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 2019

FINANCIAL HIGHLIGHTS

- Turnover dropped by 37.9% to HK$1,402.8 million
- Gross profit decreased by 39.7% to HK$651.3 million
- Operating loss narrowed by 23.7% to HK$373.5 million
- Loss attributable to shareholders was HK$389.9 million
- Basic loss per share was 23.6 HK cents
- Inventory level reduced by 36.9% to HK$626.0 million
- Cash and bank balances maintained at HK$152.8 million

* *for identification purpose only*

INTERIM RESULTS

The Board of Directors 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 2019, together with the comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	Unaudited Six months ended 30 June **2019** **HK$'000**	2018 HK$'000
Turnover	6	**1,402,802**	2,259,010
Cost of sales		**(751,528)**	(1,178,797)
Gross profit		**651,274**	1,080,213
Other income	7	**12,306**	22,222
Other gains/(losses) - net	8	**12,421**	(15,710)
Selling and distribution expenses		**(917,636)**	(1,415,308)
General and administrative expenses		**(131,851)**	(161,120)
Operating loss	9	**(373,486)**	(489,703)
Finance costs	10	**(13,232)**	(2,572)
Share of losses of associates and joint ventures		**(363)**	(504)
Loss before income tax		**(387,081)**	(492,779)
Income tax expense	11	**(7,326)**	(6,229)
Loss for the period		**(394,407)**	(499,008)
Attributable to:			
Shareholders		**(389,866)**	(492,633)
Non-controlling interests		**(4,541)**	(6,375)
		(394,407)	(499,008)
Loss per share, basic and diluted *(HK cents)*	12	**(23.6)**	(29.9)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Loss for the period	**(394,407)**	(499,008)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of a foreign subsidiary	**(125)**	(156)
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	**31,746**	(16,696)
Change in fair value of an equity investment at fair value through other comprehensive income	**-**	(70)
Total comprehensive loss for the period	**(362,786)**	(515,930)
Attributable to:		
Shareholders	**(359,483)**	(510,248)
Non-controlling interests	**(3,303)**	(5,682)
	(362,786)	(515,930)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019

	Note	**Unaudited 30 June 2019 HK$'000**	Audited 31 December 2018 HK$'000
Non-current assets			
Land use rights		**-**	39,803
Property, plant and equipment		**347,837**	463,650
Investment properties		**196,554**	173,092
Right-of-use assets		**451,072**	-
Interests in associates		**1,581**	1,868
Interests in joint ventures		**1,736**	1,949
Long-term rental deposits and prepayments		**33,163**	59,597
Deferred income tax assets		**45,952**	47,705
		1,077,895	787,664
Current assets			
Inventories		**625,999**	992,314
Trade receivables	14	**143,352**	160,100
Other receivables, deposits and prepayments		**344,888**	526,163
Pledged bank deposits		**3,123**	174,248
Cash and cash equivalents		**149,639**	186,521
		1,267,001	2,039,346
Assets classified as held-for-sale		**137,847**	142,360
		1,404,848	2,181,706
Current liabilities			
Trade payables	15	**299,567**	530,629
Other payables and accrued charges		**233,297**	312,859
Lease liabilities		**218,758**	-
Contract liabilities		**7,423**	9,717
Income tax payable		**4,867**	7,558
Bank loans		**34,725**	192,309
		798,637	1,053,072
Liabilities directly associated with assets classified as held-for-sale		**4,132**	992
		802,769	1,054,064
Net current assets		**602,079**	1,127,642
Total assets less current liabilities		**1,679,974**	1,915,306

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Equity attributable to shareholders		
Share capital	**164,914**	164,914
Reserves	**1,255,494**	1,614,911
	1,420,408	1,779,825
Non-controlling interests	**128,328**	131,631
Total equity	**1,548,736**	1,911,456
Non-current liabilities		
Lease liabilities	**128,321**	-
Deferred income tax liabilities	**2,917**	3,850
	131,238	3,850
Total equity and non-current liabilities	**1,679,974**	1,915,306

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 manufacturing, distribution and retailing 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, P.O. 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 2019 are unaudited and have been reviewed by the Audit Committee of the Company and approved for issue by the Board of Directors on 27 August 2019.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Going concern basis

The Group reported a loss for the period ended 30 June 2019 of HK$394,407,000 (2018: HK$499,008,000) and a net cash inflow from operations of HK$20,612,000 (2018: net cash outflow from operations of HK$60,253,000). The Group also recorded a cash outflow in relation to lease payments of HK$133,955,000 during the period ended 30 June 2019, which was classified as financing activities as a result of the adoption of HKFRS 16 "Leases". As at 30 June 2019, the Group had net cash of HK$118,037,000 (At 31 December 2018: HK$168,460,000), being cash and bank balances of HK$152,762,000 (At 31 December 2018: HK$360,769,000) less bank loans of HK$34,725,000 (At 31 December 2018: HK$192,309,000).

