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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)

**PROPOSED ISSUE OF CONVERTIBLE NOTES AND SUBSCRIPTION OF NEW
SHARES UNDER GENERAL MANDATE**

Issue of Subscriptions Shares and Issue of Convertible Notes

On 14 September 2020 (after trading hours), the Company and Subscriber entered into the Subscription Agreements in relation to the issuance of the Convertible Notes in the aggregate principal amount of RMB25,300,000 and the allotment and issuance of 164,914,238 new Shares at the Subscription Price of HK\$0.1817 per Share. The Convertible Note will bear an interest of 9% per annum and will be due on the third anniversary of the date of the issue of the Convertible Notes. The Convertible Notes are convertible into Conversion Shares at an initial Conversion Price of HK\$0.221.

Listing Rules Implication

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 26 May 2020, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the total number of the issued Shares of the Company on 26 May 2020. As at the date of this announcement, the Directors have not exercised the power to allot and issue any Shares pursuant to the General Mandate. As at the date of this announcement, the Company is entitled to issue up to 329,828,476 Shares pursuant to the General Mandate. It is intended that the Subscription Shares and the Conversion Shares will be issued under the General Mandate.

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.

** for identification purpose only*

INTRODUCTION

On 14 September 2020 (after trading hours), the Company and Subscriber entered into the Subscription Agreements in relation to the issuance of the Convertible Notes in the aggregate principal amount of RMB25,300,000 and the allotment and issuance of 164,914,238 new Shares at the Subscription Price of HK\$0.1817 per Share. The Convertible Notes will bear an interest of 9% per annum and will be due on the third anniversary of the date of the issue of the Convertible Notes. The Convertible Notes are convertible into Conversion Shares at an initial Conversion Price of HK\$0.221.

Details of the Subscription Agreements and the terms of the Convertible Notes are described below:

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT (CONVERTIBLE NOTES)

Date

14 September 2020 (after trading hours)

Parties

- (1) the Company as issuer; and
- (2) the Subscriber as subscriber.

To the best of the Directors' knowledge and having made reasonable enquiries, the Subscriber and its ultimate beneficial owner are parties independent of and not connected with the Company and its core connected persons (as defined under the Listing Rules).

Principal amount

RMB25,300,000

Corporate Governance Measures

On and from Completion (Convertible Notes) and for such time as the Subscriber holds, directly or indirectly, the Shareholding Proportion, the Subscriber shall have the right to nominate one candidate of director to the board of Directors. The Company shall use reasonable endeavour to, subject to all applicable laws, the articles of association of the Company and the Listing Rules and the decision of the board of Directors or the Company's nomination committee, take all necessary actions to procure and give effect to the appointment of the candidates of director nominated by the Subscriber.

If the Subscriber ceases to hold the Shareholding Proportion, it shall cease to have the right to nominate a candidate of director to the board of Directors of the Company and the Subscriber shall (unless the Company and the Subscriber otherwise agree) procure the nominee director of the Subscriber to promptly resign as a director of the Company and any other position it holds in the Company and shall take all necessary action to cause such nominee director of the Subscriber to provide reasonable assistance to the Company in order to satisfy any requirements that the Company may have under applicable law and the Listing Rules in connection with the resignation of the nominee director of the Subscriber.

The application and performance of the above are subject to the extent permitted under applicable laws, regulations, the Listing Rules, the Takeovers Code and the Company's constitutional documents decision of the Board or the Company's nomination committee.

Other undertakings

From the date of the Subscription Agreement (Convertible Notes) until and including the Completion (Convertible Notes) (or date of termination thereof if earlier), the Company undertakes to the Subscriber that, without the prior written consent of the Subscriber, it will not:

- (1) declare, pay or make any dividends or other distributions;
- (2) issue or agree to issue any equity securities or grant or agree to grant or repurchase or redeem any equity securities or amend the terms of any existing equity securities or any right to acquire or subscribe any of its equity securities (save for the issuance of new Shares to the Subscriber); and
- (3) comply with the negative pledge and other covenants in the Terms and Conditions.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

Issuer of the Convertible Notes

The Company.

Term of the Convertible Notes

3 years from the date of issue.

Principal Amount

RMB25,300,000.

Form and Denomination

The Convertible Notes are issued in registered form in a minimum denomination of RMB5,000,000 each and integral multiples of RMB100,000 in excess thereof.

Issue Price of the Convertible Notes

100% of the HK dollar equivalent of the aggregate principal amount of the Convertible Notes.

Interest

9% per annum.

