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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 2021

HIGHLIGHTS

- Revenue dropped by 77% to HK$50.4 million
- Profit attributable to shareholders amounted to HK$44.8 million compared to a loss of HK$141.3 million for the same period of last year
- Basic earnings per share was 2.5 HK cents
- Cash and cash equivalents maintained at HK$122.6 million

* *for identification purpose only*

INTERIM RESULTS

The board of directors (the "**Board**") of Daphne International Holdings Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		Six months ended 30 June	
	Note	**2021**	2020
		HK$'000	HK$'000
Revenue	4	**50,357**	215,657
Cost of sales		**(40,840)**	(146,102)
Gross profit		**9,517**	69,555
Other income	5	**28,001**	12,297
Other gains - net	6	**128,507**	4,950
Selling and distribution expenses		**(15,534)**	(137,771)
General and administrative expenses		**(73,475)**	(83,928)
Impairment loss on financial assets		**(2,276)**	(2,417)
Operating profit/(loss)	7	**74,740**	(137,314)
Finance costs	8	**(2,212)**	(881)
Share of losses of associates and joint ventures		**(67)**	(304)
Profit/(loss) before income tax		**72,461**	(138,499)
Income tax expense	9	**(26,002)**	(894)
Profit/(loss) for the period		**46,459**	(139,393)
Attributable to:			
Shareholders		**44,764**	(141,257)
Non-controlling interests		**1,695**	1,864
		46,459	(139,393)
Earnings/(loss) per share	10		
Basic (HK cents)		**2.5**	(8.6)
Diluted (HK cents)		**2.4**	(8.6)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Profit/(loss) for the period	**46,459**	(139,393)
Other comprehensive income/(loss)		
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	**-**	170
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	**8,239**	(12,237)
Total comprehensive income/(loss) for the period	**54,698**	(151,460)
Attributable to:		
Shareholders	**51,838**	(152,120)
Non-controlling interests	**2,860**	660
	54,698	(151,460)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021

	Note	Unaudited 30 June 2021 HK$'000	Audited 31 December 2020 HK$'000
Non-current assets			
Property, plant and equipment		**17,550**	19,976
Investment properties		**562,877**	537,039
Right-of-use assets		**15,026**	9,086
Interests in associates		**1,176**	1,036
Interests in joint ventures		**-**	-
		596,629	567,137
Current assets			
Inventories		**-**	41,569
Trade receivables	12	**20,918**	24,251
Other receivables, deposits and prepayments		**95,828**	69,077
Cash and cash equivalents		**122,647**	124,567
		239,393	259,464
Assets classified as held-for-sale		**-**	32,077
		239,393	291,541
Current liabilities			
Trade payables	13	**16,968**	69,201
Other payables and accrued charges		**54,628**	97,287
Lease liabilities		**3,035**	2,988
Contract liabilities		**2,229**	16,786
Current income tax liabilities		**29,524**	5,778
		106,384	192,040
Net current assets		**133,009**	99,501
Total assets less current liabilities		**729,638**	666,638

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021

	Unaudited 30 June 2021 HK$'000	Audited 31 December 2020 HK$'000
Equity		
Share capital	**181,406**	181,406
Reserves	**398,662**	346,824
	580,068	528,230
Non-controlling interests	**112,157**	109,297
	692,225	637,527
Non-current liabilities		
Convertible notes	**24,980**	24,000
Interest payable	**1,978**	571
Lease liabilities	**5,855**	-
Deferred income tax liabilities	**4,600**	4,540
	37,413	29,111
Total equity and non-current liabilities	**729,638**	666,638

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 distribution, retailing and licensing 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 2021 are unaudited and have been reviewed by the Audit Committee of the Company and approved for issue by the board of directors on 25 August 2021.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and it should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Going concern basis

During the six months ended 30 June 2021, the Group recorded net cash used in operating activities of HK$73,300,000 and net decrease in cash and cash equivalents of HK$3,288,000. As at 30 June 2021, the Group had cash and cash equivalents of HK$122,647,000.

In view of the above circumstances and strategic transformation of the business, the directors of the Company have given careful consideration to 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.

