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**)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS OF 2023 ANNUAL RESULTS

- Total revenue increased by 53% to approximately RMB262.6 million
- Profit attributable to shareholders increased by 68% to approximately RMB62.4 million
- Basic earnings per share was RMB0.034
- Proposed final dividend of HK$0.01 per share
- Cash and cash equivalents amounted to approximately RMB366.3 million

* *for identification purpose only*

ANNUAL RESULTS

The board of directors (the "Board") of Daphne International Holdings Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2023, together with the comparative figures for 2022. Consolidated income statement for the year ended 31 December 2022 and consolidated balance sheet as at 31 December 2022 and 1 January 2022 were restated due to change in presentation currency.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023** **RMB'000**	2022 RMB'000 (restated)
Revenue	3	**262,644**	172,093
Cost of sales		**(131,259)**	(73,691)
Gross profit		**131,385**	98,402
Other income	4	**59,631**	47,413
Other losses – net	5	**(12,430)**	(13,903)
Selling and distribution expenses		**(46,704)**	(26,627)
General and administrative expenses		**(62,254)**	(63,594)
(Impairment loss)/reversal of impairment loss on financial assets		**(1,991)**	731
Operating profit	6	**67,637**	42,422
Finance costs	7	**(4,255)**	(4,577)
Share of profit of associates and a joint venture		**58**	60
Profit before income tax		**63,440**	37,905
Income tax expense	8	**(568)**	(330)
Profit for the year		**62,872**	37,575
Attributable to:			
Shareholders of the Company		**62,435**	37,136
Non-controlling interests		**437**	439
		62,872	37,575
Earnings per share, basic and diluted *(RMB)*	9	**0.034**	0.021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	RMB'000 (restated)
Profit for the year	**62,872**	37,575
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**682**	2,884
Total comprehensive income for the year	**63,554**	40,459
Attributable to:		
Shareholders of the Company	**62,210**	37,590
Non-controlling interests	**1,344**	2,869
	63,554	40,459

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000 (restated)	At 1 January 2022 RMB'000 (restated)
Non-current assets				
Investment properties		**394,464**	426,629	442,255
Property, plant and equipment		**2,734**	2,018	15,314
Right-of-use assets		**4,348**	6,892	11,051
Interests in associates		**1,099**	1,041	981
Interest in a joint venture		**-**	-	-
		402,645	436,580	469,601
Current assets				
Inventories		**5,058**	-	-
Trade receivables	11	**3,271**	11,387	6,254
Deposits, prepayments and other receivables		**17,916**	19,825	22,005
Financial asset at fair value through profit or loss		**21,312**	30,687	-
Cash and cash equivalents		**366,273**	279,639	185,903
		413,830	341,538	214,162
Current liabilities				
Trade payables	12	**37,153**	31,329	3,357
Accrued charges and other payables		**35,809**	32,988	38,340
Contract liabilities		**34,201**	33,175	10,410
Convertible notes		**-**	28,307	-
Lease liabilities		**5,834**	3,403	2,539
Current income tax liabilities		**23,605**	23,605	24,265
		136,602	152,807	78,911
Non-current liabilities				
Convertible notes		**-**	-	24,007
Lease liabilities		**3,451**	3,837	3,514
Deferred income tax liabilities		**4,117**	3,881	3,881
		7,568	7,718	31,402
Net current assets		**277,228**	188,731	135,251
Net assets		**672,305**	617,593	573,450
Equity attributable to shareholders				
Share capital		**175,202**	160,663	160,663
Reserves		**492,882**	369,297	328,023
		668,084	529,960	488,686
Non-controlling interests		**4,221**	87,633	84,764
Total equity		**672,305**	617,593	573,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Daphne International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in licensing, distribution and sale of footwear products and accessories in Mainland China.

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1- 1111, Cayman Islands.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of accounting policy information

This note provides a list of the accounting policies adopted in the preparation of these consolidated financial statements.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which is measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules
HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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

(ii) Amended standards and interpretations not yet adopted

Certain amended standards and interpretations have been published that are not yet effective for annual period ended on 31 December 2023 and have not been early adopted by the Group. These amended standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Revised Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 *Effective for reporting period beginning on 1 January 2024*
2 *Effective for reporting period beginning on 1 January 2025*
3 *Effective for reporting period beginning on or after a date to be determined*

2.2 Change in presentation currency

During the year, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its consolidated financial statements.