In view of the above, management of the Company have given careful consideration of the future liquidity requirements and operating performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Management have taken into account the following plans and measures in preparing the cash flow projections to ensure the Group will have sufficient working capital in the foreseeable future:

(i) The Group agreed in writing with certain major suppliers to extend the repayment period on certain purchases of merchandises in March 2019. As at 30 June 2019, the relevant trade payables amounted to HK$154,176,000. Based on the agreements with the suppliers, the relevant amount of trade payables will be due for repayment in April 2020; and these balances are unsecured and interest free. The Group intends to repay the relevant trade payables in full by the maturity date of the agreements.

(ii) The Group intended to dispose certain of its non-core properties with a carrying value of approximately HK$137,798,000 within the twelve months from 30 June 2019 in an effort to enhance its liquidity position.

(iii) The Group continued its efforts to implement measures to improve operating results and strengthen its working capital position by rationalising the size of its retail network, streamlining of its operations and organisation structure, continuing with its efforts in realising aged inventory and implementing measures to further control capital and operating expenditures.

(iv) The Chairman of the Company has confirmed his intention to arrange a loan facility to the Group amounting to approximately HK$80,000,000 on or before 31 August 2020 as and when needed.

As a result, management are confident that the Group will have sufficient working capital to fund its operations, financing and capital expenditure requirements and remain as a going concern at lease for the next twelve months from 30 June 2019.

Notwithstanding the above, whether management are able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions, are subject to inherent uncertainties. In particular, whether the Group will be able to continue as a going concern would depend upon (i) continuous availability of the extended credit and support from the suppliers, (ii) successful disposal of non-core properties and collection of sales proceeds in the expected timeframe, (iii) successful implementation of the above-mentioned measures on improvement of operating results and cash flows of the Group including but not limited to store and inventory rationalisation; and restructuring of operation and organisation; and (iv) draw down of financial support from the Chairman as mentioned above, as and when necessary.

The directors, after due consideration of the basis of management's plans and measures as well as the reasonable possible downside changes to the cash flow assumptions, are confident that the Group will have sufficient working capital to meet its financial obligations as and when they fall due at least in the next twelve months from 30 June 2019. Accordingly, the directors considered it is appropriate to prepare the condensed consolidated interim financial statements of the Group on a going concern basis.

3 Principal accounting policies

The accounting policies applied in the condensed consolidated interim financial statements for the six months ended 30 June 2019 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and amended standards as set out below.

(i) New and amended standards and interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, if applicable, as a result of adopting the following standards:

Amendments to Annual Improvements Project	Annual improvements 2015-2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates or joint ventures
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

Except for the impact of adoption of HKFRS16 set out in Note 3(ii) below, the adoption of other applicable new and amended standards and interpretations did not have any material impact on the Group's accounting policies.

(ii) HKFRS 16 "Leases" – Impact of adoption

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.3%.

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	716,747
Discounted using the lessee's incremental borrowing rate of the date of initial application	(25,240)
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(234,238)
Lease liabilities recognised as at 1 January 2019	457,269
Of which are:	
Current lease liabilities	312,899
Non-current lease liabilities	144,370
	457,269

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Land use rights previously presented as a separate item on the balance sheet are grouped as part of right-of-use assets with effect from 1 January 2019.

The recognised right-of-use assets relate to the following types of assets:

	At 30 June 2019 HK$'000	At 1 January 2019 HK$'000
Land use rights	27,925	39,803
Right-of-use assets	423,147	543,544
	451,072	583,347

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Condensed consolidated balance sheet (extract)	At 31 December 2018 as originally presented HK$'000	Effect of the adoption of HKFRS 16 HK$'000	At 1 January 2019 restated HK$'000
Non-current assets			
Land use rights	39,803	(39,803)	-
Long-term rental deposits and prepayments	59,597	(7,059)	52,538
Right-of-use assets	-	583,347	583,347
Current assets			
Other receivables, deposits and prepayments	526,163	(90,853)	435,310
Current liabilities			
Other payables and accrued charges	312,859	(13,864)	298,995
Lease liabilities	-	312,899	312,899
Non-current liabilities			
Lease liabilities	-	144,370	144,370

The impact on the Group's net profit after tax for the six months ended 30 June 2019 as a result of adoption of HKFRS 16 is not significant.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining Whether an Arrangement Contains a Lease".

(b) The Group's leasing activities and how these are accounted for

The Group leases various retail spaces and premises, warehouses and offices. Rental contracts are typically made for fixed periods of 1 month to 5 years but may contain extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group also leases certain land use rights in mainland China. These land use rights are leased for a period of between 10 to 50 years on which plants and buildings of the Group are situated on.

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(ii) Termination options

Termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

4 Financial risk management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There has been no material change in the Group's risk management and policies since 31 December 2018.

5 Critical accounting estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

6 Segment information

The Group is principally engaged in the manufacturing, distribution and retailing of footwear and accessories.

The chief operating decision-maker ("CODM") has been identified as the executive directors. The CODM assesses the performance of the business from a business unit perspective, i.e. core brands business, other brands business and manufacturing business and allocate resources accordingly.

The CODM assesses the performance of the operating segments based on a measure of segment results before finance costs, amortisation and impairment of intangible assets and unallocated corporate income and expenses. Certain corporate overhead expenses, including management fee, rental and utilities were reallocated among individual segments based on estimated consumption.

