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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)

CONNECTED TRANSACTION
ENTERING INTO THE TV PROGRAMME CO-OPERATION
AGREEMENT AND THE CO-INVESTMENT AGREEMENT

The Board wishes to announce that on 11 March 2016, Daphne Investment (an indirect wholly-owned subsidiary of the Company) entered into (i) the TV Programme Co-operation Agreement with Zhejiang Television and Xuan Feng; and (ii) the Co-Investment Agreement with Xuan Feng in relation to the Transactions. The production of the Lady Bees Television Programme commenced before the signing of these agreements according to the production schedule of the Lady Bees Television Programme.

As at the date of this announcement, Mr. Chen Ying-Chieh, the chairman and chief executive officer of the Company, indirectly controls more than 30% of the voting rights in Xuan Feng through intermediate holding companies, therefore, Xuan Feng is a connected person of the Company under the Listing Rules. Accordingly, each of the Transactions constitutes a connected transaction for the Company under the Listing Rules.

As the applicable percentage ratios in respect of each of the Transactions is more than 0.1% but less than 5%, each of the Transactions is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

A. THE TV PROGRAMME CO-OPERATION AGREEMENT

On 11 March 2016, the Company entered into the TV Programme Co-operation Agreement with Zhejiang Television and Xuan Feng, pursuant to which the parties agreed to produce the Lady Bees Television Programme for broadcasting on Zhejiang TV Channel. The production of the Lady Bees Television Programme commenced before the signing of the TV Programme Co-operation Agreement and the Co-Investment Agreement according to the production schedule of the Lady Bees Television Programme.

** for identification purposes only*

The principal terms of the TV Programme Co-operation Agreement are as follows:

Date:

11 March 2016

Parties:

- (1) Zhejiang Television, as party A
- (2) Daphne Investment and Xuan Feng, as party B

Key terms:

- (1) Zhejiang Television, Daphne Investment and Xuan Feng shall co-operate in the production of a 12-episode television feature programme named “Lady Bees* (蜜蜂少女隊)” with Daphne Investment and Xuan Feng being responsible for all the production, filming, promotion and other costs for such television feature programme;
- (2) A designated television programme production house shall be appointed by Daphne Investment and Xuan Feng for the screening and production of the Lady Bees Television Programme;
- (3) Zhejiang Television shall ensure that the Lady Bees Television Programme is broadcasted on Zhejiang TV Channel on a weekly basis on Saturdays at a time agreed between Daphne Investment and Xuan Feng pursuant to the TV Programme Co-operation Agreement during the period of March 2016 to May 2016;
- (4) The net income derived from the advertisements during the broadcasting of the Lady Bees Television Programme and the distribution rights of such television feature programme on the internet, terrestrial channels within the PRC or outside the PRC shall be split based on the agreed percentage between (i) Zhejiang Television and (ii) Daphne Investment and Xuan Feng; and
- (5) Xuan Feng shall pay Zhejiang Television RMB5,000,000 for the purpose of purchasing the derivative intellectual property rights to produce magazines, DVDs, CDs and computer games etc. of the Lady Bees Television Programme.

B. THE CO-INVESTMENT AGREEMENT

On 11 March 2016, the Company entered into the Co-investment Agreement with Xuan Feng in relation to the joint-investment of the production of the Lady Bees Television Programme and the Disposal.

The principal terms of the Co-Investment Agreement are as follows:

Date:

11 March 2016

Parties:

- (1) Daphne Investment, as party A
- (2) Xuan Feng, as party B

Key terms:

- (1) The aggregate amount in respect of the production, filming, promotion and other costs for the Lady Bees Television Programme of RMB180,000,000 with Daphne Investment's contribution being 30% of the total investment amount of not exceeding RMB54,000,000 and Xuan Feng's contribution being 70% of the total investment amount of RMB126,000,000;
- (2) Xuan Feng has the right to transfer its portion of investment under the Co-Investment Agreement to another investor provided that such transfer shall not affect the rights and obligations between Daphne Investment and Xuan Feng under the TV Programme Co-operation Agreement and the Co-Investment Agreement;
- (3) The net income derived from the advertisements during the broadcasting of the Lady Bees Television Programme and the distribution rights of such television feature programme on the internet, terrestrial channels within the PRC or outside the PRC after Zhejiang Television has taken its share shall be split between (i) Daphne Investment and (ii) Xuan Feng on a 30% and 70% basis; and
- (4) Daphne Investment shall receive a consideration in the amount of approximately RMB2,790,000 from Xuan Feng for the disposal of its portion of derivative intellectual property rights to produce magazines, DVDs, CDs and computer games etc. of the Lady Bees Television Programme to Xuan Feng.

C. FINANCIAL IMPACT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Based on the currently available information and preliminary assessment, it is expected that a gain of approximately RMB2,790,000 would have been recognised in the consolidated financial statements of the Company upon completion of the Disposal. The Company intends to apply the sale proceeds for its daily operations and general corporate purpose.