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

Following the change in presentation currency, the financial information as previously reported has been retranslated in accordance with the provisions in HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKAS 21 "The Effects of Changes in Foreign Exchange Rates" as if RMB had always been the Group's presentation currency unless it is impracticable to do so.

Hence, the Group's financial information as previously reported has been re-translated using the procedures outlined below:

- Assets and liabilities of foreign operations where the functional currency is not RMB have been translated into RMB at the relevant closing rates of exchange.

- Share capital, share premium and other reserves denominated in HK$ have been translated at historical rates prevailing at the dates of transactions;

- As for retained profits and currency translation reserve, since it is impracticable to reproduce the financial records before 1 January 1999, the directors of the Company apply the change in presentation currency prospectively from 1 January 1999. The retained profits arising from the Group's entities whose functional currency was not RMB on 1 January 1999 were translated into RMB at the closing rate of exchange on 31 December 1998. Profit and loss items since 1 January 1999 have been translated into RMB at the relevant average rates of exchange. Differences arising from the retranslation of the net assets are recognised in the currency translation reserve.

In addition to the comparative information in respect of the previous period provided in the consolidated financial statements, the Group presents an additional consolidated balance sheet as at 1 January 2022 due to the change of presentation currency in accordance with HKAS 1 "Presentation of Financial Statements".

3 Revenue and segment information

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

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

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

	2023	2022
	RMB'000	RMB'000 (restated)
Licensing fee income	**103,623**	81,032
Sales of goods	**159,021**	91,061
	262,644	172,093

The five largest customers accounted for approximately 84% (2022: 70%) of the revenue of the Group for the year ended 31 December 2023. Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	2023	2022
	RMB'000	RMB'000 (restated)
Customer A	**91,863**	24,215
Customer B	**48,932**	47,626
Customer C	**33,847**	N/A*
Customer D	**N/A***	23,900

* *The revenue from the respective customers was less than 10% of the total revenue of the Group.*

Contract liabilities pertain to the non-refundable advance payment made by customers and rebates yet to be claimed by franchisees which will be settled by goods only. There were no significant changes in contract liabilities during the year ended 31 December 2023. The Group recognised the following liabilities related to contracts with customers as at 31 December 2023:

	2023	2022
	RMB'000	RMB'000 (restated)
Contract liabilities	**34,201**	33,175

For the year ended 31 December 2023, the revenue recognised that was included in the contract liabilities balance at the beginning of the year was RMB31,151,000 (2022: RMB 8,063,000).

4 Other income

	2023	2022
	RMB'000	RMB'000 (restated)
Government subsidies *(Note)*	**326**	306
Gross rental income	**46,025**	37,938
Interest income	**7,840**	4,571
Others	**5,440**	4,598
	59,631	47,413

Note: For the year ended 31 December 2023, government subsidies mainly represented financial aids provided to the subsidiaries of the Company by the local government in Mainland China. There were no unfulfilled conditions or other contingencies attaching to these subsidies.

5 Other losses – net

	2023	2022
	RMB'000	RMB'000 (restated)
Fair value gain on financial assets at FVPL	**1,140**	687
Gain/(Loss) on disposal of property, plant and equipment	**157**	(9)
Impairment loss of certain investment properties	**(6,065)**	(16,000)
Loss on disposal of investment properties	**(7,192)**	-
Net exchange (loss)/gain	**(470)**	1,419
	(12,430)	(13,903)

6 Operating profit

Operating profit is stated after charging the following:

	2023 RMB'000	2022 RMB'000 (restated)
Auditors' remuneration	**1,957**	1,806
Cost of inventories sold, net of provision	**131,259**	73,691
Depreciation of investment properties	**17,128**	16,670
Depreciation of property, plant and equipment	**1,083**	2,719
Depreciation of right-of-use assets	**4,625**	2,619
Employee benefits expense	**42,815**	38,791
Impairment loss of property, plant and equipment	**675**	-
Impairment loss of right-of-use assets	**4,779**	-
Marketing and promotion expenses	**14,766**	8,077

7 Finance costs

	2023 RMB'000	2022 RMB'000 (restated)
Interest on convertible notes	**3,824**	4,300
Interest on lease liabilities	**431**	277
	4,255	4,577

8 Income tax expense

	2023 RMB'000	2022 RMB'000 (restated)
Current income tax	**332**	330
Deferred income tax	**236**	-
	568	330

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the two-tiered profits tax rates regime. No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not have any assessable profit arising in Hong Kong during the two years ended 31 December 2023 and 2022.