The Group has adopted the asset-light business model and mainly focused on the development of its licensing business to improve its operational leverage. The directors of the Company have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 30 June 2021. The directors consider that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2021. Accordingly, the directors considered that it is appropriate to prepare the condensed consolidated 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 2021 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2020, except for the adoption of amended standards that are effective for its reporting period beginning on 1 January 2021 as set out below.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

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

4 Revenue and segment information

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

Chief operating decision-maker has been identified as the executive directors of the Company. The Group has only one reportable segment and certain comparative figures have been restated to conform the presentation of the segment information for the six months ended 30 June 2021.

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.

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Sales of goods	**35,629**	212,134
Licensing fee income	**14,728**	3,523
	50,357	215,657

5 Other income

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Government subsidies	**542**	1,468
Gross rental income	**21,460**	5,893
Interest income	**298**	286
Others	**5,701**	4,650
	28,001	12,297

6 Other gains - net

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Gain on disposal of an asset classified as held-for-sale *(Note)*	**131,441**	-
(Loss)/gain on disposal of property, plant and equipment	**(2,250)**	5,192
Loss on disposal of a joint venture	**-**	(336)
Net exchange (loss)/gain	**(684)**	94
	128,507	4,950

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

7 Operating profit/(loss)

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

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Auditors' remuneration	**1,164**	1,857
Compensation to existing tenants in relation to disposal of an asset classified as held-for-sale	**26,827**	-
Cost of inventories sold, including write-back of provision for slow-moving inventories of HK$80,551,000 (2020: HK$72,426,000)	**40,840**	135,128
Depreciation of investment properties	**10,588**	7,243
Depreciation of property, plant and equipment	**2,000**	10,400
Depreciation of right-of-use assets	**1,186**	11,242
Employee benefits expense	**21,016**	80,170
Expenses relating to short-term leases and variable lease payments	**1,442**	35,401
Loss on termination of leases	**590**	1,244
Impairment loss on financial assets	**2,276**	2,417
Impairment loss on value-added tax recoverable	**6,108**	-

8 Finance costs

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Interest on convertible notes		
- amortisation interest	**668**	-
- coupon interest	**1,399**	-
Interest on lease liabilities	**145**	881
	2,212	881

9 Income tax expense

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Current income tax	**26,233**	864
Over provision in prior years	**(231)**	-
Deferred income tax	-	30
	26,002	894

The applicable rate of Hong Kong profits tax is 16.5% (2020: 16.5%). No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Group does not have any assessable profit arising in Hong Kong during the six months ended 30 June 2021 and 2020.

Provision for China corporate income tax is calculated based on the statutory tax rate of 25% (2020: 25%) on the assessable income of each of the Group's entities. Income tax on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profits for the period at the applicable rates of income tax prevailing in the places where the Group operates.

Pursuant to the China corporate income tax laws, 10% withholding tax is levied on all foreign investors, except that only 5% is levied for foreign investors which are incorporated in Hong Kong, in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 31 December 2007. Withholding tax at a reduced rate of 7% (2020: 7%) by treaty is applied to the Group's entities incorporated in Hong Kong for royalties received or receivable, net with value-added tax.

10 Earnings/(loss) per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of HK$44,764,000 (2020: loss of HK$141,257,000) by the weighted average number of 1,814,056,622 (2020: 1,649,142,384) shares in issue during the six months ended 30 June 2021.

For the six months ended 30 June 2021, the calculation of diluted earnings per share was based on the adjusted profit attributable to shareholders of HK$46,163,000 and the adjusted weighted average number of 1,951,923,169 shares after taking into consideration of conversion of the convertible notes. Share options of the Company were not dilutive and were ignored in the calculation of diluted earnings per share since the exercise price of the options exceeded the average market price of the Company's ordinary shares during the period.

For the six months ended 30 June 2020, basic and diluted loss per share are the same since the share options of the Company were not dilutive as the exercise price of the options exceeded the average market price of the Company's ordinary shares.