Revenue from external customers is arrived at after elimination of inter-segment revenue. Inter-segment revenue is charged in accordance with terms determined and agreed mutually by relevant parties. Revenue from external customers of core brands business and other brands business is mainly derived from mainland China and Taiwan. None of the customers accounted for 10% or more of the total turnover of the Group during both six months ended 30 June 2019 and 2018.

The Group's non-current assets, excluding deferred income tax assets, are mainly located in mainland China.

The following is an analysis of the Group's revenue and results by reportable segments as reviewed by the CODM:

	Core brands business	Other brands business	Manu-facturing business	Inter-segment elimination	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30 June 2019 (Unaudited)					
Revenue from external customers	**1,193,382**	**209,420**	**-**	**-**	**1,402,802**
Inter-segment revenue	**87,972**	**-**	**65,176**	**(153,148)**	**-**
Total segment revenue	**1,281,354**	**209,420**	**65,176**	**(153,148)**	**1,402,802**
Segment results	**(358,152)**	**(4,211)**	**(15,549)**	**4,978**	**(372,934)**
Corporate income					**2,247**
Corporate expenses					**(2,799)**
Operating loss					**(373,486)**
Finance costs					**(13,232)**
Share of losses of associates and joint ventures					**(363)**
Loss before income tax					**(387,081)**
Other information for disclosure:					
Depreciation of investment properties	**3,082**	**-**	**630**	**-**	**3,712**
Depreciation of property, plant and equipment	**40,492**	**5,005**	**7,180**	**-**	**52,677**
Depreciation of right-of-use assets	**129,773**	**10,374**	**449**	**-**	**140,596**
Capital expenditure	**20,649**	**221**	**62**	**-**	**20,932**
Six months ended 30 June 2018 (Unaudited)					
Revenue from external customers	1,945,965	313,045	-	-	2,259,010
Inter-segment revenue	134,503	-	104,473	(238,976)	-
Total segment revenue	2,080,468	313,045	104,473	(238,976)	2,259,010
Segment results	(481,878)	(5,720)	1,811	10,571	(475,216)
Amortisation of intangible assets					(157)
Corporate income					2,260
Corporate expenses					(16,590)
Operating loss					(489,703)
Finance costs					(2,572)
Share of losses of associates and joint ventures					(504)
Loss before income tax					(492,779)
Other information for disclosure:					
Amortisation of intangible assets	-	157	-	-	157
Amortisation of land use rights	503	-	353	-	856
Depreciation of investment properties	1,317	-	1,046	-	2,363
Depreciation of property, plant and equipment	64,069	3,738	6,342	-	74,149
Capital expenditure	59,057	763	8,958	-	68,778

The following is an analysis of the Group's assets and liabilities by reportable segments as reviewed by the CODM:

	Core brands business HK$'000	Other brands business HK$'000	Manufacturing business HK$'000	Group HK$'000
As at 30 June 2019 (Unaudited)				
Segment assets	**1,784,232**	**195,254**	**85,742**	**2,065,228**
Investment properties				**196,554**
Interests in associates				**1,581**
Interests in joint ventures				**1,736**
Deferred income tax assets				**45,952**
Assets classified as held-for-sale				**137,847**
Corporate assets				**33,845**
Total assets				**2,482,743**
Segment liabilities	**748,704**	**148,047**	**20,093**	**916,844**
Deferred income tax liabilities				**2,917**
Liabilities directly associated with assets classified as held-for-sale				**4,132**
Corporate liabilities				**10,114**
Total liabilities				**934,007**
As at 31 December 2018 (Audited)				
Segment assets	2,306,533	159,133	118,085	2,583,751
Investment properties				173,092
Interests in associates				1,868
Interests in joint ventures				1,949
Deferred income tax assets				47,705
Assets classified as held-for-sale				142,360
Corporate assets				18,645
Total assets				2,969,370
Segment liabilities	718,223	117,392	45,771	881,386
Deferred income tax liabilities				3,850
Liabilities directly associated with assets classified as held-for-sale				992
Corporate liabilities				171,686
Total liabilities				1,057,914

7 Other income

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Franchise and royalty income	**-**	252
Government subsidies	**704**	5,962
Gross rental income	**6,141**	6,396
Interest income	**1,403**	4,164
Others	**4,058**	5,448
	12,306	22,222

8 Other gains/(losses) - net

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Gain/(loss) on disposal of a subsidiary	**7,836**	(1,334)
Gain/(loss) on disposal of property, plant and equipment	**8,359**	(12,612)
Net exchange loss	**(3,774)**	(2,084)
Others	**-**	320
	12,421	(15,710)

9 Operating loss

Operating loss is stated after charging the following:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Amortisation of land use rights	**-**	856
Amortisation of license rights	**-**	157
Auditors' remuneration	**2,591**	2,431
Cost of inventories sold, including write-back of provision for slow-moving inventories of HK$3,086,000 (2018: provision of HK$2,422,000)	**723,901**	1,136,906
Depreciation of investment properties	**3,712**	2,363
Depreciation of property, plant and equipment	**52,677**	74,149
Depreciation of right-of-use assets	**140,596**	-
Employee benefits expense	**305,108**	420,655
Net impairment loss on financial assets	**4,208**	-
Expenses relating to short-term leases and variable lease payments	**299,204**	-
Operating lease rentals (including concessionaire fees) in respect of land and buildings	**-**	693,513

10 Finance costs

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest on bank loans	**2,866**	2,572
Interest on lease liabilities	**10,366**	-
	13,232	2,572

11 Income tax expense

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current income tax	**4,701**	3,444
Deferred income tax	**2,625**	2,785
	7,326	6,229

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average tax rate used for the six months ended 30 June 2019 is 25.2% (2018: 24.6%).

