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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)

MAJOR TRANSACTION

**DISPOSAL OF LAND AND PROPERTIES
IN RELATION TO LAND RESUMPTION**

THE LAND RESUMPTION

The Board announces that, according to the relevant land planning requirements of Fujian Province Government and Putian Licheng Government, on 1 January 2021, Dasheng, a wholly-owned subsidiary of the Company entered into the Land Resumption Agreement with Putian Licheng Government, pursuant to which Putian Licheng Government will resume, and Dasheng will surrender, the Resumed Land and Properties in consideration of an aggregate compensation of RMB110,219,093 payable by Putian Licheng Government to Dasheng, on and subject to the terms and conditions of the Land Resumption Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the Land Resumption exceeds 25% but is less than 75%, the Land Resumption constitutes a major transaction for the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further information in relation to the Land Resumption Agreement and the Land Resumption thereunder; (ii) a notice convening the EGM; (iii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 22 January 2021.

Completion of the Land Resumption is conditional upon the approval of the Shareholders. Accordingly, the Land Resumption may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

** for identification purpose only*

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Date of the Land Resumption Agreement

1 January 2021

Parties to the Land Resumption Agreement

Vendor: Dasheng Footwear Co., Ltd., Putian City* (莆田市大盛鞋業有限公司), a wholly-owned subsidiary of the Company

Putian Licheng Government: Putian City Licheng District People’s Government* (莆田市荔城區人民政府)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Putian Licheng Government and its ultimate beneficial owner(s) is an Independent Third Party.

The Resumed Land and Properties

Pursuant to the Land Resumption Agreement, Putian Licheng Government will resume, and Dasheng will surrender the Resumed Land and Properties, particulars of which are set out below:

Address: Changlin Community, Gongchen Street, Licheng, Putian, Fujian, the PRC

Particulars: (i) The land use right to the land located at Changlin Community, Gongchen Street, Licheng, Putian, Fujian, the PRC (the “**Land**”); (ii) the buildings erected on the Land; and (iii) the fixtures of the Company erected on the Land, including structures, attachments and machinery (collectively, the “**Resumed Land and Properties**”)

Land area of the Land: 23,441.84 sq. m.

Gross floor area of the buildings erected on the Land: 23,315.80 sq. m.

Current land use: Industrial

The Land has been approved for industrial use and is currently used primarily by the Group for leasing to independent third parties to generate rental income for the Group.

Compensation and Payment Terms

Pursuant to the Land Resumption Agreement, the total compensation payable to Dasheng for the Land Resumption will be RMB110,219,093, which shall be payable in cash by Putian Licheng Government in the following manner and timeline:

- (i) a sum of RMB60,000,000 shall be paid by Putian Licheng Government to Dasheng within fifteen business days after the date of the Land Resumption Agreement (the “**First Payment**”); and
- (ii) a further sum of RMB50,219,093 shall be paid by Putian Licheng Government to Dasheng within two months from the date of completion of the cancellation of the relevant certificates in respect of the Resumed Land and Properties and the surrender of the vacant Resumed Land and Properties.

The aggregate amount of compensation for the resumption of the Resumed Land and Properties was agreed following arm’s length negotiations held between Putian Licheng Government and Dasheng, taking into account, among others, the relevant laws, regulations and procedures applicable to resumption of industrial lands in Putian, an assessment made by an independent professional valuer of the value of the Resumed Land and Properties and prevailing market price of comparable properties in Putian.

Completion

It was agreed that the rights and obligations relating to, among other things, the completion of the Land Resumption shall be conditional upon the approval from the Shareholders.

REASONS FOR AND BENEFITS FOR THE LAND RESUMPTION

The Putian Licheng Government has advised Dasheng that the Resumed Land and Properties are situated within parcels of land that are subject to resumption, following the Putian Licheng Government’s recent policy on the change of land use of such parcels of land from industrial to residential.

To alleviate the financial impact on Dasheng, Putian Licheng Government agreed to, among others, compensate Dasheng in an aggregate amount of RMB110,219,093 for the costs and expenses incurred in surrendering the Resumed Land and Properties, which represents a considerable premium to the valuation of the Resumed Land and Properties made by the independent professional valuer.