Provision for China corporate income tax is calculated based on the statutory tax rate of 25% (2022: 25%) on the assessable income of each of the Group's entities incorporated in China.

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 tax residents incorporated in Hong Kong, in respect of dividend distributions arising from a foreign investment enterprise. Withholding tax on royalties at a reduced rate of 7% (2022: 7%) by treaty is applied to the Group's entities incorporated in Hong Kong for royalties received or receivable, net with value-added tax.

9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of RMB62,435,000 (2022: RMB37,136,000) by the weighted average number of 1,849,669,780 (2022: 1,814,056,622) shares in issue for the year ended 31 December 2023.

Share options of the Company were not dilutive as the exercise price of the share options exceeded the average market price of the Company's shares during the two years ended 31 December 2023 and 2022 and were excluded in the calculation of diluted earnings per share. In addition, the computation of diluted earnings per share for the year ended 31 December 2022 did not assume the conversion of convertible notes since it would have an anti-dilutive impact. Therefore, for each of the two years ended 31 December 2023 and 2022, basic and diluted earnings per share were the same.

10 Dividends

The board of directors of the Company recommended the payment of a final dividend of HK$0.01 per share in respect of the year ended 31 December 2023 (2022: Nil), totalling approximately RMB17,526,000 (2022: Nil). The proposed final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. These consolidated financial statements do not reflect the financial impact of this proposed final dividend for the year ended 31 December 2023.

11 Trade receivables

	2023 **RMB'000**	2022 RMB'000 (restated)
Trade receivables	**14,521**	22,826
Less: loss allowance	**(11,250)**	(11,439)
Trade receivables - net	**3,271**	11,387

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

	2023 **RMB'000**	2022 RMB'000 (restated)
0 - 30 days	**2,187**	9,966
31 - 60 days	**803**	73
Over 60 days	**281**	1,348
	3,271	11,387

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

12 Trade payables

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

	2023	2022
	RMB'000	RMB'000 (restated)
0 - 30 days	**34,788**	29,115
31 - 60 days	**209**	-
Over 60 days	**2,156**	2,214
	37,153	31,329

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, the impact of the COVID-19 epidemic gradually subsided, but pressures on global inflation and interest rate hikes persisted, keeping global economic growth moderate. Although China's consumer market began to regain vigour in 2023, the uncertainty about inflation and income growth has undermined consumer confidence. The pace of recovery appeared slightly slower than market expectations, and the overall economic environment remained challenging. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) rose 5.2% year-on-year in 2023, marking the slowest growth rate in 30 years, excluding the three years affected by the epidemic. The overall economic recovery fell short of expectations, directly impacting the retail market. In 2023, China's total retail sales of consumer goods grew 7.2% year-on-year mainly due to a low base for comparison with the previous year, while the retail sales of goods increased by only 5.8%, which was slower than anticipated. Amidst economic uncertainty, consumers have become more cautious and rational with their spending. Many consumers are now gravitating towards "value-for-money", functional and cost-effective goods and services.

The online shopping continuance after the COVID-19 epidemic has further fuelled the development of e-commerce platforms and injected growth momentum to China's economy. It was reported that China's online retail sales in 2023 recorded a year-on-year increase of 11% to RMB15.42 trillion, making China the world's largest online retail market for 11 consecutive years. While online retail remained steady growth in 2023, the influx of innovative forces in the e-commerce industry greatly intensified market competition. In the face of shrinking domestic consumption and diversifying e-commerce channels, the Group, as a leading brand, effectively utilised its resource advantages to persistently optimise its online and offline licensing business, supply chain system and brand building efforts, resulting in good overall sales growth that outperforms the general market.