12 Loss per share

Basic loss per share is calculated by dividing the loss attributable to shareholders of HK$389,866,000 (2018: HK$492,633,000) by the weighted average number of 1,649,142,384 (2018: 1,649,142,384) shares in issue during the six months ended 30 June 2019.

For the six months ended 30 June 2019 and 2018, basic and diluted loss per share are the same since there was no dilutive potential share.

13 Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

14 Trade receivables

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

	30 June 2019 HK$'000	31 December 2018 HK$'000
0 - 30 days	**78,772**	92,858
31 - 60 days	**37,018**	39,538
61 - 90 days	**12,251**	10,933
91 - 180 days	**9,072**	11,128
181 - 360 days	**6,239**	5,643
	143,352	160,100

15 Trade payables

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

	30 June 2019 HK$'000	31 December 2018 HK$'000
0 - 30 days	**25,161**	171,866
31 - 60 days	**35,944**	106,575
61 - 90 days	**81,423**	161,221
91 - 180 days	**119,727**	86,121
181 - 360 days	**31,890**	118
Over 360 days	**5,422**	4,728
	299,567	530,629

16 Capital commitments for purchase of property, plant and equipment

	30 June 2019 HK$'000	31 December 2018 HK$'000
Contracted but not provided for	**357**	634

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China's gross domestic product (GDP) growth decelerated to 6.3% in the first half of 2019 compared to 6.8% in the same period last year. Total retail sales of consumer goods in China rose 6.7% in the first half of 2019, shrinking from 7.0% increase in the corresponding period of last year. These, coupled with the uncertainties brought about by the US-China trade dispute, led to a more cautious consumption sentiment.

As a result, the consumer goods sector continued to face significant challenges under the shadow of unfavorable economic environment, hindering the overall growth of the industry. Retailers' operating performance was also negatively affected by the squeezed disposable income due to increasing living costs that Chinese households are facing.

Consumption behavior has been changing faster than ever before driven by the advancement of digital technologies. More people turn to buying things on the internet where they are exposed to more diverse sources of products at the click of a button. On the other hand, athleisure that combines sports, urban and fashion has become a rapid growing trend favored by consumers, carrying a significant influence on the direction of traditional fashion retailers' product development.

The Group's Performance

For the six months ended 30 June 2019, the Group's turnover decreased by HK$856.2 million to HK$1,402.8 million compared with HK$2,259.0 million for the same period last year. This was mainly attributable to a year-on-year decrease of 34.8% in the Group's number of points-of-sale ("POS") from 3,386 as at 30 June 2018 to 2,208 as at 30 June 2019 and the decrease in the same-store sales at its Core Brands Business. The Group's gross profit decreased to HK$651.3 million (2018: HK$1,080.2 million) as a result of decline in sales. Gross profit margin decreased to 46.4% (2018: 47.8%).

During the first half of 2019, operating loss was HK$373.5 million compared with the operating loss of HK$489.7 million for the same period last year. Loss attributable to shareholders was HK$389.9 million (2018: HK$492.6 million). Basic loss per share was 23.6 HK cents (2018: 29.9 HK cents). The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

The Group continued its efforts to rationalise and adjust its store network to align with its new brand image. After a net closure of 612 POS during the period under review, the Group had a total number of 2,208 POS as at 30 June 2019 (At 31 December 2018: 2,820 POS).

Core Brands Business

The Group's Core Brands Business is the retailing business of footwear products and accessories under its own brands, "Daphne" and "Shoebox", in mainland China.

As one of the key transformation initiatives, the Group continued the adjustment of its channel mix and the rationalisation of its store network. During the period under review, the Group recorded a net closure of 573 POS (including 538 directly-managed stores and 35 franchised stores), or a decrease of 21.6% in the number of POS of Core Brands Business compared to that as at 31 December 2018.

Number of POS of Core Brands Business:

	At 30 June 2019		At 31 December 2018		Change	
Directly-managed stores	**1,866**	***90%***	2,404	*91%*	-538	*-22.4%*
Franchised stores	**209**	***10%***	244	*9%*	-35	*-14.3%*
Total	**2,075**	***100%***	2,648	*100%*	-573	*-21.6%*

Number of POS of Core Brands Business by City Tier:

	At 30 June 2019		At 31 December 2018		Change	
Tier 1	**194**	***9%***	254	*10%*	-60	*-23.6%*
Tier 2	**468**	***23%***	606	*23%*	-138	*-22.8%*
Tier 3	**480**	***23%***	520	*20%*	-40	*-7.7%*
Tier 4-6	**933**	***45%***	1,268	*47%*	-335	*-26.4%*
Total	**2,075**	***100%***	2,648	*100%*	-573	*-21.6%*

Affected by the weak economic environment and intense market competition, Core Brands Business recorded a year-on-year decline of 19.6% in the same-store sales for the first half of 2019.

