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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 2024

HIGHLIGHTS

- Revenue increased by 54% to approximately RMB168.8 million
- Profit attributable to shareholders increased by 83% to approximately RMB56.1 million
- Basic earnings per share was RMB0.028
- Cash and cash equivalents amounted to approximately RMB410.2 million, increased by 12%

* *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 (collectively referred to as the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023. Certain comparative figures of these condensed consolidated interim financial statements have been restated due to the Group has changed its presentation currency from Hong Kong Dollars (“HK\$”) to Renminbi (“RMB”) for the preparation of its consolidated financial statements for the year ended 31 December 2023.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	Unaudited	
		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
			(restated)
Revenue	3	168,796	109,294
Cost of sales		(83,027)	(52,714)
		<hr/>	<hr/>
Gross profit		85,769	56,580
Other income	4	24,948	29,051
Other gains/(losses) - net	5	703	(6,730)
Selling and distribution expenses		(20,587)	(13,764)
General and administrative expenses		(34,563)	(29,352)
Reversal of impairment loss/(impairment loss) on financial assets		462	(1,853)
		<hr/>	<hr/>
Operating profit	6	56,732	33,932
Finance costs	7	(193)	(2,589)
Share of profit of associates and a joint venture		53	35
		<hr/>	<hr/>
Profit before income tax		56,592	31,378
Income tax expense	8	(732)	(375)
		<hr/>	<hr/>
Profit for the period		55,860	31,003
		<hr/> <hr/>	<hr/> <hr/>
<i>Attributable to:</i>			
Shareholders of the Company		56,055	30,683
Non-controlling interests		(195)	320
		<hr/>	<hr/>
		55,860	31,003
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share, basic and diluted (<i>RMB</i>)	9	0.028	0.017
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
		(restated)
Profit for the period	55,860	31,003
	-----	-----
Other comprehensive income		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	525	1,396
	-----	-----
Total comprehensive income for the period	56,385	32,399
	=====	=====
<i>Attributable to:</i>		
Shareholders of the Company	56,580	31,097
Non-controlling interests	(195)	1,302
	-----	-----
	56,385	32,399
	=====	=====

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2024**

		Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Non-current assets			
Investment properties		386,059	394,464
Property, plant and equipment		2,636	2,734
Right-of-use assets		2,597	4,348
Interests in associates		1,152	1,099
Interest in a joint venture		-	-
		<u>392,444</u>	<u>402,645</u>
		-----	-----
Current assets			
Inventories		2,119	5,058
Trade receivables	11	2,525	3,271
Deposits, prepayments and other receivables		13,656	17,916
Financial assets at fair value through profit or loss		10,324	21,312
Cash and cash equivalents		410,200	366,273
		<u>438,824</u>	<u>413,830</u>
		-----	-----
Current liabilities			
Trade payables	12	31,789	37,153
Accrued charges and other payables		41,983	35,809
Contract liabilities		12,902	34,201
Lease liabilities		3,360	5,834
Current income tax liabilities		24,006	23,605
		<u>114,040</u>	<u>136,602</u>
		-----	-----
Non-current liabilities			
Lease liabilities		2,039	3,451
Deferred income tax liabilities		4,117	4,117
		<u>6,156</u>	<u>7,568</u>
		-----	-----
Net current assets		<u>324,784</u>	<u>277,228</u>
		-----	-----
Net assets		<u>711,072</u>	<u>672,305</u>
		=====	=====
Equity attributable to shareholders			
Share capital		175,202	175,202
Reserves		531,844	492,882
		<u>707,046</u>	<u>668,084</u>
Non-controlling interests		4,026	4,221
		<u>711,072</u>	<u>672,305</u>
		=====	=====

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 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 Renminbi (“RMB”), unless otherwise stated.

These condensed consolidated interim financial statements for the six months ended 30 June 2024 are unaudited and have been reviewed by the audit committee of the Company and approved for issue by the board of directors on 21 August 2024.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2024 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 they should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied in the condensed consolidated interim financial statements for the six months ended 30 June 2024 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2023, except for accounting policies below:

(i) Amended standards and interpretations adopted by the Group

The Group has applied the following amended standards and interpretations for the first time for their reporting period beginning on 1 January 2024 as set out below.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Revised Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

(ii) Change in presentation currency

The Group has changed its presentation currency from Hong Kong Dollars (“HK\$”) to RMB for the preparation of its consolidated financial statements for the year ended 31 December 2023.