The Group's Performance

In order to outshine in today's fiercely competitive consumer market, the Group has been devoting more resources in strengthening its core brand, "DAPHNE", to secure a leading position in the industry. In 2023, the Group continued its efforts in optimising the brand licensing business, streamlining the supply chain system, and enhancing franchisee management. Against the backdrop of a soft economic recovery, the Group kept abreast with changes in the economic situation and retail landscape and strategically adjusted its expansion plans for both online licensing network and physical store network operated by franchisees, with careful consideration. By undertaking these initiatives, the Group strives to maximise its competitive edge, improve operational efficiency, and deliver an exceptional brand experience to its customers.

As consumption is becoming more decentralised and personalised, vertical niche markets are emerging to meet the growing demand for specialised products and services that closely align with consumer preferences and interests, mounting pressure on traditional e-commerce platforms. In response of the heightened competition, the Group leveraged on its resource advantages to further optimise its online licensing network and strengthen digital marketing efforts on traditional and emerging platforms, thereby gaining a firmer foothold. As a result, the online licensing business continued to experience rapid growth. For the year under review, the Group's licensing fee income grew by 28% year-on-year to approximately RMB103.6 million (2022: RMB81.0 million).

Despite the slower-than-expected recovery, the Group still achieved considerable growth in both revenue and profit, demonstrating its ability to navigate the demanding market conditions. For the year ended 31 December 2023, the Group's total revenue climbed 53% year-on-year, reaching approximately RMB262.6 million (2022: RMB172.1 million), while the Group's operating profit surged 59% to approximately RMB67.6 million (2022: RMB42.4 million). The substantial growth in revenue and operating profit was attributed to a combination of factors. Firstly, the relatively lower performance of the previous year served as a favourable base for comparison. Secondly, the relentless efforts of the Group in business transformation over the past few years played a crucial role in driving this growth. In addition to fine-tuning its online licensing strategies, Daphne gave full play to its advantageous resources as a well-established leading brand, the wide array of well-priced products catering to various consumer groups, its matured supply chain system, the successful launch of the innovative brand, “DAPHNE.LAB” and original collections, along with the collective efforts of the Group, the Group bucked the sluggish retail trend and outperformed the general market, demonstrating the effectiveness of its strategies and its ability to sustain healthy growth in its operations.

For the year ended 31 December 2023, basic earnings per share was RMB0.034 (2022: RMB0.021) and the board of directors recommended the payment of a final dividend of HK$0.01 per share (2022: Nil), totalling approximately RMB17,526,000 (2022: Nil).

Brand Licensing and Distribution Business

Considering the progressive and steady strides made in recent years, the Group maintains a steadfast commitment to advancing its strategic focus on brand management of “DAPHNE” and the licensing and distribution of footwear products, including women’s dress shoes and casual shoes, covering both online and offline channels in Mainland China.

In 2023, the Group maintained a strong development momentum overall. On one hand, the Group persistently strengthened its online presence to tap into a larger consumer base. As a result, the Group’s online licensing business has once again demonstrated its pivotal role in contributing to the Group’s sustainable development. In view of the rapid momentum gained by interest-based e-commerce platforms, e-commerce companies started to focus on competing through price advantage and service advantage to boost sales. Despite the increasingly fragmented e-commerce landscape, the Group, backed by its long-standing reputation and resource advantages, continued to pursue collaborations with various platforms, leading to notable success on platforms such as “Douyin” and “Tmall”. “Daphne” ranked a leading position in the women’s shoe category on the “Tmall” and “Douyin” platforms in 2023. Furthermore, the Group’s consumer-friendly price points rev up its appeal to wider audience. Leveraging on the significant marketing efforts made in recent years, the Group has established a strong presence on various online platforms, driving the Group’s overall online licensing business to far better than the industry average. On the other hand, the Group’s offline network expansion experienced a slowdown due to weak consumer sentiment. In response to the dynamic retail landscape, the Group strategically rationalised its online licensing and offline distribution networks in 2023. As of 31 December 2023, there were approximately 87 (2022: 149) physical shops and 601 (2022: 585) online shops, all operated by our franchisees under the licensing arrangement of the Group.