The year-on-year decrease in store number and a weaker same-store sales performance resulted in a year-on-year decrease of 38.4% in the Core Brands Business turnover which amounted to HK$1,281.4 million (2018: HK$2,080.5 million). The segment revenue from external customers accounted for approximately 85% (2018: 86%) of the Group's total revenue during the period under review.

Core Brands Business gross margin decreased slightly by 0.5 percentage points year-on-year to 42.5% (2018: 43.0%).

Although the operating loss of Core Brands Business narrowed to HK$358.2 million (2018: HK$481.9 million) for the first half of 2019, the Group was still adversely affected by the high fixed cost structure of retail operations and losses on the closure of non-performing stores. The operating margin further declined to -28.0% (2018: -23.2%).

During the period under review, the Group opened new images stores in shopping mall channel and continued with store renovation to align with its refreshed brand image and enhance customers' shopping experience.

In the first half of 2019, the Group cooperated with a professional brand consultancy company to reposition Daphne brand, which is crucial for the Group to reach its consumers' expectations and survive in the increasingly competitive marketplace.

Responding to the booming athleisure trend, the Group launched its athleisure category with increased investment on product research and development to seize market opportunities. More athleisure products were brought to market under the Group's spring and summer collections with a focus on trendiness and comfort, which were well received by young customers.

The Group made great strides in its commitment to upgrading its supply chain management. The Group entered a strategic partnership with a supply chain solution provider to achieve a fast, flexible and flattened supply chain system. Supported by the partner's intelligent logistics and distribution system, the Group is capable to carry out quick response manufacturing with production volume to be determined according to market feedback to meet consumers' demand in a timely manner. The production lead time saw a significant improvement, albeit its limited contribution to same-store sales performance which was negatively affected by the unfavorable market environment.

Thanks to its continuous efforts in customer relationship management ("CRM"), the Group's customer membership base continued to expand through the enhanced membership privileges program to drive repeated sales and strengthen customer loyalty. The Group continued to work with a big data company to track consumer preferences and identify market opportunities.

Other Brands Business

The Group's Other Brands Business mainly consists of its e-commerce business and the operations of mid- to high-end brands (including the Group's own brands and brands under exclusive distributorships). The Other Brands Business segment accounted for approximately 15% (2018: 14%) of the Group's total revenue during the period under review.

During the period under review, the turnover of Other Brands Business decreased to HK$209.4 million (2018: HK$313.0 million) due to a year-on-year decrease of 37.6% in the number of its POS from 213 as at 30 June 2018 to 133 as at 30 June 2019. The gross margin of Other Brands Business decreased by 3.5 percentage points year-on-year to 52.0% (2018: 55.5%) as a result of aggressive clearance of aged products. Other Brands Business recorded an operating loss of HK$4.2 million for the first half of 2019 (2018: HK$5.7 million).

During the period under review, the Group's e-commerce business continued to increase its contribution to the Group's total revenue and remained profitable. In the first half of 2019, an upgraded Daphne official shopping site was launched on Wechat mini program platform, providing customers with more diversified product offerings to drive traffic and seize more business opportunities. In addition to maintaining close relationships with key online platforms, the Group also continues with its strategic partnerships with select online distributors to maintain and expand the brands' online market share.

FINANCIAL REVIEW

Financial and Operational Highlights

Financial Performance

	Six months ended 30 June		
	2019	2018	Change
Turnover (HK$' million)	**1,402.8**	2,259.0	-37.9%
Gross profit (HK$' million)	**651.3**	1,080.2	-39.7%
Operating loss (HK$' million)	**(373.5)**	(489.7)	-23.7%
Loss attributable to shareholders (HK$' million)	**(389.9)**	(492.6)	-20.9%
Basic loss per share (HK cents)	**(23.6)**	(29.9)	-21.1%
Gross margin (%)	**46.4**	47.8	-1.4ppt
Operating margin (%)	**-26.6**	-21.7	-4.9ppt
Net margin (%)	**-27.8**	-21.8	-6.0ppt

Key Financial Indicators

	Six months ended 30 June		
	2019	2018	Change
Average inventory turnover (days) *(Note 1)*	**195**	169	+26
Average debtors turnover (days) *(Note 2)*	**20**	15	+5
Average creditors turnover (days) *(Note 3)*	**221**	113	+108
Capital expenditure (HK$' million)	**20.9**	68.8	-69.6%

	At 30 June 2019	At December 2018	Change
Cash and bank balances (HK$' million) *(Note 4)*	**152.8**	363.0	-57.9%
Bank loans (HK$' million)	**34.7**	192.3	-81.9%
Equity attributable to shareholders (HK$' million)	**1,420.4**	1,779.8	-20.2%
Current ratio (times) *(Note 5)*	**1.8**	2.1	-14.3%
Net gearing ratio (%) *(Note 6)*	**Net cash**	Net cash	N/A