As the principal activities of the Group are mainly conducted in Mainland China where the functional currencies of those subsidiaries are RMB, the directors of the Company consider that the change would result in a more relevant presentation of the Group’s transactions in the consolidated financial statements.

Following the change in presentation currency, the financial information as previously reported has been retranslated in accordance with the provisions in HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and HKAS 21 “The Effects of Changes in Foreign Exchange Rates” as if RMB had always been the Group’s presentation currency unless it is impracticable to do so. Therefore, certain comparative figures in respect of the previous period in the condensed consolidated interim financial statements have been restated accordingly.

3 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 of the Company, for the purposes of resources allocation and assessment of performance, focused specifically on the revenue and the profit or loss of the Group as a whole. Hence, the directors of the Company consider 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	
	2024	2023
	RMB’000	RMB’000
		(restated)
Licensing fee income	68,575	45,972
Sales of goods	100,221	63,322
	168,796	109,294

4 Other income

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
		(restated)
Government subsidies	553	144
Gross rental income	19,281	21,298
Interest income	4,703	3,494
Others	411	4,115
	<u>24,948</u>	<u>29,051</u>

5 Other gains/(losses) – net

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
		(restated)
Fair value gain on financial assets at fair value through profit or loss	158	699
Gain on disposal of property, plant and equipment	-	157
Loss on disposal of investment properties	-	(7,192)
Net exchange gain/(loss)	545	(394)
	<u>703</u>	<u>(6,730)</u>

6 Operating profit

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
		(restated)
Auditors' remuneration	1,083	999
Cost of inventories sold, including inventories provision of RMB3,339,000 (2023: Nil)	83,027	52,714
Depreciation of investment properties	8,405	8,567
Depreciation of property, plant and equipment	520	459
Depreciation of right-of-use assets	2,149	1,798
Employee benefits expense	23,129	20,032
Gain on early termination of leases	(1,067)	-
Marketing and promotion expense	5,241	3,737
	<u>118,437</u>	<u>110,306</u>

7 Finance costs

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
		(restated)
Interest on convertible notes	-	2,420
Interest on lease liabilities	193	169
	<u>193</u>	<u>2,589</u>

8 Income tax expense

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
		(restated)
Current income tax	732	194
Deferred income tax	-	181
	<u>732</u>	<u>375</u>

Income tax expense is recognised based on management's estimate of weighted average effective annual income tax rate expected for the full financial year.

9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company of RMB56,055,000 (2023: RMB30,683,000) by the weighted average number of 1,978,598,429 shares (2023: 1,814,056,622 shares) in issue for the six months ended 30 June 2024.

Share options of the Company were not dilutive as the exercise price of the share options exceeded the average market price of the Company's shares for the six months ended 30 June 2024 and 2023 and were excluded in the calculation of diluted earnings per share. In addition, the computation of diluted earnings per share for the six months ended 30 June 2023 did not assume the conversion of convertible notes since it would have an anti-dilutive impact. Therefore, for the six months ended 30 June 2024 and 2023, basic and diluted earnings per share were the same.

10 Dividend

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
		(restated)
Final dividend of HK\$0.01 per share for the year ended 31 December 2023 provided for or paid during the period (2023: Nil)	17,934	-
	<u>17,934</u>	<u>-</u>

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

11 Trade receivables

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade receivables	13,303	14,521
Less: loss allowance	(10,778)	(11,250)
Trade receivables - net	<u>2,525</u>	<u>3,271</u>

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
0 - 30 days	1,831	2,187
31 - 60 days	694	803
Over 60 days	-	281
	<u>2,525</u>	<u>3,271</u>

The carrying amounts of trade receivables, net of loss allowance, are denominated in RMB and approximate their fair value. The Group generally allows a credit period of 30 to 60 days to its trade customers.