Retail Business

Drawing on the favourable response received by the “Bubblegum Collection” and “Sugar Cube Collection” in recent years, the Group remained steadfast in its journey of originality with the launch of a new brand “DAPHNE.LAB” and its original collections this year to strengthen product diversification and gain more momentum from young consumers. As a new pioneering design brand of the Group with boldness as its core, “DAPHNE.LAB” offers high-quality and value-for-money stylish products for the new generation of female consumers to meet their daily needs as well as to satisfy their self-expression towards fashion attitude. The brand’s slogan is “DARE TO BE 就敢”, which encourages women to break the mould and refuse to be defined. They should be bold and express themselves colourfully; be nonconformist and eccentric enough to blend together contradictory elements and let their imagination fly; to preserve their personal identities, and yet be not afraid to admit to following the trend so as to “JUST BE YOURSELF”. “DAPHNE.LAB” hopes to make great strides together with modern women in their efforts to live a colourful life and refuse to be defined. During the year under review, the Group opened 3 offline and 5 online directly-managed stores.

Moreover, the daring and innovative “Sugar Free Collection” launched during the year under review, which seamlessly combines 3D printing technology and distinctive designs, has further affirmed the effectiveness of the Group’s development path. Following the successful launch of the “Lollipop Collection” in collaboration with renowned artist in the first half of the year under review, the Group continued its creative collaborations by partnering with a designer brand to launch co-branded “Sugar Cube Over-the-Knee Boots” and released them at the London Fashion Week. The collection, which features cut-out design on over-the-knee boots to exemplify its limitless creativity, has received enthusiastic response from the market, attesting to its artistic vision and appeal.

In addition, the Group carried on collaborations with influencers to create engaging social media content in various forms to promote "DAPHNE.LAB", endeavoring to drive customer engagement and product sales. Despite being at an early stage of development, "DAPHNE.LAB" has garnered favorable market response, prompting the Group to extend its market reach by opening more "DAPHNE.LAB" online and offline directly-managed stores in the second half of the year under review. Going forward, "DAPHNE.LAB" will continue to develop stylish, cost-effective and uniquely designed footwear products, fully unleashing the brand's potential to achieve long-term growth in its business.

In today's rapidly evolving world, building a solid foundation is essential for effectively seizing emerging opportunities. In 2023, the Group remained committed to advancing product development, enhancing supply chain system, and building a strong brand, so as to secure a firm foothold in the industry. To enhance operational efficiency and agility, the Group has been consistently strengthening supply chain and efficiency management, resulting in a relatively mature and refined supply chain system. As the Group's products gain increasing popularity, it is imperative to implement stringent quality control measures in the supply chain, from the production end to the retail end to ensure product quality, efficiency and customer satisfaction. Looking ahead, the Group will seek continuous improvement in its supply chain, endeavouring to maintain a competitive edge in the market.

FINANCIAL REVIEW

Financial Highlights

	For the year ended 31 December		
	2023	2022 (restated)	Change
Revenue (RMB' million)	**262.6**	172.1	+53%
Other income (RMB' million)	**59.6**	47.4	+26%
Operating profit (RMB' million)	**67.6**	42.4	+59%
Profit attributable to shareholders (RMB' million)	**62.4**	37.1	+68%
Operating margin (%)	**25.8**	24.6	+1.2ppt
Net margin (%)	**23.8**	21.6	+2.2ppt
Basic earnings per share (RMB)	**0.034**	0.021	+62%

	As at 31 December		
	2023	2022 (restated)	Change
Cash and cash equivalents (RMB' million)	**366.3**	279.6	+31%
Convertible notes (RMB' million)	**-**	28.3	-100%
Equity attributable to shareholders (RMB' million)	**668.1**	530.0	+26%
Current ratio (times) *(Note 1)*	**3.0**	2.2	+36%
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 year end.*

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

Revenue and Gross Profit

The Group's revenue mainly comprises licensing fee income and sales of goods in Mainland China. For the year ended 31 December 2023, the Group's total revenue amounted to approximately RMB262.6 million (2022: RMB172.1 million), an increase of 53% compared to the year of 2022.

	For the year ended 31 December		
	2023	2022	Change
	RMB'million	RMB'million (restated)	
Licensing fee income	**103.6**	81.0	+28%
Sales of goods - wholesale	***151.2***	*91.1*	*+66%*
Sales of goods - retail	***7.8***	-	*+100%*
Total sales of goods	**159.0**	91.1	+75%
Cost of sales	**(131.2)**	(73.7)	+78%
Gross profit from sales of goods	**27.8**	17.4	+60%
Gross margin from sales of goods	***17.5%***	*19.1%*	*-1.6ppt*
Total revenue	**262.6**	172.1	+53%
Total gross profit	**131.4**	98.4	+34%

Revenue from licensing fee income increased by 28%, from approximately RMB81.0 million to approximately RMB103.6 million during the year under review, mainly attributable to the increase in unit price and overall volume of footwear products licensed to the online franchisees.