11 Dividend

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

12 Trade receivables

	30 June 2021 HK$'000	31 December 2020 HK$'000
Trade receivables	**46,151**	49,435
Less: loss allowance	**(25,233)**	(25,184)
Trade receivables - net	**20,918**	24,251

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

	30 June 2021 HK$'000	31 December 2020 HK$'000
0 - 30 days	**1,772**	12,124
31 - 60 days	**1,012**	5,368
61 - 90 days	**9,263**	3,551
91 - 180 days	**6,547**	814
Over 180 days	**27,557**	27,578
	46,151	49,435

13 Trade payables

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

	30 June 2021 HK$'000	31 December 2020 HK$'000
0 - 30 days	**372**	4,730
31 - 60 days	**26**	6,233
61 - 90 days	**-**	11,388
91 - 180 days	**104**	16,875
Over 180 days	**16,466**	29,975
	16,968	69,201

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The lingering coronavirus pandemic continues to affect economies across the world. Despite vaccination against the virus is being conducted in most countries, the progress in pandemic control varies from country to country. In the first quarter of 2021, China's economy grew a record of 18.3% growth year-on-year, but slowed to 7.9% in second quarter of 2021. The growth of total retail sales of consumer goods has also shown signs of slowing in the second quarter of 2021, which continues to put pressure on the footwear industry. At the same time, online retail sales of physical goods achieved a year-on-year growth of 18.0%, accounting for 23.7% of the total sales of consumer goods in the first half of the year, implying continued growth momentum of the e-commerce market.

The Group's Performance

The first half of 2021 had been an important transitional period for the Group. The Group's large-scale business transformation arrived at a concluding stage. The Group's distribution channel has been transformed into its franchising and licensing network. Leveraging on its strong brand value, as well as its long-standing experience in the women's footwear industry, Daphne authorises online and offline franchisees and licensees to operate with the "Daphne" brand and provides them with reliable supply-chain resources, while franchisees and licensees will place orders directly from the supply chain system.

During the period under review, the Group focused on the enhancement and the refining of the franchising and licensing playbook, to ensure the "Daphne" brand, the most precious asset of the Group, being well protected. Moreover, after consolidation and system upgrade, the Group will be able to monitor in real-time its franchising network sales, allowing the Group a closer look at the market as well as a better management over the franchising network.

The Group also finished the disposal of the inventories related to the directly-managed and partnership stores. Although the clearance of such aged inventories pressured on the gross margin, it laid the foundation for a new era. The Group will be largely relieved from the pressure of operating and administrative costs and inventory risk. More resources will be released, and devoted to the development of its brand licensing business, supply chain management, and franchisees and licensees management. Daphne is ready to start fresh in an asset-light structure.

During the period under review, the Group's revenue inevitably decreased by 77% as compared to the same period of last year to HK$50.4 million in the transitional and adjustment period, mainly because the effectiveness of the business transformation was yet to reflect. However, thanks to the gradual expansion of its online licensing network, especially in April and May, there has been sign of recovery.

During the interim period, the Group recorded an operating profit of HK$74.7 million, primarily due to the one-off gain on disposal of land and properties in relation to the land resumption by Putian Licheng Government in Fujian, China. If excluding the one-off gain and the related costs of the land resumption, the largely contracted operating loss would be approximately HK$29.1 million, from HK$137.3 million compared to the same period of last year. Overall, the Group has been on the right track to operate as an asset-light brand owner.

Basic earnings per share was 2.5 HK cents, compared with the basic loss of 8.6 HK cents per share for the same period in 2020. The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

Brand Licensing Business

With the transformation of the business in prior years, the Group has mainly focused on the brand management and licensing footwear products, including women's dress shoes, casual shoes and athleisure shoes to franchisees and licensees in Mainland China.

In the first half of 2021, the Group has basically completed its transformation from a retailer into an asset-light brand owner with its retailing network transformed into the franchising and licensing network. As at 30 June 2021, there were approximately 170 physical shops and 250 online shops operated by our franchisees under the licensing arrangement of the Group.

To preserve a consistent brand image, the Group has implemented more comprehensive rules over the franchisees and licensees, and given them more guidelines in operation during the period under review, for example, standards and specifications in opening and operating points-of-sale, flagship series offerings and price guidance on specific products.

The Group has always attached great importance to product comfort, quality materials and consumer experience. In addition, with the rising purchasing power of the younger generation, the Group believes that young consumers are the key to drive sustainable growth. Thus, the Group aims to step up its game to better understand their needs and invest more resources on product research and development and design to appeal to a younger demographic with youthful and trendy designs, thereby maintaining the vitality of the brand.