12 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. The ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
0 - 30 days	29,404	34,788
31 - 60 days	300	209
Over 60 days	2,085	2,156
	<u>31,789</u>	<u>37,153</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the ongoing geopolitical turmoil, divergent monetary policies among countries and a more complex, severe and uncertain external environment resulted in a highly uneven economic recovery across countries. While the overall economy in China extended its recovery, it was hampered by insufficient domestic demand and weak social expectations. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) rose 5% year-on-year in the first half of 2024, with GDP growth slowing to 4.7% in the second quarter, which was below the market expectation and marking the worst pace in the past five quarters. The slowdown reflects the increasing difficulties and mounting challenges in the current economic landscape. China's economy has withstood pressure, maintaining overall stability in its operation and continuous upgrading of its structure under such complex situation. The Company considers the fundamentals for long-term development of China's economy remain positive, and it keeps moving towards high-quality development.

Despite China's economy demonstrating resilience, the faltering real estate market and the less-than-optimistic employment situation dragged down consumer confidence, causing it to linger at a low level. The overall suppressed domestic demand took a toll on the retail market. In the first half of 2024, China's total retail sales of consumer goods expanded 3.7% year-on-year, underperforming GDP growth. The retail sales of goods grew 3.2% year-on-year, further reflecting the slow recovery of consumer demand. Cautious consumer sentiment persisted, with shoppers favouring rational and value-for-money purchases.

In today's digitally-driven society, online shopping has become an integral part of people's lives. In the first half of 2024, domestic e-commerce platforms continued its upward trajectory, driving China's online retail sales to surge 9.8% year-on-year to RMB7.1 trillion. Whilst emerging e-commerce platforms are developing vigorously, it is posing a threat to the dominant market position of those leading traditional e-commerce platforms. Considering the diversifying e-commerce channels and the importance of digital marketing, the Group continued to focus on strengthening its online operations and actively tapped into emerging e-commerce platforms, leveraging on its resource advantages to expand the online licensing network. Meanwhile, it continued to optimise its offline business, supply chain system and brand management in an effective approach. In the first half of 2024, the Group achieved remarkable sales growth, persistently outperforming the general market.

The Group's Performance

Recognising the highly competitive women's footwear market, the Group steadfastly reinforced its core brand "DAPHNE", created the youthful brand "DAPHNE.LAB" and enhanced its operational efficiency. Undaunted by the sluggish consumer market recovery, the Group allocated resources in bolstering the brand's industry-leading position, while integrating the management team to optimise operations. Complementing its seasoned management team, the Group introduced young talents to bring fresh perspectives and innovative ideas, enabling it to persistently fine-tune its operating model. The Group worked cohesively to optimise the brand licensing business, streamline the supply chain system, and strengthen the management of franchisees. By staying attuned to the market dynamics, the Group prudently but nimbly adapted its development plans for the online licensing network and physical retail network operated by franchisees. These ongoing efforts, coupled with the Group's long-term brand-building efforts and cost-effective products, enabled it to overcome market challenges and achieved impressive growth.

While the rise of tech-savvy consumers continues to fuel online retail growth, it has also reshaped the retail market. Consumers have elevated their expectations around brand strength, pricing competitiveness, and product quality and innovation. The shift to decentralised and personalised consumption has opened up more doors for emerging interest-based e-commerce platforms. Capitalising on the booming e-commerce economy and the fragmented e-commerce landscape, the Group leveraged its robust resource base as a market leader to scale up the online licensing network. By continuously expanding into emerging e-commerce platforms, the Group actively harnessed data-driven insights to better cater to the diverse and evolving preferences of consumers. Despite the traditional e-commerce platforms being beset by emerging competitors, the Group continued to strengthen its digital marketing capabilities across both traditional and emerging channels. The efforts and resources invested in recent years gradually paid off.

The Group has achieved substantial revenue and operating profit growth through the collective efforts, consistently beating the general market and demonstrating the Group's effective strategies and ability to maintain sustained and healthy growth in operations. For the six months ended 30 June 2024, the Group's total revenue surged 54% year-on-year, amounting to approximately RMB168.8 million (2023: RMB109.3 million), while the Group's operating profit rose 67% to approximately RMB56.7 million (2023: RMB33.9 million). Driven by this continued outperformance, the Group is poised to emerge as an even stronger industry leader with sharper competitive edge and greater operational efficiency, positioning it for sustainable growth.