On the other hand, the Group also focused on the distribution of footwear products for better quality control and supply chain management to both online and offline franchisees. As such, more franchisees placed purchase orders with the Group directly. The Group also tried to operate its online and offline retail business of the new brand "DAPHNE.LAB" since early 2023, although it accounted for only approximately 3% of the total revenue. As a result, revenue generated from sales of goods increased significantly by approximately RMB67.9 million or 75% to approximately RMB159.0 million compared to approximately RMB91.1 million in last year. Gross margin of sale of goods dropped by 1.6 percentage points, from 19.1% in last year to 17.5% during the year under review.

Other Income

For the year ended 31 December 2023, the Group's other income, comprising mainly gross rental income from investment properties and bank interest income, increased by approximately RMB12.2 million from approximately RMB47.4 million in 2022 to approximately RMB59.6 million. The increase was mainly due to the increase in rental income due to less rental concessions to tenants after the COVID-19 epidemic as well as increase in bank interest income due to increased bank balances and higher interest rates during the year under review.

Operating Expenses

The Group's operating expenses (including other losses - net, selling & distribution expenses, general & administrative expenses and impairment loss/reversal of impairment loss on financial assets) were approximately RMB123.4 million during the year under review, compared to approximately RMB103.4 million in 2022, representing an increase of approximately RMB20.0 million or 19%, which is mainly attributable to the increase in selling and distribution expenses.

Operating Profit

The Group recorded an operating profit of approximately RMB67.6 million for the year ended 31 December 2023, an increase of approximately RMB25.2 million or 59% compared with the operating profit of approximately RMB42.4 million in 2022.

Finance Costs

Finance costs represent interests on convertible notes and lease liabilities, amounting to approximately RMB3.8 million (2022: RMB4.3 million) and approximately RMB0.4 million (2022: RMB0.3 million) respectively during the year under review. The decrease in finance costs attributable to interest on convertible notes was due to the maturity and conversion of the convertible notes in October 2023.

Income Tax Expense

For the year ended 31 December 2023, the Group's income tax expense was approximately RMB0.6 million, compared to approximately RMB0.3 million last year. The effective tax rate of the Group was lower than the applicable tax rates from those jurisdictions in which the Group was subject to tax, due to the utilisation of previously unrecognised tax losses.

Profit Attributable to Shareholders

For the year ended 31 December 2023, the Group's profit attributable to shareholders was approximately RMB62.4 million (2022: RMB37.1 million), representing an increase of approximately RMB25.3 million or 68%. Basic earnings per share was RMB0.034 (2022: RMB0.021) for the year ended 31 December 2023.

Liquidity and Financial Resources and Capital Structure

As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately RMB366.3 million (2022: RMB279.6 million), which were denominated mainly in Renminbi, United State Dollar and Hong Kong Dollar. During the year under review, the net increase in cash and cash equivalents is analysed as follows:

	For the year ended 31 December	
	2023	2022
	RMB'million	RMB'million (restated)
Net cash generated from operating activities	**115.9**	120.3
Capital expenditure	**(2.5)**	(1.0)
Payments for acquisition of financial investments	**(31.8)**	(30.0)
Proceeds from redemption of financial investments	**42.3**	-
Proceeds from disposal of investment properties	**1.8**	-
Proceeds from disposal of property, plant and equipment	**0.2**	0.1
Acquisition of non-controlling interests	**(42.5)**	-
Bank interest received	**7.8**	4.6
Lease payments	**(5.2)**	(3.1)
Net increase in cash and cash equivalents	**86.0**	90.9

For the year ended 31 December 2023, the Group's interest income on bank balances and deposits was approximately RMB7.8 million (2022: RMB4.6 million).

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

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

Upon the maturity and redemption of the wealth management product in April 2023, the gain of this wealth management product was approximately RMB0.6 million (2022: RMB0.7 million) for the year ended 31 December 2023.