Transferability

The Convertible Notes shall be transferable by a Holder to any person, in whole or in part, subject to (i) compliance with the Terms and Conditions and such transferee takes the Convertible Notes with the benefit and subject to the restrictions in the Convertible Notes and

(ii) compliance with the Listing Rules, the Takeovers Code and all applicable laws and regulations.

No transfer of title to a Convertible Note will be valid unless and until entered on the note register.

Ranking of the Convertible Notes

The Convertible Notes shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, and shall rank equally and without any preference among themselves at all times. The obligations of the Company under the Convertible Notes shall rank *pari passu* with all its other present and future unsecured and unsubordinated obligations, save for such exceptions as may be provided by applicable legislation.

Redemption of the Convertible Notes

Redemption by the Company

On the Maturity Date, the Company shall redeem any principal amount of the Convertible Notes in its HK dollar equivalent which remains outstanding and not previously redeemed or converted into Conversion Shares by paying to each Holder an amount equal to the aggregate of (i) the Base Redemption Amount; (ii) interest accrued and outstanding pursuant to the Terms and Conditions; (iii) any default interest accrued and outstanding pursuant to the Terms and Conditions; and (iv) any other payment accrued and outstanding to the Holder pursuant to the Terms and Conditions.

Neither the Company nor the Subscriber may redeem the Convertible Notes at its option prior to the Maturity Date without prejudice to the other provisions of the Terms and Conditions in relation to Event of Default.

Redemption by the Holders

A Holder shall have the right, upon the occurrence of an Event of Default, by lodging a notice of repayment to the Company, to require the Company to repay the EOD Redemption Amount.

Upon the redemption of the full outstanding principal amount of the Convertible Notes, the right of the Holders to convert the Convertible Notes shall be extinguished and released.

Conversion Rights

The Holders have the right(s) at any time during the Conversion Period to convert the whole or any part of the outstanding principal amount of the Convertible Notes, together with any due and payable interest accrued by the relevant time, into Conversion Shares at the Conversion Price.

The Conversion Right attaching to any Convertible Notes may be exercised in the lots of RMB5,000,000, save that if at any time the outstanding principal amount of the Convertible Notes held by the Holders is less than RMB5,000,000, or if the Holders intend to exercise the Conversion Rights attached to the entire principal amount of all the Convertible Notes held by them, the Holders may convert all (but not some) of such outstanding principal amount of the Convertible Notes.

Subject to the General Mandate Threshold, the number of Conversion Shares to be issued by the Company to a Holder upon the exercise of the Conversion Right shall be determined by dividing (i) the HK dollar equivalent of the outstanding principal amount of the Convertible Notes (ii) the Conversion Price in effect at the Conversion Date.

The maximum number of Conversion Shares issuable upon conversion of the Convertible Notes shall be subject to the General Mandate Threshold. If any event occurs (including but not limited to any dilutive events which leads to the number of Conversion Shares issuable under the Convertible Notes to exceed the General Mandate Threshold), then each Holder shall be entitled to a maximum number of Conversion Shares upon conversion of the outstanding principal amount of the Convertible Notes that it holds that is equal to its Pro Rata Portion of the General Mandate Threshold, and any remaining principal amount of the Convertible Notes of each Holder shall be redeemed by the Company in cash.

Conversion Price

The Conversion Price of HK\$0.221 per Conversion Share represents:

- (1) no discount nor premium on the closing price of HK\$0.221 per Share as quoted on the Stock Exchange on 14 September 2020, being the date of the Subscription Agreement (Convertible Notes);
- (2) a premium of approximately 11.96% over the average of the closing price of approximately HK\$0.1974 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement (Convertible Notes).

Upon full conversion of the Convertible Notes and assuming there is no adjustment to the Conversion Price, after deducting the relevant expenses of the Convertible Notes, the net Consideration is approximately HK\$0.217 per Conversion Share.

The Conversion Price has been determined after arm's length negotiations between the Company and the Subscriber with reference to the then prevailing market price of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement (Convertible Notes) and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Conversion Price will be subject to adjustment for, among other matters, sub-division, consolidation and reclassification of Shares, issue of Shares in lieu of the whole or any part of a specifically declared cash dividend, capital distributions, issue of convertible securities, issue of new shares at less than the Market Price, consideration issues and other dilutive events.