Notes:

1. *The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances divided by the cost of sales and multiplied by the number of days of the relevant period.*

2. *The calculation of average debtors turnover (days) is based on the average of opening and closing balances of trade receivables divided by the turnover and multiplied by the number of days of the relevant period.*

3. *The calculation of average creditors turnover (days) is based on the average of opening and closing balances of trade payables divided by the purchases and multiplied by the number of days of the relevant period.*

4. *Cash and bank balances comprise cash and cash equivalents and pledged bank deposits, including those transferred to assets classified as held-for-sale.*

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

6. *The calculation of net gearing ratio (%) is based on net debt (being bank loans less cash and bank balances) divided by the equity attributable to shareholders as at the relevant period/year end.*

Analysis of Results by Business Segment

For the six months ended 30 June 2019, the Group recorded turnover of HK$1,402.8 million, a decrease of 37.9% compared to that for the corresponding period last year. The business performance of individual segments for the period under review is summarised as follows:

	Core Brands Business		Other Brands Business		Manufacturing Business	
(HK$ million)	**2019**	2018	**2019**	2018	**2019**	2018
Revenue from external customers	***1,193.4***	*1,946.0*	***209.4***	*313.0*	**-**	-
Inter-segment revenue	***88.0***	*134.5*	**-**	-	***65.2***	*104.5*
Total segment revenue	**1,281.4**	2,080.5	**209.4**	313.0	**65.2**	104.5
Segment gross profit/(loss)	**544.9**	894.1	**108.9**	173.6	**(7.5)**	1.9
Segment gross margin	***42.5%***	*43.0%*	***52.0%***	*55.5%*	***-11.5%***	*1.8%*
Segment operating (loss)/profit	**(358.2)**	(481.9)	**(4.2)**	(5.7)	**(15.5)**	1.8
Segment operating margin	***-28.0%***	*-23.2%*	***-2.0%***	*-1.8%*	***-23.9%***	*1.7%*

During the first half of 2019, total revenue of the Core Brands Business decreased by 38.4% to HK$1,281.4 million from HK$2,080.5 million for the corresponding period in 2018. It is mainly due to the closure of stores and decline in the same-store sales. Gross margin of the Core Brands Business decreased from 43.0% in the first half of 2018 to 42.5% during the period under review as result of clearance of aged products and decrease in average selling price.

Revenue of Other Brands Business also decreased by 33.1% year-on-year to HK$209.4 million (2018: HK$313.0 million) for the period under review. Gross margin declined from 55.5% in the first half of 2018 to 52.0% for the first half of 2019 mainly due to the increased proportion of aged products in the product mix.

Other Income

Other income amounted to HK$12.3 million (2018: HK$22.2 million) during the period under review. The decrease was mainly due to the drop in bank interest income and government subsidies.

Operating Expenses

The Group's operating expenses (including other gains/losses, selling & distribution and general & administrative expenses) dropped by HK$555.0 million or 34.9%, to HK$1,037.1 million during the period under review from HK$1,592.1 million for the corresponding period in 2018. The drop was generally in line with the decrease in sales and number of stores.

Operating Loss

As a result of the above-mentioned reasons, the Group recorded an operating loss of HK$373.5 million, narrowed by HK$116.2 million or 23.7%, compared with the operating loss of HK$489.7 million in the corresponding period last year. Operating margin deteriorated further to -26.6% (2018: -21.7%).

Income Tax Expense

For the period ended 30 June 2019, the Group's income tax expense was HK$7.3 million, compared with HK$6.2 million for the same period last year.

Loss Attributable to Shareholders

For the period ended 30 June 2019, the Group's loss attributable to shareholders decreased by HK$102.7 million to HK$389.9 million (2018: HK$492.6 million). Basic loss per share was 23.6 HK cents (2018: 29.9 HK cents) during the period under review.

Inventories

As at 30 June 2019, the Group's inventories decreased by HK$366.3 million or 36.9%, to HK$626.0 million from HK$992.3 million as at 31 December 2018. Average inventory turnover was 195 days (2018: 169 days) during the period under review. Included in the inventories, the balance of provision for slow-moving and obsolete items was HK$197.5 million as at 30 June 2019 (At 31 December 2018: HK$197.3 million).

Trade Receivables

The amount of trade receivables as at 30 June 2019 decreased by HK$16.7 million or 10.5% to HK$143.4 million (At 31 December 2018: HK$160.1 million). Average debtors turnover increased by 5 days to 20 days (2018: 15 days).

Trade Payables

On the other hand, the Group's trade payables decreased by HK$231.0 million or 43.5%, to HK$299.6 million as at 30 June 2019 from HK$530.6 million as at 31 December 2018. Average creditors turnover increased by 108 days, from 113 days for the same period last year to 221 days during the period under review as a result of extension of repayment terms with certain suppliers.