The Directors (including the independent non-executive Directors) consider that the terms of the Land Resumption Agreement and the Land Resumption contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS FROM THE LAND RESUMPTION AND PROPOSED USE OF PROCEEDS

The net book value of the Resumed Land and Properties was approximately RMB2,527,000 as at 30 June 2020 (which is approximately 2.3% of the total compensation to be paid by Putian Licheng Government). The Resumed Land and Properties will be de-recognized from the accounts of the Group when the Group vacates from, and Putian Licheng Government possesses, the Resumed Land and Properties.

The unaudited net profit or loss (before and after taxation) attributable to the Resumed Land and Properties for the financial years ended 31 December 2018 and 31 December 2019 are as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(Loss) before taxation	663	(20)
Profit/(Loss) after taxation	497	(174)

It is estimated that there would be a gain before tax of approximately RMB85.7 million under the Land Resumption Agreement (which is estimated based on the aggregate compensation amount thereunder, less the net book value of the Resumed Land and Properties as at 30 June 2020 and other related costs and expenses). Such estimated gain was arrived at as if the Land Resumption was completed on 30 June 2020 and has not taken into account of any PRC profits tax and other related tax expenses to be or may be charged. The actual gain under the Land Resumption Agreement will depend on the net book value of the Resumed Land and Properties attributable to the Group as at the date of completion of the Land Resumption and the actual costs and expenses to be incurred in connection with the Land Resumption, which are yet to be determined as at the date of this announcement.

The net proceeds (after deducting compensation payable to existing tenants of the Resumed Land and Properties in the amount of approximately RMB22.0 million and other expenses in relation thereto) arising from the Land Resumption will be of approximately RMB66.2 million.

The Company intends to apply net proceeds from the aggregate compensation of the Land Resumption in the following manner:

- (i) approximately 60% of the net proceeds for settlement of trade and other payables;
- (ii) approximately 10% of the net proceeds for advertising and promotion of the brands of the Group; and
- (iii) approximately 30% of the net proceeds for the Group's general working capital, including rental expenses, professional fees and employee costs.

INFORMATION ON DASHENG AND PUTIAN LICHENG GOVERNMENT

The Company is principally engaged in the distribution and retailing of footwear and accessories in the PRC. Dasheng is a wholly-owned subsidiary of the Company and a property investment company incorporated in the PRC.

Putian Licheng Government is located in Licheng, Putian City, Fujian Province, the PRC, which is responsible for, among others, the implementation of the resumption of the Resumed Land and Properties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Putian Licheng Government and its ultimate beneficial owner(s) is an Independent Third Party.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the Land Resumption exceeds 25% but is less than 75%, the Land Resumption constitutes a major transaction for the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

Board	the board of directors of the Company
Company	Daphne International Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 210)
connected person(s)	has the same meaning ascribe under the Listing Rules
Dasheng	Dasheng Footwear Co., Ltd., Putian City* (莆田市大盛鞋業有限公司), a wholly-owned subsidiary of the Company
Director(s)	directors of the Company
EGM	the extraordinary general meeting of the Company to be convened and held for the purpose of, among others, considering and if thought fit, approving and ratifying the Land Resumption Agreement and the Land Resumption contemplated thereunder
Group	the Company and its subsidiaries
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Independent Third Party	person who is not a connected person (as defined in the Listing Rules) of the Company and is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
Land Resumption	the resumption by Putian Licheng Government, and the surrender by Dasheng of the Resumed Land and Properties in consideration of an aggregate compensation of RMB110,219,093 payable by Putian Licheng Government to Dasheng
Land Resumption Agreement	the agreement entered into between Dasheng and Putian Licheng Government dated 1 January 2021 in relation to the Land Resumption
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
PRC	the People's Republic of China

Putian Licheng Government	Putian City Licheng District People's Government* (莆田市荔城區人民政府)
RMB	Renminbi, the lawful currency of the PRC
Shares	ordinary shares of the Company
Shareholder(s)	holders of the Shares
sq. m.	square meter
%	per cent.

* *for identification purpose only*

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

Hong Kong, 3 January 2021

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