Negative Pledge

For so long as the Convertible Notes remain outstanding, the Company covenants to the Holder that it shall not and shall procure that no member of the Group will, without the prior written consent of the Majority Holders, among others, carry on the business or engage in any business activity other than the business as described in the last annual report of the Company; other than in the ordinary course of business, borrow or incur any indebtedness and create any encumbrance to secure indebtedness, the principal amount of which exceeds of

HK\$20,000,000 for any financial year and issue any shares, options or warrants or similar right to subscribe for or convertible into the Shares (save and except for any options granted or to be granted under the Share Option Scheme).

Events of Default

Upon the occurrence of an Event of Default which is continuing, a Holder shall have the right to require the Company to repay the EOD Redemption Amount by lodging a notice of repayment to the Company. The Events of Default include:

- (1) any failure by the Company to pay any amounts due and payable on the Convertible Notes on its due date (subject to customary grace period);
- (2) any material breach or default by the Company of any of the Transaction Documents (Convertible Notes) (subject to customary grace period and exceptions);
- (3) a distress, attachment, execution, seizure be against any substantial part of the assets or revenues of the Company or any member of the Group;
- (4) the Company or any member of the Group fails to pay when due any amount payable by it in excess of HK\$50,000,000 (or its equivalent in other currencies);
- (5) an encumbrancer takes possession or other similar officer is appointed of any material part of the assets or revenues of the Company or any member of the Group;
- (6) the Company or any member of the Group becomes insolvent or bankrupt;
- (7) any action being commenced by or against the Company or any member of the Group relating to bankruptcy, insolvency, reorganisation or relief of debtors seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganisation, winding-up, liquidation, dissolution or other similar relief to it or its debts; or seeking to appointment of a liquidator or other similar official for it or for all or any part of its assets;
- (8) any one or more events or changes shall have occurred that have caused or constitute or likely to cause or constitute, either in any case or in the aggregate, a Material Adverse Effect (as defined in the Terms and Conditions);
- (9) the Company or any member of the Group pursuant to or within the meaning of the applicable bankruptcy laws for the relief of debtors, (i) commences a voluntary case, (ii) consents to the entry of an order for relief against it in an involuntary case, (iii) consents to the appointment of a liquidator, administrator, administrative receiver, receiver, trustee, assignee, liquidator or similar official, (iv) initiates or consents to any proceedings relating to itself under any law for a readjustment or deferment of its obligations or any part of them, (v) makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors, (vi) admits in writing that it is generally unable to pay its debts as they become due, or (vii) stops or threatens to cease to carry on its or any substantial part of its business, other than pursuant to a corporate restructuring approved by the Majority Holders;
- (10) a moratorium is agreed or declared in respect of any indebtedness of the Company or any member of the Group, or any governmental authority takes any step with a view

to seizing, compulsorily purchasing or expropriating all or a substantial part of the assets of the Company or any member of the Group;

- (11) a court of competent jurisdiction enters an order or decree under any bankruptcy law that is for relief against the Company in an involuntary case, appoints a custodian of the Company, or orders the liquidation or provisional liquidation of the Company or any member of the Group;
- (12) Lucky Earn International Limited, the single largest Shareholder of the Company as at the date hereof, dispose any Shares (whether directly or indirectly);
- (13) the Company submits a notification to the Main Board of the Stock Exchange of its proposed cancellation of the admission of the Shares;
- (14) the Company's shareholders approve a resolution to delist the Company from the Main Board of the Stock Exchange; or
- (15) the Company ceases to be listed on the Main Board of the Stock Exchange.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT (SHARE SUBSCRIPTION)

Parties

- (1) the Company as issuer; and
- (2) the Subscriber as subscriber.

To the best of the Directors' knowledge and having made reasonable enquiries, Subscriber and its ultimate beneficial owners are parties independent of and not connected with the Company and its core connected persons (as defined under the Listing Rules).

Subscription Shares

The 164,914,238 new Shares represent approximately 10.00% of the issued share capital of the Company as at the date of this announcement and approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is approximately HK\$16,491,423.80.

Subscription Price

The Subscription Price of HK\$0.1817 per Share represents:

- (1) a discount of approximately 17.78% over the closing price of HK\$0.221 per Share as quoted on the Stock Exchange on 14 September 2020, being the date of the Subscription Agreement (Share Subscription);
- (2) a discount of approximately 7.95% over the average of the closing price of approximately HK\$0.1974 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement (Share Subscription).

After deducting the relevant expenses of the Share Subscription, the net subscription price is approximately HK\$0.179 per Share.