During the year under review, the Group also purchased certain certificates of deposit from certain commercial banks in Mainland China amounting to approximately RMB31.8 million. These certificates of deposit have maturity of 6 to 36 months and bear fixed interest rates. As at 31 December 2023, the Group had certificates of deposit with an aggregate carrying amount of approximately RMB21.3 million.

As at 31 December 2023, the Group had equity attributable to shareholders totalling approximately RMB668.1 million (2022: RMB530.0 million) and total debts (being total of convertible notes and lease liabilities) of approximately RMB9.3 million (2022: RMB35.5 million). The Group's net gearing ratio remained in net cash (2022: net cash) position and the current ratio further improved to 3.0 times (2022: 2.2 times). Management will continuously monitor the Group's financial performance and liquidity position and believes that the Group has sufficient working capital and financial resources for its operation in the foreseeable future.

Foreign Exchange Risk Management

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

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and the Group may use forward foreign exchange contracts when major fluctuation in the relevant foreign currency is anticipated. During the year ended 31 December 2023, the Group did not enter into any foreign exchange forward contract to hedge the foreign exchange risk exposure. Any significant exchange rate fluctuations of foreign currencies against Renminbi may have had financial impact on the Group.

Material Acquisitions and Disposals of Subsidiaries

On 28 September 2023, the Company as purchaser, Great Pacific Investments Ltd. ("Great Pacific") as vendor and Yue Yuen Industrial Holdings Limited ("Yue Yuen"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 551) and the sole beneficial owner of Great Pacific, as Great Pacific's guarantor entered into a sale and purchase agreement, pursuant to which (among other things) Great Pacific shall sell and the Company shall purchase approximately 40.04% of all issued shares in Full Pearl International Limited ("Full Pearl"), whose subsidiaries were engaged in the business of distribution and licensing of footwear products in Mainland China and trademarks holding, for a cash consideration of RMB42,500,000 (the "Full Pearl Transaction").

Prior to the above transaction, Full Pearl was held as to approximately 40.04% by Great Pacific and approximately 59.96% by the Company. As Great Pacific, a wholly-owned subsidiary of Yue Yuen, was a substantial shareholder of Full Pearl which was in turn a non-wholly owned subsidiary of the Company, and both Great Pacific and Yue Yuen were therefore connected persons of the Company at the subsidiary level, the Full Pearl Transaction also constituted a connected transaction under Rule 14A.25 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

Completion of the Full Pearl Transaction took place on 30 October 2023, upon which Full Pearl became a wholly-owned subsidiary of the Company. Please refer to the announcements published by the Company on 28 September 2023, 4 October 2023 and 30 October 2023 for further details of the Full Pearl Transaction.

Save as to the Full Pearl Transaction, during the year ended 31 December 2023, there were no other material acquisitions or disposals of any subsidiaries, associates and joint ventures by the Group.

Significant Investments

As at 31 December 2023, the Group did not have any significant investments.

Future Plans for Material Investments and Capital Assets

As at 31 December 2023, the Group did not have any plans for material investments or capital assets.

Pledge of Assets

As at 31 December 2023, the Group had no pledged or charged assets (2022: Nil).

Capital Expenditure and Commitments

During the year under review, the Group incurred capital expenditure of approximately RMB2.5 million (2022: RMB1.0 million) primarily for leasehold improvements, motor vehicles and office equipment. As at 31 December 2023, the Group had no material capital commitments.

Contingent Liabilities

As at 31 December 2023 and 2022, the Group had no material contingent liabilities.

Human Resources

As at 31 December 2023, the Group had a total of 99 (2022: 90) employees predominantly in Mainland China and Hong Kong. Employee benefits expense comprising directors' emoluments for the year ended 31 December 2023 was approximately RMB42.8 million (2022: RMB38.8 million), including share-based payment expense of approximately RMB1.5 million (2022: RMB3.7 million). The overall increase of 10% in employee benefits expense was mainly due to the increase in headcounts and discretionary performance bonus.

The Group values its human resources and recognises the importance of retaining high calibre employees. Remuneration packages are generally structured with reference to market conditions and terms as well as individual qualifications. In addition, share options and discretionary bonuses may be granted to eligible employees based on the performance of the Group and of the individual employee. The Group also provides various retirement plans, medical insurance schemes, staff purchase discounts and training programmes to the employees in Mainland China and Hong Kong.