Liquidity and Financial Resources

The Group maintains a stable and healthy balance sheet. As at 30 June 2019, the Group had equity attributable to shareholders totalling HK$1,420.4 million (At 31 December 2018: HK$1,779.8 million). Cash and bank balances amounted to HK$152.8 million (At 31 December 2018: HK$363.0 million), which were denominated mainly in Renminbi.

As at 30 June 2019, the Group's short-term bank loan was HK$34.7 million (At 31 December 2018: HK$192.3 million) which was secured by certain investment properties. As such, the Group had net cash of HK$118.1 million (At 31 December 2018: HK$170.7 million). The bank loan outstanding was denominated in RMB and at floating interest rates. The Group did not hedge its exposure to exchange fluctuation and interest rate risk.

During the first half of 2019, the net decrease in cash and bank balances of HK$210.2 million (2018: HK$111.4 million) is analysed as follows:

	Six months ended 30 June	
	2019	2018
	HK$' million	HK$' million
Net cash generated from/(used in) operating activities	**20.6**	(60.3)
Capital expenditure	**(20.9)**	(68.8)
Net interest (paid)/received	**(1.5)**	1.6
Proceeds from disposal of a subsidiary and a financial asset	**16.5**	34.2
Proceeds from disposal of property, plant and equipment	**65.3**	1.4
Principal elements of lease payments	**(133.9)**	-
Net bank loans repaid	**(158.3)**	(0.9)
Effect of exchange rate changes	**2.0**	(18.6)
	(210.2)	(111.4)

During the first half of 2019, the Group's interest income on bank balances and deposits was HK$1.4 million (2018: HK$4.2 million) while finance costs on bank loans amounted to HK$2.9 million (2018: HK$2.6 million).

The Group's current ratio was 1.8 times as at 30 June 2019 (At 31 December 2018: 2.1 times). As at 30 June 2019, the Group's net gearing, calculated on the basis of net debt (being bank loans less cash and bank balances) divided by equity attributable to shareholders, indicated that the Group was in a net cash (At 31 December 2018: Net cash) position.

Management closely monitor the Group's financial performance and liquidity position. Taking into the consideration of the plans and measures to improve the liquidity position, such as extension of repayment terms with certain suppliers, disposals of certain non-core properties and other financial support from the Chairman of the Company, it believes that the Group has sufficient financial resources to meet its obligations as and when they fall due over the next twelve months.

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 six months ended 30 June 2019, the Group did not enter into any forward foreign exchange contract.

Pledge of Assets

As at 30 June 2019, the Group's pledged bank deposits amounting to HK$3.1 million (At 31 December 2018: HK$174.2 million) and certain investment properties with net book value of HK$123.7 million (At 31 December 2018: HK$121.3 million) were pledged for certain banking facilities.

Capital Expenditure

During the interim period, the Group incurred capital expenditure of HK$20.9 million (2018: HK$68.8 million) mainly for retail network renovation.

Contingent Liabilities

As at 30 June 2019 and 31 December 2018, the Group had no significant contingent liabilities.

Human Resources

As at 30 June 2019, the Group had a workforce of about 6,800 (At 31 December 2018: 8,700) people predominantly in mainland China, Taiwan and Hong Kong. Employee benefits expense, including directors' emoluments, retirement benefit costs and share-based payment expense, for the period under review was HK$305.1 million (2018: HK$420.7 million). The decrease of HK$115.6 million or 27.5% was mainly due to the reduction in headcounts and cost control measures. 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, share appreciation rights 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 for the employees.

OUTLOOK

The business environment has gone through significant changes on the backdrop of uncertainties of the global economy and slowing China's economy. Mounting US-China trade tensions and political uncertainties further dampen consumer spending. Operating environment is expected to remain challenging in the second half of the year. Despite initial improvements achieved from the Group's business transformation since 2017, the Group believes further significant adjustment of strategies is essential to Daphne's sustainable development in the long-term.

With an aim to pursue an "asset light" business model, the Group will bring about a structural change to its sales channel strategy in response to the ever-shifting operating environment. The enhanced strategy will mainly focus on the development of its e-commerce business, supplemented by the physical store's presence, to achieve an optimum retail channel portfolio.

The Group will continue with the sales network optimisation with more stores to be converted into "partnership system" or "franchise system" to mitigate the business risks brought about by the high operational leverage. The Group will close underperforming stores in a more decisive manner, while allocating more resources on the healthy stores that are supportive to the Group's long-term business strategy.

Besides, the Group will further streamline its organisational structure following the network optimisation. Stringent cost control measures will continue to be adopted across all key cost lines, mainly attributable to savings from both frontline and regional back office. The Group is committed to building a more efficient cost base to enhance its profitability.

With regards to its online channel, the Group will expedite e-commerce development to adapt to the fast-changing consumer behavior with more resources to be deployed on the e-commerce business and increase its contribution to the Group's total revenue.

- The Group will continue with its omni-channel strategy to increase its coverage in the intensively competitive online marketplace. The Group will further strengthen its partnership with emerging social media and key online platforms including Tmall, JD.com and VIP.com, etc. to keep abreast with the fast shifting consumption behavior.

- In addition to the direct online stores, the Group will continue to form and develop strategic partnerships with select online distributors to maintain and expand Daphne brand's online market share.