D. CONNECTED TRANSACTION AND IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Chen Ying-Chieh, the chairman and chief executive officer of the Company, indirectly controls more than 30% of the voting rights in Xuan Feng through intermediate holding companies, therefore, Xuan Feng is a connected person of the Company under the Listing Rules. Accordingly, each of the Transactions constitutes a connected transaction for the Company under the Listing Rules.

As the applicable percentage ratios in respect of each of the Transactions is more than 0.1% but less than 5%, each of the Transactions is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

E. REASONS FOR AND BENEFITS OF ENTERING INTO THE TV PROGRAMME CO-OPERATION AGREEMENT AND THE CO-INVESTMENT AGREEMENT

The Lady Bees Television Programme will be broadcasted on Zhejiang TV Channel, a popular television channel in the PRC, on a weekly basis on Saturdays. Through Zhejiang TV Channel, such television feature programme will be able to reach audience in most provinces and cities in the PRC, and this represents the Company's effort in revitalizing, ramping up and diversifying the Company's marketing activities to promote the Group's "Daphne" brand image and enhance its competitiveness.

The terms of the TV Programme Co-operation Agreement and the Co-Investment Agreement are determined after arm's length negotiations between the parties and the consideration for the Disposal is determined after arm's length negotiations on the basis of the amount of consideration payable by Xuan Feng to Zhejiang Television, the percentage which Zhejiang Television is entitled to share under the TV Programme Co-operation Agreement and the co-investment percentage of Daphne Investment in the TV Programme Production. The Directors (including the independent non-executive Directors but excluding Mr. Chen Ying-Chieh who has abstained from voting on the TV Programme Co-operation Agreement and the Co-Investment Agreement due to his interests involved) consider that the terms of the TV Programme Co-operation Agreement and the Co-Investment Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

To the best of the Board's knowledge, information and belief having made all reasonable enquiries, the counterparties to the TV Programme Co-operation Agreement and the Co-Investment Agreement and their ultimate beneficial owners (except Xuan Feng and Chen Ying-Chieh) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

F. INFORMATION ON THE GROUP

The Group is a leading footwear retailer group in the PRC and is principally engaged in the retailing, distribution, manufacturing, processing of footwear and accessories.

G. INFORMATION ON XUAN FENG

Xuan Feng is indirectly controlled as to over 30% of voting rights by Mr. Chen Ying-Chieh, the chairman and chief executive officer of the Company, through intermediate holding companies as at the date of this announcement. Xuan Feng is principally engaged in the design and production of advertisements; literary and artistic creation and performance; venue management; corporate image design, graphic design; photography services (except for printing); technical computer advice and entertainment consulting; ticketing agent for theatrical performances.

H. INFORMATION ON ZHEJIANG TELEVISION

Zhejiang Television is principally engaged in radio, movie, television and advertising business, and operates its business through production, broadcasting and distribution of radio and television programs. The more popular television programmes it recently broadcasted include “The Voice of China”, “Running Man (PRC version)” and “Chef Nic”.

DEFINITIONS

Unless the context otherwise require, the following expressions have the following meanings in the announcement:

“Board”	the board of directors of the Company
“Co-Investment Agreement”	the co-investment agreement dated 11 March 2016 in relation to the co-investment of the production of the Lady Bees Television Programme entered into by Daphne Investment and Xuan Feng
“Company”	Daphne International Holdings Limited, a limited liability company incorporated in the Cayman Islands having its shares listed on the main board of the Stock Exchange
“Daphne Investment”	Daphne Investment (Group) Co., Ltd. (達芙妮投資(集團)有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the derivative intellectual property rights to produce magazines, DVDs, CDs and computer games etc. of the Lady Bees Television Programme by Daphne Investment to Xuan Feng pursuant to the terms of the Co-Investment Agreement
“Lady Bees Television Programme”	the television programme named “Lady Bees* (蜜蜂少女隊)”
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the TV Programme Production and the Disposal
“TV Programme Production”	the production of the Lady Bees Television Programme by Daphne Investment jointly with Xuan Feng pursuant to the terms of the TV Programme Co-operation Agreement and the Co-Investment Agreement
“TV Programme Co-operation Agreement”	the television programme production agreement dated 11 March 2016 entered into by (i) Zhejiang Television, as party A and (ii) Daphne Investment and Xuan Feng, as party B
“Xuan Feng”	莆田市炫鋒文化傳媒有限公司, a company incorporated in the PRC
“Zhejiang Television”	浙江广播电视集团 (Zhejiang Radio and Television Group*), a company incorporated in the PRC
“Zhejiang TV Channel”	Zhejiang satellite channel (浙江衛視), a television channel under Zhejiang Television
“%”	Per cent

By order of the Board
Daphne International Holdings Limited
Chang Chih-Kai
Executive Director

Hong Kong, 11 March 2016

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