The Group has been aware that the "leisurisation" of outfits is on trend and developed designs with casual elements infused in women's dress shoes. These combinations of casual and fashion come up with a daily-life style which can fit outfits from smart business attire to casual occasions. Despite the focus on the refining and consolidation of the franchising and licensing business model, the Group still launched a mini series in preppy style which has been making a comeback to the street.

Backed by consumption upgrade and people's pursuit of a healthy lifestyle, the on-going athleisure trend has become a holistic lifestyle for consumers. Capitalising on consumers' pursuit of a healthy lifestyle, the Group will continue to design more diversified athleisure products and increase the proportion of athleisure footwear in the product mix to fully tap the potential of the market and attract more trendy consumers.

With the supply chain's developed ability of "quick responses for small orders" to cater for fast-changing and diversified consumer preferences and demands, the Group will also actively explore opportunities to collaborate with other brands and well-known designers to cater the taste of the segmentised market, as a means to broaden its customer base, and further enhancing its brand value and expanding its market share.

Compared to brick-and-mortar, online marketplaces enjoy the merits of lower operating costs, greater flexibility and easier set-up. At the same time, consumers have already got used to the convenience of the "stay-at-home" lifestyle. The atmosphere presented huge opportunities to the Group in its transitional period.

The Group believes that sales from social media channels will continue to gain momentum in the second half of the year due to the constantly growing online social networking world. The Group will continue to explore new business opportunities and collaborate with top social platforms, such as "WeMall"(「微商城」) and "Xiaohongshu" (「小紅書」) that register high volume of traffic, thereby establishing a deeper engagement with its consumers and building a stronger Daphne brand. Moreover, the Group will continue to push forward strategic planning for its social networking retail and actively yet selectively explore innovative sales and marketing approaches on various popular social media platforms, to strike a balance between its e-commerce market influence and the promotional cost. The Group will continue to analyse the user big data and anticipate the consumer appetite and enhance the Group's products to fulfil the ever-changing market demands.

FINANCIAL REVIEW

Financial Highlights

	Six months ended 30 June 2021	2020	Change
Revenue (HK$' million)	**50.4**	215.7	-77%
Gross profit (HK$' million)	**9.5**	69.6	-86%
Operating profit/(loss) (HK$' million)	**74.7**	(137.3)	N/A
Profit/(loss) attributable to shareholders (HK$' million)	**44.8**	(141.3)	N/A
Gross margin (%)	**18.9**	32.3	-13.4ppt
Operating margin (%)	**148.4**	-63.7	N/A
Net margin (%)	**88.9**	-65.5	N/A
Basic earnings/(loss) per share (HK cents)	**2.5**	(8.6)	N/A

	At 30 June 2021	At December 2020	Change
Cash and cash equivalents (HK$' million)	**122.6**	124.6	-2%
Convertible notes (HK$' million)	**25.0**	24.0	+4%
Equity attributable to shareholders (HK$' million)	**580.1**	528.2	+10%
Current ratio (times) *(Note 1)*	**2.3**	1.5	+53%
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 convertible notes less cash and cash equivalents) divided by total equity as at the relevant period/year end.*

Revenue and Gross Profit

The Group's revenue mainly comprises sales of goods from directly-managed/partnership stores and franchisees as well as licensing fee income in Mainland China. For the six months ended 30 June 2021, the Group's total revenue amounted to HK$50.4 million (2020: HK$215.7 million), a decrease of 77% compared to that for the corresponding period of last year.

	Six months ended 30 June 2021 HK$ million	2020 HK$ million	Change
Sales of goods	**35.6**	212.1	-83%
Licensing fee income	**14.8**	3.6	+318%
Total revenue	**50.4**	215.7	-77%
Cost of sales	**(40.9)**	(146.1)	-72%
Gross profit	**9.5**	69.6	-86%
Gross margin	***18.9%***	*32.3%*	*-13.4ppt*

During the first half of 2021, revenue from sales of goods decreased by 83% to HK$35.6 million from HK$212.1 million for the corresponding period in 2020 and recorded a negative gross margin. It is mainly due to the continuing phasing out of the retail operation and clearance of all aged stocks. On the other hand, licensing fee income increased 3 times, from HK$3.6 million to HK$14.8 million during the period under review. The Group's overall gross margin declined to 18.9% from 32.3% compared to the same period of last year.