- The Group will continue to strengthen its capabilities of product design and supply chain management to support the development of exclusive products that target young online consumers. The Group's e-commerce operation team will continue to closely work with its product design and supply chain departments in launching more products to satisfy the specific needs of online market.

The above-mentioned initiatives to boost e-commerce business growth are in place for a wide roll-out in the second half of the year. The Group expects to see the corresponding improvements gradually take place and translate into a more sustainable business development.

Driven by consumers' desire to balance comfort and style, the Group recognises massive opportunities in athleisure category. Continuous efforts will be made to further expand the athleisure products to cater to the increasing market demand. The Group will cooperate with external design professionals to enhance competitive edges of its traditional fashion products in order to boost sales.

The Group will continue with its efforts on brand repositioning. With the support from a professional brand consultancy company, the Group strives to position itself in a niche market and identify differential advantages. The Group will also continue with its supply chain revamp to meet the requirements of product development and sales.

The Group will continue to strengthen its relationships with customers. More upgraded membership activities and benefits will be introduced to boost customer loyalty and repeated sales. Furthermore, the Group will continue to enhance its capabilities to apply big data analytics. Through the cooperation with a big data company, the Group will be able to identify opportunities effectively on the market and launch products that can meet with enthusiastic market responses.

The Group is confident in carrying out development strategies in the right direction to achieve more favorable and sustainable future development. The management team will regularly review and evaluate the implementation of the strategies and from time to time make adjustments to adapt itself to the latest market trends.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2019, 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 as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on 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 2019.

CHANGES IN DIRECTORS' INFORMATION

There were no changes in directors' details which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules since the date of the Annual Report 2018 of the Company and up to the date of release of the interim results of the Company except for the resignation of Mr. Lee Ted Tak Tai ("Mr. Lee") as an independent non-executive director of the Company, the chairman of the Audit Committee of the Board of Directors and a member of each of the Remuneration Committee and Nomination Committee of the Board of Directors with effect from 30 June 2019. For further details in respect of Mr. Lee's resignation, please refer to the announcement of the Company dated 1 July 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the period except for the deviations from code provision A.2.1 and A.6.7 which are explained below.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. Mr. Chang Chih-Kai, who acted as the Chairman and the CEO of the Company since 17 May 2017. This was in deviation from code provision A.2.1.

The Board of Directors is of the opinion that vesting the roles of both Chairman and CEO in Mr. Chang Chih-Kai has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The Board of Directors also believes that the balance of power and authority will not be compromised and is adequately ensured by the existing Board of Directors which comprises experienced and competent individuals with more than one-third of the Board of Directors being independent non-executive directors.

During the period under review, the Company held an annual general meeting (the "AGM") on 23 May 2019. Due to unavoidable business engagements, Mr. Huang Shun-Tsai, the independent non-executive director of the Company, was unable to attend the AGM. This was in deviations from code provision A.6.7.

NON-COMPLIANCE WITH REQUIREMENTS UNDER THE LISTING RULES

According to Rule 3.10(1) of the Listing Rules, the Company is required to have at least three independent non-executive directors. According to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors of the Company must have appropriate professional qualifications or accounting or related financial management expertise (the "Qualification"). According to Rule 3.21 of the Listing Rules, the Audit Committee of the Company must comprise a minimum of three members, and at least one of whom is an independent non-executive director who has the Qualification.

As disclosed in the announcement of the Company dated 1 July 2019, following the resignation of Mr. Lee as an independent non-executive director of the Company on 30 June 2019:

(1) the Company only has two independent non-executive directors, thus the number of independent non-executive directors falls below the minimum number required under Rule 3.10(1) of the Listing Rules;

(2) there is no independent non-executive director of the Company who has the Qualification as required under Rule 3.10(2) of the Listing Rules;

(3) the Audit Committee comprises no independent non-executive director with the Qualification as required under Rule 3.21 of the Listing Rules; and

(4) the Audit Committee only has two members, thus the number of members falls below the minimum number required under Rule 3.21 of the Listing Rules.

The Company is endeavoring to identify a suitable candidate to fill up the vacancy of independent non-executive director with appropriate Qualification to meet the requirements set out in Rules 3.10 and 3.21 of the Listing Rules as soon as practicable.

REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Audit Committee, comprises two independent non-executive directors of the Company as at the date of this announcement, namely, Mr. Huang Shun-Tsai and Mr. Kuo Jung-Cheng, has reviewed with management the Group's unaudited condensed consolidated interim financial statements and the interim results announcement, and confirmed that these comply with the applicable accounting standards and the Listing Rules.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the HKEXnews (www.hkexnews.hk) and the Company (www.daphneholdings.com). The interim report containing all the information required by the Listing Rules will be dispatched 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 & CEO

Hong Kong, 27 August 2019

As at the date of this announcement, the Board of Directors of the Company comprises three Executive Directors, namely Mr. Chang Chih-Kai, Mr. Chang Chih-Chiao and Mr. Chen Tommy Yi-Hsun; and two Independent Non-executive Directors, namely Mr. Huang Shun-Tsai and Mr. Kuo Jung-Cheng.