For the six months ended 30 June 2024, basic earnings per share was RMB0.028 as compared to the basic earnings per share of RMB0.017 for the same period in 2023. The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

Brand Licensing and Distribution Business

Riding the momentum of a successful business transformation and now on a stable growth trajectory, the Group is dedicated to strengthening the "DAPHNE" brand and the licensing and distribution of footwear products, including women's dress shoes and casual shoes, across online and offline channels in Mainland China.

In the first half of 2024, the Group's unwavering strategic focus enabled it to maintain a robust and resilient growth. Given the proven track record of the online licensing business as a key growth driver, the Group consistently amplified its investments and initiatives in this segment, further leveraging on its long-established reputation and valuable brand resources. In order to seize market share in an increasingly fragmented e-commerce landscape, the Group further bolstered its footprint on interest-based e-commerce platforms by forging more collaboration with leading and popular platforms, such as "Douyin" (抖音) and "Pinduoduo" (拼多多). As interest-based e-commerce platforms prioritise enhancing user experience and reinforcing their pricing and service advantages, the Group saw sustained robust growth in sales and market penetration across these platforms. Furthermore, the Group continued exploring more social media-based emerging sales channels, such as "RED" (小紅書) and "POIZON" (得物), to engage with the younger demographic and amplify its brand's reach, injecting new momentum into expanding its market share. Coupled with the consumer-friendly pricing of its footwear products, the Group doubled down on its digital marketing efforts, thereby fostering deeper interactions with its target audience and consolidating a strong brand presence across various high-traffic online platforms. These strategic initiatives once again demonstrated their efficacy, fuelling its online licensing business to achieve sales growth that outshines the industry average. Meanwhile, the Group was mindful of the ongoing consumer confidence challenges and strategically adjusted its online licensing and offline distribution networks to streamline store operations and improve profitability, while adapting to the evolving macroeconomic environment and retail market landscape. As at 30 June 2024, there were 89 (As at 31 December 2023: 87) physical shops and 698 (As at 31 December 2023: 601) online shops, all operated by our franchisees under the licensing arrangement of the Group.

The Group's online licensing business, especially on emerging e-commerce platforms, experienced swift growth in the first half of 2024. For the period under review, the Group's licensing fee income grew 49% year-on-year to approximately RMB68.6 million (2023: RMB46.0 million), underscoring its strong ability to seize the evolving e-commerce landscape. Wholesale of goods under the licensing arrangement also grew 46% year-on-year to approximately RMB91.5 million (2023: RMB62.5 million).

Retail Business

As a key strategy to differentiate the Group from other women's footwear market players, the Group has remained true to its innovative spirit. Last year, the Group forged ahead with the development of original collections and the debut of the "DAPHNE.LAB" brand. Tapping into the growing appetite among the new generation of consumers for self-expression and originality, "DAPHNE.LAB" has struck a powerful chord with its core values of "DARE TO BE 就敢", inspiring women to embrace their uniqueness, live authentically, and pursue their dreams.

Since the debut of original collections and the "DAPHNE.LAB" brand, the Group's innovative endeavours have met with encouraging receptivity and demand in the market. Empowered by this success, the Group steadfastly upheld the pace of development last year, further exploring the path to originality. In the first half of 2024, the Group cautiously invested resources to further strengthen its product competitiveness and raise brand recognition. It introduced two creative themes, namely "Protagonist" (主角) in this spring and "Day Off" (離線) in this summer to captivate the new generation of consumers who favours self-expression. Staying true to the bold and innovative concept of "DAPHNE.LAB", the "Protagonist" empowers women to confidently take charge of their narrative and define their own identity, while the "Day Off" celebrates liberation from societal constraints. Infused with original designs and thoughtful craftsmanship, wide range of value-for-money products of "DAPHNE.LAB" aim to inspire more women to channel their inner strength and radiate confidence from within. The positive market response of both collections has further reinforced the Group's strategic direction.

In addition, the Group strategically aligned its creative marketing initiatives with the core values of the "DAPHNE.LAB" brand, enabling it to resonate strongly with fashion-forward consumers who value product quality, originality, and striking aesthetics. Embracing the power of influencer marketing, the Group continued to collaborate with social media influencers, to amplify the reach of "DAPHNE.LAB" brand ethos and products to new generation consumers. Driven by the outstanding market reception, the Group launched a series of pop-up events during the reporting period.