The Subscription Price has been determined after arm's length negotiations between the Company and the Subscriber with reference to the then prevailing market price of the Shares. The Directors consider that the Subscription Price and the terms and conditions of the Subscription Agreement (Share Subscription) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

COMMON TERMS OF THE SUBSCRIPTION AGREEMENTS

Conditions Precedent

- (1) Completion of the Subscription Agreements is conditional upon, among others, the following conditions being fulfilled (or waived):
 - a. the Listing Committee having granted the listing of, and the permission to deal in, the Conversion Shares upon conversion of the Convertible Notes and the Subscription Shares and such listing and permission not having been revoked (either unconditionally or if subject to conditions, such conditions being acceptable to the Subscriber (acting reasonably) and if required by the Stock Exchange to be fulfilled before the Completion, such conditions being fulfilled or satisfied before the Completion) and such listing and permission remaining in full force and effect and not subsequently being revoked;
 - b. the Company Warranties shall be true, accurate, complete and not misleading in all material respects when made, and shall continue to be true, accurate, complete in all material respects and not misleading up to the Completion with the same force and effect as if they had been repeated throughout the period between the signing hereof and the Completion and on and as at the Completion, or as at another date if any representations and warranties are made with respect to such other date;
 - c. the Company shall have performed and complied with all covenants, agreements, obligations and conditions contained in each of the Subscription Agreements that are required to be performed or complied with by it on or before the Completion; and
 - d. (only applicable to the Subscription Agreement (Convertible Notes)) there shall not have occurred any event that would (had the Convertible Notes already been issued) constitute an Event of Default.
- (2) All of the conditions set out in paragraph (1) above may be waived by Subscriber at its sole discretion by written notice to the Company, save for the condition set out in sub-paragraph (1)(a) above.
- (3) The Company shall use its best endeavours to procure the fulfilment of the conditions precedent above on or before the Long Stop Date and shall keep the Subscriber duly informed of its progress towards obtaining fulfilment of the Conditions Precedent above.

Completion

Subject to fulfillment or waiver of the Conditions Precedent, Completion shall take place on the Completion Date.

Termination

If the Conditions Precedent under the Subscription Agreement are not either waived or satisfied, as the case maybe, by 5:00 p.m. on the Long Stop Date, the relevant Subscription Agreement shall automatically terminate.

The Subscriber may terminate the Subscription Agreement by notice to the Company at any time before the date of Completion if any of the following circumstances arises or occurs at any time before the Completion:

- (1) a material breach of any Company Warranties as given on the date of Subscription Agreement; and
- (2) any material breach by the Company of its obligations under the Subscription Agreement.

Indemnification

The Company agrees to indemnify and hold harmless each of the Subscriber, its affiliates, their respective directors, officers, employees, agents or representatives, and assignees (each, an “**Indemnified Party**”), on demand from and against any and all losses suffered by such Indemnified Party as a result of, or based upon or arising from:

- (1) any inaccuracy, alleged inaccuracy or any breach of any certificates, covenants, representations, warranties or agreements made or given by the Company or any Company Warranties (on the date of the Subscription Agreement or on any date when it is deemed to be repeated);
- (2) any breach or alleged breach or non-performance by the Company of any of its undertakings in of the Subscription Agreement including, but without limitation, the failure by the Company to issue the Convertible Notes;
- (3) (applicable to the Subscription Agreement (Convertible Notes) only) the failure or alleged failure by the Company or any of its Directors or officers to comply with any requirements of statute or regulation in relation to the issue of the Convertible Notes;
- (4) (applicable to the Subscription Agreement (Convertible Notes) only) an Event of Default; or
- (5) investigating, disputing, defending or preparing to defend any such matter as is described in paragraphs (1) through (4) above.

If any claim, demand or liability is asserted by any third party against any Indemnified Party, the Company shall upon the written request of the Indemnified Party, defend any actions or proceedings brought against the Indemnified Party in respect of matters embraced by the indemnity under this section. If, after a request to defend any action or proceeding, the

Company neglects to defend the Indemnified Party, a recovery against the Indemnified Party suffered by it in good faith shall be conclusive in its favour against the Company.

The indemnity will be in addition to any liability that the Company may otherwise have to the relevant Subscriber.

Ranking of the Conversion Shares and the Subscription Shares and Application for Listing

The Conversion Shares and the Subscription Shares will be allotted and issued together with all rights attaching to them, including the right to receive all dividends declared and will rank *pari passu* with all other issued Shares in all respects as at the date of allotment and issue. The Company will apply to the Listing Committee for listing of and permission to deal in the Conversion Shares and Subscription Shares.

USE OF PROCEEDS

The gross proceeds and the net proceeds (after deduction of expenses payable in connection with the issue of the Transactions) from the issue of the Convertible Notes and Subscription Shares will be HK\$58.60 million and approximately HK\$57.60 million, respectively.