Other Income

Other income amounted to HK$28.0 million (2020: HK$12.3 million) during the period under review. The increase was mainly due to increase in gross rental income from investment properties.

Operating Expenses

The Group's operating expenses (including other gains - net, selling & distribution expenses, general & administrative expenses and impairment loss on financial assets but excluding the net gain on disposal of an asset classified as held-for-sale of HK$131.4 million and other related costs of HK$27.6 million) was approximately HK$66.6 million during the period under review, compared with the operating expenses of HK$219.2 million for the corresponding period in 2020. The decrease in operating expenses was mainly attributable to the continuing scaling down of the operation.

Operating Profit/(Loss)

As a result of the above-mentioned reasons, the Group recorded an operating profit of HK$74.7 million for the six months ended 30 June 2021, compared with the operating loss of HK$137.3 million in the corresponding period of last year.

Income Tax Expense

For the period ended 30 June 2021, the Group's income tax expense was HK$26.0 million (2020: HK$0.9 million), which mainly arised from the taxable income on the disposal of an asset classified as held-for-sale.

Profit/(Loss) Attributable to Shareholders

For the period ended 30 June 2021, the Group's profit attributable to shareholders was HK$44.8 million (2020: loss of HK$141.3 million). Basic earnings per share was 2.5 HK cents (2020: Basic loss per share of 8.6 HK cents) during the period under review.

Liquidity and Financial Resources

As at 30 June 2021, the Group had equity attributable to shareholders totalling HK$580.1 million (31 December 2020: HK$528.2 million). Cash and cash equivalents amounted to HK$122.6 million (31 December 2020: HK$124.6 million), which were denominated mainly in Hong Kong Dollar and Renminbi. During the first half of 2021, the change in balances of cash and cash equivalents is analysed as follows:

	Six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Net cash used in operating activities	**(73.3)**	(91.9)
Capital expenditure	**(2.1)**	(1.0)
Net interest received	**0.3**	0.3
Proceeds from disposal of a joint venture	**-**	0.4
Proceeds from disposal of property, plant and equipment	**0.6**	14.0
Proceeds from disposal of an asset classified as held-for sale	**73.1**	-
Lease payments	**(1.9)**	(8.7)
Effect of exchange rate changes	**1.3**	(1.9)
	(2.0)	(88.8)

During the first half of 2021, the Group's interest income on bank balances and deposits was HK$0.3 million (2020: HK$0.3 million).

As at 30 June 2021, the Group's net gearing ratio was in net cash (31 December 2020: net cash) position and the current ratio was 2.3 times (31 December 2020: 1.5 times). Management continuously reviewed the current liquidity position and expected financial resource needs and believed that the Group has sufficient financial resources to meet its obligations as and when they fall due at least in the next twelve months.

Use of Net Proceeds

In October 2020, the Company completed the allotment of 164,914,238 new shares of the Company at a price of HK$0.1817 per share and issuance of convertible notes in the aggregate principal amount of RMB25.3 million with the initial conversion price of HK$0.221 per share and raised net proceeds of approximately HK$57.3 million after deducting direct transaction costs.

In December 2020, the Company disposed 100% equity interest of its indirectly held subsidiary at a consideration of approximately HK$23.2 million which was received in April 2021.

In January 2021, a wholly-owned subsidiary of the Company in Mainland China entered into an agreement with Putian City Licheng District People's Government (the "Government") in relation to the resumption of certain land and properties situated in Mainland China. The proceeds to be paid by the Government were approximately HK$132.7 million, of which approximately HK$72.2 million has been received from the Government up to the date of this announcement. The net proceeds (after deducting compensation to existing tenants and other related expenses and taxes) were approximately HK$79.7 million.