The enthusiastic consumer response to last year's collaborations, including the "Lollipop Slippers" (棒棒糖拖鞋) and the "Sugar Cube Over-the-Knee Boots" (方糖過膝靴), has bolstered confidence to the Group to pursue more collaborations with artists. During the reporting period, the Group once again joined creative forces with artists to launch the co-branded "Quirky Romantic Collection" (浪漫怪咖聯名系列). Integrating the artists' imaginative spirit with "DARE TO BE 就敢" ethos of "DAPHNE.LAB", the collection incorporates whimsical plastic flower motifs into stylishly unconventional footwear products, showcasing the bold "DARE TO BE DIFFERENT 就敢不同" attitude. This collaboration encourages women to explore an unconventional world full of imagination and has been warmly embraced by consumers. The Group's string of successful collaborations has demonstrated the effectiveness of its strategy to partner with artists and create products that resonate with consumers.

In addition, the Group regularly reviewed its supply chain system and actively improved the product development process to increase operational efficiency. In response to the accelerated online sales, the Group implemented rigorous quality control across the supply chain, refining its well-established system to deliver superb products. Leveraging on a robust supply chain infrastructure, the Group remained focused on enhancing product competitiveness, refreshing its brand image, and elevating brand awareness, strengthening the Group's foundation to sustain sales growth despite lacklustre consumption.

FINANCIAL REVIEW

Financial Highlights

	Unaudited		Change
	For the six months ended 30 June		
	2024	2023 (restated)	
Revenue (RMB' million)	168.8	109.3	+54%
Other income (RMB' million)	24.9	29.1	-14%
Operating profit (RMB' million)	56.7	33.9	+67%
Profit attributable to shareholders (RMB' million)	56.1	30.7	+83%
Operating margin (%)	33.6	31.0	+2.6ppt
Net margin (%)	33.2	28.1	+5.1ppt
Basic earnings per share (RMB)	0.028	0.017	+65%
	Unaudited	Audited	
	As at	As at	
	30 June	31 December	
	2024	2023	Change
Cash and cash equivalents (RMB' million)	410.2	366.3	+12%
Equity attributable to shareholders (RMB' million)	707.0	668.1	+6%
Current ratio (times) (Note 1)	3.8	3.0	+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 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 sales of goods in Mainland China. For the six months ended 30 June 2024, the Group's total revenue amounted to approximately RMB168.8 million (2023: RMB109.3 million), an increase of 54% compared to the corresponding period in 2023.

	Unaudited		Change
	For the six months ended 30 June		
	2024	2023	
	RMB' million	RMB' million (restated)	
Licensing fee income	68.6	46.0	+49%
<i>Sales of goods - wholesale</i>	91.5	62.5	+46%
<i>Sales of goods - retail</i>	8.7	0.8	+988%
Total sales of goods	100.2	63.3	+58%
Cost of sales	(83.0)	(52.7)	+58%
Gross profit from sales of goods	17.2	10.6	+62%
<i>Gross margin from sales of goods</i>	17.2%	16.8%	+0.4ppt
Total revenue	168.8	109.3	+54%
Total gross profit	85.8	56.6	+52%

During the first half of 2024, revenue from licensing fee income increased by 49%, from approximately RMB46.0 million to approximately RMB68.6 million, mainly attributable to the increase in unit price and overall volume of footwear products licensed to the online franchisees compared to the corresponding period in 2023.

The Group also engages in the distribution of footwear products and accessories for better quality control and supply chain management to both online and offline franchisees. For the six months ended 30 June 2024, revenue from wholesale of goods amounted to approximately RMB91.5 million (2023: RMB62.5 million), representing an increase of 46% compared to the same period last year, primarily due to the increase in sales volume of products to our franchisees.

During the six months ended 30 June 2024, the Group's revenue from retail business, primarily for the online and offline shops of "DAPHNE.LAB" brand, was approximately RMB8.7 million (2023: RMB0.8 million). Such significant increase in revenue was mainly due to the launch of this brand in April 2023.

Our revenue from sales of goods increased by 58% to approximately RMB100.2 million during the period under review compared to approximately RMB63.3 million for the corresponding period in 2023. Gross margin from sales of goods also improved to 17.2% for the period under review from 16.8% for the corresponding period in 2023. Better gross margin from sales of goods was mainly attributable to the better selling price as a whole.

