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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
PROPOSED ISSUE OF CONVERTIBLE NOTES AND
SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

Reference is made to the announcement of Daphne International Holdings Limited (the “**Company**”) dated 14 September 2020 (the “**Announcement**”) in relation to the proposed issue of Convertible Notes and subscription of new Shares under General Mandate. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement. The Company would like to provide the following additional information in relation to the Transactions.

INFORMATION OF THE SUBSCRIBER

The Subscriber is Warrior Limited, a company incorporated under the laws of Cayman Islands, whose ultimate beneficial owner is Ms. Quan Qizi (“**Ms. Quan**”). Mr. Chang Chih-Kai and Mr. Chang Chih-Chiao, our executive Directors, became acquainted with Ms. Quan through business network. To the best of the Director’s knowledge and having made reasonable enquiries, each of the Subscriber and Ms. Quan are parties independent of and not connected with the Company, its core connected persons (as defined under the Listing Rules) and that Ms. Quan will not be nominated as a candidate of director to the board of Directors of the Company after Completion.

The Subscriber has some prior experience in the consumer goods industry. Having considered the potential and long-term value of the Group, the potential synergy effect it has with the Group, and in particular, the brand image and the long standing history possessed by the Group, Ms. Quan expressed interest in August 2020 to invest in the Group through her wholly-owned subsidiary, Warrior Limited, as a passive investor.

REASONS FOR THE SUBSCRIPTION AND SUBSCRIPTION SIZE

The COVID-19 outbreak has adversely impacted domestic and global economy, and in particular, the retail industry in the mainland China in which the Group operates. As a result, the Company had been looking for opportunities with a view to improving and strengthening its working capital position in order to meet the financial obligations of the Group. After studying possible alternative methods of fund raising available to the Company and with

** for identification purpose only*

reference to the prevailing market conditions as well as the financial conditions of the Company, the Board considers the Transactions presented a good opportunity to enhance the liquidity position of the Group and to raise additional funding for the business operations of the Group in an efficient and expedient manner and to enlarge the shareholder and capital base of the Company thereby enhancing the liquidity of the Shares, which may in turn establish and strengthen the existing and future strategic business cooperation of the Group and cultivate synergies with our business partners.

On the basis of the above, the Directors consider that it is in the best interest of the Company and its Shareholders as a whole to issuing the Subscription Shares and the Conversion Shares upon conversion of the Convertible Notes under the General Mandate in respect of the Transactions.

The commercial terms of the Transactions, including but not limited to, the issue price of the Subscription Shares, the initial Conversion Price, the split between the Subscription Shares and the Convertible Notes as well as the Conditions Precedent, the issuance of Convertible Notes and the Share Subscription not being inter-conditional, were arrived at after arm's length negotiations between the Company and the Subscriber under normal commercial terms, having considered the commercial needs of the Company, the impact to the financials of the Group upon completion of the Transactions, motivation for the Subscriber to invest into the Company and the effect on shareholding structure of the Company.

USE OF PROCEEDS

The gross proceeds and net proceeds (after deduction of expenses payable in connection with the Transactions) of the Transactions will be approximately HK\$58.60 million and approximately HK\$57.60 million, respectively. The Company intends to use the net proceeds as general working capital of the Company to facilitate the sustainable development of the existing business of the Group and to fund the capital requirement for potential expansion of the Group's business in the future, with breakdown of the application of net proceeds of the Transactions as follows:

Use of proceeds	Allocation by percentage (approximate percentage)	Allocation by monetary amount (approximate amount)	Expected timeline in fully utilising the net proceeds
Settlement of trade payables to suppliers, and payment of purchase price of merchandises	60%	HK\$34.56 million	12 months from the Completion of the Transactions
Improvement of existing e-commerce business platform (including engagement of key opinion leaders to promote the brand and products)	20%	HK\$11.52 million	12 months from the Completion of the Transactions
Enhance liquidity position of the Group and for other general corporate purposes	20%	HK\$11.52 million	12 months from the Completion of the Transactions
Total	100%	HK\$57.60 million	

COMPLETION

Subject to fulfillment or waiver of the Conditions Precedent, the Completion of each of the Transactions shall take place on the Completion Date, namely 14 October 2020, or an earlier date upon the last of the Conditions Precedent of the respective Subscription Agreements are satisfied or waived.

Shareholders and potential investors should note that completion of each of the Subscription Agreements is subject to the fulfillment of the Conditions Precedent thereunder. As the Transactions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares or other securities of the Company.

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

Hong Kong, 22 September 2020

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