OUTLOOK

Looking ahead, the year of 2024 is expected to be another challenging year clouded by geopolitical and macroeconomic uncertainty. The growth momentum of major overseas economies is projected to further weaken, while deflation may persist but at a slower pace. Meanwhile, lingering uncertainty and instability may continue to weigh on the Chinese economy. Despite the Chinese government's commitment to spur domestic demand, the Chinese economy has not demonstrated substantial and consistent positive momentum. The Group maintains a conservative and cautious stance about the domestic economic recovery in 2024. It will closely monitor policy development, seize policy opportunities, and continue to prudently review and adjust its strategies in a timely manner, striving to deliver sustainable growth.

In spite of the challenging market conditions, the Group's efforts in strengthening its business have been effective and have enabled the Group to maintain a favourable position in the market. The Group will continue to make it a priority to reinforce its business foundation by enhancing product quality and competitiveness, supply chain management, licensing and franchising model, and brand image, so as to gain more flexibility and resilience to address customer demands, capitalise on emerging opportunities, and maintain a competitive edge in an ever-changing business landscape.

With a customer-centric approach, the Group's new brand, "DAPHNE.LAB", quickly gained steam leveraging on its originality, bold and innovative brand ethos and collaborative efforts with artists, designers and influencers. The newly-launched collections have continued to generate high online engagement and boost sales performance. Going forward, the Group will continue to explore collaboration opportunities to broaden its customer reach, particularly the younger generation with high-spending power.

Embracing the norm of e-commerce consumption, the Group strives to prudently expand its online licensing network on existing and new e-commerce platforms, effectively tapping into its target audience. As the offline retail sector gradually improves, the Group is determined to carefully propel its offline expansion to keep pace with changing market dynamics. In addition, the Group will take a step forward in enhancing the interaction between online and offline channels, increasing exposure on social media platforms, and introducing a membership programme. The integration between online and offline channels creates a seamless and holistic customer experience that meets customers' needs and preferences more effectively, fostering stronger customer relationships and increasing profitability.

While the road to a full economic recovery is expected to be long and bumpy, the Chinese government's continuous rollout of policies to stimulate domestic consumption will provide support for the high quality development and gradual recovery of the consumer market. The Group is optimistic about the long-term development of the Chinese consumer market. By staying attuned to market trends and consumer preferences, and strengthening the core of its business, the Group is poised to capitalise on the recovering market and achieve sustainable growth.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Save that the Company allotted and issued 164,541,807 new shares of the Company to Warrior Limited on 16 October 2023 upon full conversion of the matured convertible notes issued by the Company in October 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares for the year ended 31 December 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

Save as to the Full Pearl Transaction mentioned in the section headed "Management Discussion and Analysis - Material Acquisitions and Disposals of Subsidiaries", the Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures for the year ended 31 December 2023.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules for dealing in securities of the Company by its directors. Having made specific enquiry with all directors of the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

The Company also requires relevant officers and employees of the Group who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities, be also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he/she possesses inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company for the year ended 31 December 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") as contained in Appendix C1 to the Listing Rules. Throughout the year ended 31 December 2023, the Company has complied with all the applicable code provisions set out in the CG Code.

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

REVIEW OF FINANCIAL STATEMENTS

The Group's audited consolidated financial statements for the year ended 31 December 2023 including the accounting principles and practices adopted have been reviewed by the Audit Committee of the Board. Based on such review, the Audit Committee was of the opinion that these consolidated financial statements were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the directors of the Company throughout the year ended 31 December 2023 and up to the date of this announcement, the Company has maintained sufficient public float of more than 25% of the Company's total issued share capital as required by the Listing Rules.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.01 per share. The proposed final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

It is proposed that the forthcoming annual general meeting of the Company will be held on 22 May 2024. A notice of the forthcoming annual general meeting will be issued and disseminated to shareholders in due course. The register of members will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024 (both days inclusive). In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 May 2024.

In order to determine who are entitled to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 18 June 2024 to Thursday, 20 June 2024 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30p.m. on Monday, 17 June 2024. The proposed final dividend, subject to approval of the shareholders of the Company at the forthcoming annual general meeting, will be paid to the shareholders on or before Thursday, 4 July 2024 whose names appear on the register of members of the Company at the close of business on Thursday, 20 June 2024.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 26 March 2024

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