Other Income

For the six months ended 30 June 2024, the Group's other income was approximately RMB24.9 million (2023: RMB29.1 million), mainly comprising gross rental income of approximately RMB19.3 million (2023: RMB21.3 million) from investment properties.

Operating Expenses

The Group's operating expenses (including other gains/(losses) - net, selling and distribution expenses, general and administrative expenses, and reversal of impairment loss/(impairment loss) on financial assets) were approximately RMB54.0 million during the period under review, compared to the operating expenses of approximately RMB51.7 million for the corresponding period in 2023. The overall increase in operating expenses was mainly due to increase in employee benefits expense and marketing and promotion expense.

Operating Profit

For the first half of 2024, the Group recorded an operating profit of approximately RMB56.7 million, an increase of RMB22.8 million or 67% compared to the operating profit of approximately RMB33.9 million in the corresponding period in 2023.

Finance Costs

Finance costs represent interests on convertible notes and lease liabilities. Since the convertible notes were matured and converted into shares in October 2023, there was no interest on convertible notes (2023: RMB2.4 million) during the period under review, and interest on lease liabilities was approximately RMB0.2 million (2023: RMB0.2 million).

Income Tax Expense

For the six months ended 30 June 2024, the Group's income tax expense was approximately RMB0.7 million, compared to approximately RMB0.4 million for the same period last year. The effective tax rate of the Group was approximately 1.3% (2023: 1.2%). The effective tax rate was lower than the applicable tax rates from those jurisdictions in which the Group was subject to tax, due to utilisation of previously unrecognised tax losses.

Profit Attributable to Shareholders

For the six months ended 30 June 2024, profit attributable to shareholders of the Company was approximately RMB56.1 million (2023: RMB30.7 million), representing an increase of approximately RMB25.4 million or 83% compared to the corresponding period in 2023. Basic earnings per share was RMB0.028 (2023: RMB0.017) during the period under review.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB410.2 million (As at 31 December 2023: RMB366.3 million), which were denominated mainly in Renminbi, United States Dollars and Hong Kong Dollars. During the first half of 2024, the net increase in cash and cash equivalents is analysed as follows:

	Unaudited	
	For the six months	
	ended 30 June	
	2024	2023
	RMB' million	RMB' million
		(restated)
Net cash generated from operating activities	45.9	35.5
Capital expenditure	(0.4)	(1.2)
Proceeds from disposal of property, plant and equipment	-	0.2
Proceeds from disposal of investment properties	-	1.8
Payments for purchases of financial investments	-	(20.8)
Proceeds from redemption of financial investments	11.1	31.3
Bank interest received	4.7	3.5
Dividend paid	(14.9)	-
Lease payments	(3.1)	(2.1)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	43.3	48.2
	<hr/> <hr/>	<hr/> <hr/>

During the first half of 2024, the Group's interest income on bank balances and deposits was approximately RMB4.7 million (2023: RMB3.5 million).

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

The purchases of financial investments are carried out by the Group for treasury management purpose in order to maximise the utilisation of surplus cash. The Group considers that the purchases of the financial investments 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 of the Company are of the view that the purchases of the financial investments are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

During the six months ended 30 June 2024, the fair value gain on financial assets at fair value through profit or loss was approximately RMB0.2 million (2023: RMB0.7 million) and the Group redeemed certificates of deposit amounting to approximately RMB11.1 million upon their maturity in January 2024. The Group did not purchase any financial assets at fair value through profit or loss during the period under review. As at 30 June 2024, the Group had certificates of deposit purchased from a commercial bank in Mainland China with carrying amount of approximately RMB10.3 million. The certificates of deposit have maturity of 36 months from June 2023 to June 2026 and bears fixed interest rate.

As at 30 June 2024, the Group had equity attributable to shareholders totaling approximately RMB707.0 million (As at 31 December 2023: RMB668.1 million). The Group's net gearing ratio remained in net cash (As at 31 December 2023: net cash) position and the current ratio further improved to 3.8 times (As at 31 December 2023: 3.0 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

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 mainly 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 six months ended 30 June 2024, 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 2024, the Group did not have any significant investments.

