation with excellent quality and strengthen business resilience, thereby supporting sustainable development of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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 confirmed that they fully complied with the required standards as set out in the Model Code during the six months ended 30 June 2022.

The Company also requires the relevant officers and employees of the Group to 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving a high standard of corporate governance. Throughout the period ended 30 June 2022, the Company complied with all the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 and was satisfied that these unaudited condensed consolidated financial statements were prepared in accordance with applicable accounting standards.

PUBLICATION OF 2022 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the HKEXnews (www.hkexnews.hk) and the Company (www.daphneholdings.com). The interim report of 2022 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, 24 August 2022

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.