The total net proceeds from the above-mentioned transactions amounted to approximately HK$160.2 million. As at 30 June 2021, the use of net proceeds was as follows:

(in HK$' million)	Planned amount to be utilised	Accumulated net proceeds utilised as at 1 January 2021	Actual amount utilised during the period	Accumulated net proceeds utilised as at 30 June 2021	Unutilised amount as at 30 June 2021
Settlement of trade payables to suppliers, and payment of purchase price of merchandises	94.0	26.9	**62.7**	**89.6**	**4.4**
Improvement of existing e-commerce business platform	11.5	9.7	**1.8**	**11.5**	**-**
Brand advertising and promotion expenses	8.0	-	**3.2**	**3.2**	**4.8**
Enhance liquidity position of the Group and for other general corporate purposes	46.7	11.2	**32.1**	**43.3**	**3.4**
Total	160.2	47.8	**99.8**	**147.6**	**12.6**

Foreign Exchange Risk Management

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and the Group may use forward foreign exchange contracts when major fluctuation in the relevant foreign currency is anticipated. During the period ended 30 June 2021, the Group did not enter into any foreign exchange forward contract to hedge the foreign exchange risk exposure. As at 30 June 2021, the Group's exposure to foreign exchange risk was not significant.

Pledge of Assets

As at 30 June 2021 and 31 December 2020, the Group had no pledged assets.

Capital Expenditure and Commitments

During the period under review, the Group incurred capital expenditure of HK$2.1 million (2020: HK$1.0 million) mainly for office renovation. As at 30 June 2021 and 31 December 2020, the Group had no material capital commitments.

Contingent Liabilities

As at 30 June 2021 and 31 December 2020, the Group had no significant contingent liabilities.

Human Resources

As at 30 June 2021, the Group had a total of 106 (31 December 2020: 150) employees predominantly in Mainland China and Hong Kong. Employee benefits expense, including directors' emoluments, retirement benefit costs and share-based payment expense, for the period under review was HK$21.0 million (2020: HK$80.2 million). The decrease of HK$59.2 million or 74% was mainly due to the reduction in headcounts and cost control measures as a result of business transformation.

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.

OUTLOOK

In view of the prolonged pandemic, consumer sentiment remains uncertain, a full recovery of consumption and the overall economy may take more time and the road ahead may be rocky. Looking ahead to the second half of 2021, the Group remains cautious about the overall market sentiment and will continue to adopt a prudent attitude towards the operation with the new business model. In spite of the challenging operating environment, the asset-light business model has provided the Group a very solid step towards a turnaround.

In terms of the Group's presence in the market, although its exposure on e-commerce marketplaces has taken a little step ahead, brick-and-mortar presence has always been a key for a brand to reach out to consumers. The Group have already set out the blueprint for the near-term expansion of its offline licensing network and strikes to achieve a long-term target of its offline licensing network contributing to the Group's turnover as much as its online one.

As part of the Group's ongoing effort to secure a more favourable market position, the Group will adhere to its consumer-centric principle and devote itself in managing its brand, R&D team, franchisees and licensees and supply chain, to develop more distinctive women's dress shoes, casual shoes and athleisure shoes to better meet the segmentised market demands. The Group believes that the efficacy of its business transformation will be gradually manifested in the second half of the year. Since the business model is still nascent, the Group will continue to revise the model to support the Group's future sustainable development strategies, creating greater value for its shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the period for six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Following specific enquiry by the Company, all directors of the Company confirmed that they fully complied with the required standards as set out in the Model Code during the six months ended 30 June 2021.

CHANGES IN DIRECTORS' INFORMATION

The change in directors' details since the date of the Annual Report 2020 of the Company and up to the date of release of the interim results of the Company which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, is that (i) Mr. Hon Ping Cho Terence, an independent non-executive director of the Company, has resigned as an independent non-executive director of Jimu Group Limited, a company listed on the Stock Exchange (Stock code: 8187), with effect from 25 May 2021; (ii) Mr. Kuo Jung-Cheng, an independent non-executive director of the Company, passed away on 7 July 2021; and (iii) Mr. Philip Tan has been appointed as the independent non-executive director of the Company, the Chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee with effect from 2 August 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the period ended 30 June 2021.

During the period from 7 July 2021 (date of passing away of Mr. Kuo Jung-Cheng, an independent non-executive director) to 2 August 2021 (date of appointment of Mr. Philip Tan, an independent non-executive director), the Company had only two independent non-executive directors and does not meet the requirements under Rule 3.10(1) having at least three independent non-executive directors and Rule 3.21 comprising a minimum of three members of the Audit Committee.

REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 and was satisfied that these unaudited condensed consolidated financial statements were prepared in accordance with applicable accounting standards.

PUBLICATION OF 2021 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 25 August 2021

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. Hon Ping Cho Terence, Mr. Huang Shun-Tsai and Mr. Philip Tan.