Future Plans for Material Investments and Capital Assets

As at 30 June 2024, the Group did not have any plans for material investments or capital assets.

Pledge of Assets

As at 30 June 2024, the Group had no pledged or charged assets (As at 31 December 2023: Nil).

Capital Expenditure and Commitments

During the period under review, the Group incurred capital expenditure of approximately RMB0.4 million (2023: RMB1.2 million) primarily for leasehold improvement. As at 30 June 2024, the Group did not have any material capital commitments.

Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities (As at 31 December 2023: Nil).

Human Resources

As at 30 June 2024, the Group had a total of 109 (As at 31 December 2023: 99) employees predominantly in Mainland China and Hong Kong. Employee benefits expense comprising directors' emoluments for the period under review was approximately RMB23.1 million (2023: RMB20.0 million), including share-based payment expense of approximately RMB0.3 million (2023: RMB0.8 million). The overall increase of 15% year-on-year in employee benefits expense was mainly due to the increase in headcounts and discretionary performance bonus.

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

OUTLOOK

Looking ahead to the second half of 2024, the external environment is anticipated to become more uncertain due to global trade challenges and the U.S. presidential election. However, as inflationary pressures begin to ease, the global economy is expected to post relatively stable growth. Despite persisting headwinds in China, a raft of measures announced by the Chinese government earlier this year to expand domestic demand are expected to be gradually implemented in the second half of the year, which could help spur accelerated growth in consumption. While the Group is optimistic about the long-term development of China's consumer market, it maintains a conservative, "wait-and-see" stance towards the national economic development in the second half in light of the rising trend of rational consumption.

In order to better navigate upcoming challenges and capture growth opportunities, the Group will intensify efforts to optimise its offerings, supply chain management, licensing and franchising models and brand management. In addition to reinforcing its business foundation, the Group will closely monitor policy directions and market dynamics and promptly adapt its product design, manufacturing, marketing and sales strategies as needed. Although the consumer market remains a wild card, the Group is positive that it will continue to outshine its peers leveraging on years of expertise, brand equity and proven strategies.

Recognising "DAPHNE" and "DAPHNE.LAB" brands as the Group's greatest assets to achieve sustainable growth, the Group will strategically invest resources in building the brands apropos to the market situation. "DAPHNE" will launch new products, introduce a new brand ambassador, unveil a new store concept that embodies its poised yet effortless aesthetic, complemented by a new logo designed to better represent the brand's free-style image. Meanwhile, "DAPHNE.LAB" will steadfastly develop fashion-forward, high-quality and value-for-money footwear to unleash the power of innovation. Driven by the proven success of its collaborative efforts, the Group will forge ahead with its collaborative endeavours in a bid to attract more young, affluent consumer base.

Capitalising on the burgeoning e-commerce market powered by tech-savvy consumers, the Group will allocate greater resources to expand its online reach. By keeping abreast of traffic trends, it will explore demand in diverse market segments across traditional and emerging e-commerce platforms and consumer groups, capturing greater market share. On the contrary, the offline retail market continues to lack vitality. Given the Group's promising growth trajectory, the Group may plan to mindfully expand its physical retail network in the second half of the year, keeping pace with the evolving market landscape. To deliver a seamless omnichannel experience, the Group will deepen online and offline integration by increasing online and offline interactions, amplifying social media exposure, growing membership base and endeavouring to build a loyal, valuable customer base for long-term success.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2024, 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 2024.

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 C3 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited for dealing in securities of the Company by its directors. Having made specific enquiry with all directors of the Company, all directors have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2024.

The Company also requires the relevant officers and employees of the Group who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities, be also 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 under review.

CHANGES IN DIRECTORS' INFORMATION

There was no change in directors' details of the Company since the date of the Annual Report 2023 and up to the date of this announcement 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).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the Listing Rules. Throughout the six months ended 30 June 2024, 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 of the Company throughout the six months ended 30 June 2024 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 2024 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 2024 and was satisfied that these unaudited condensed consolidated interim financial statements were prepared in accordance with applicable accounting standards.

PUBLICATION OF INTERIM RESULTS 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 2024 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
Daphne International Holdings Limited
Chang Chih-Kai
Chairman

Hong Kong, 21 August 2024

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.