The Company intends to use the net proceeds from the Transactions 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.

EQUITY FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

To the best knowledge of the Directors and the Company, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment of the Subscription Shares (assuming no other Shares will be issued); and (iii) immediately after full conversion of the Convertible Notes on or immediately prior to the Maturity Date (assuming no other Shares will be issued); and (iv) immediately after the allotment of the Subscription Shares and full conversion of the Convertible Notes on or immediately prior to the Maturity Date (assuming no other Shares will be issued):

	As at the date of this announcement		Immediately after the allotment of the Subscription Shares (assuming no other Shares will be issued)		Immediately after the conversion of the Convertible Notes on or immediately prior to the Maturity Date (assuming no other Shares will be issued)		Immediately after the allotment of the Subscription Shares and full conversion of the Convertible Notes on or immediately prior to the Maturity Date (assuming no other Shares will be issued)	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Warrior Limited	-	0.00%	164,914,238	9.09%	164,541,807	9.07%	329,456,045	16.65%
Lucky Earn International Limited	400,719,995	24.30%	400,719,995	22.09%	400,719,995	22.09%	400,719,995	20.25%
Top Glory Assets Limited	174,908,895	10.61%	174,908,895	9.64%	174,908,895	9.64%	174,908,895	8.84%
Pushkin Holding Limited	147,740,920	8.96%	147,740,920	8.14%	147,740,920	8.15%	147,740,920	7.47%
Mr. Ma Liang Chun	98,884,000	6.00%	98,884,000	5.45%	98,884,000	5.45%	98,884,000	5.00%
Other Shareholders	826,888,574	50.14%	826,888,574	45.58%	826,888,574	45.59%	826,888,574	41.79%
Total	1,649,142,384	100.00%	1,814,056,622	100.00%	1,813,684,191	100.00%	1,978,598,429	100.00%

GENERAL MANDATE TO ISSUE SHARES

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 26 May 2020, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the total number of the issued Shares of the Company on 26 May 2020. The Directors have not exercised the power to allot and issue any Shares pursuant to the General Mandate. As at the date of this announcement, the Company is entitled to issue up to 329,828,476 Shares pursuant to the General Mandate. It is intended that the Subscription Shares and the Conversion Shares will be issued under the General Mandate.

APPLICATION FOR LISTING APPROVAL

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares upon conversion of the Convertible Notes.

No listing application will be made for the Convertible Notes on the Stock Exchange or any other stock exchange.

INFORMATION OF THE GROUP

The Group is principally engaged in the distribution and retailing of footwear and accessories in mainland China.

INFORMATION OF THE SUBSCRIBER

The Subscriber mainly participates in the businesses as an investment company, including acting as promoters and entrepreneurs and carrying on businesses as financiers, capitalists, concessionaires, merchants, brokers, traders, dealers, agents, importers and exporters and to undertaking and carrying on and executing all kinds of investment, financial, commercial, mercantile, trading and other operations.

The Subscriber is held as to 100% by Teresaeleven Inc., which in turn is owned as to 100% by Ms. Quan Qizi.

To the best of the Directors' knowledge and having made reasonable enquiries, the Subscriber and its ultimate beneficial owner are parties independent of and not connected with the Company and its core connected persons (as defined under the Listing Rules).

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As set out in the section headed "Use of Proceeds" above, the Company intends to use the net proceeds from the Transactions as general working capital of the Company.

The Directors also consider that the Transactions represent an opportunity to raise additional funding for the business operations of the Group and will enlarge the shareholders' base of the Company which may in turn establish and strengthen the existing and future strategic business cooperation of the Group, cultivate synergies with our business partners, enhance the liquidity of the Shares and enhance liquidity position of the Group.

On the above premises, the Directors (including the independent non-executive Directors) are of the view that the terms of the Transactions (i) have been negotiated on an arm's length basis; and (ii) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

Shareholders and potential investors should note that completion of the Subscription Agreements is subject to the fulfilment of the respective 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.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

Base Redemption Amount	in respect of any principal amount of the Convertible Notes outstanding and to be redeemed by the Company pursuant to the Terms and Conditions, an amount equal to 100% of the principal amount stated in the note certificate in respect of the Convertible Notes
Business Day	a day on which commercial banks and foreign exchange markets settle payments in Hong Kong excluding any day in Hong Kong on which a typhoon signal number 8 or above or a "black" rainstorm warning is hoisted
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)
Company Warranties	the representations and warranties given by the Company to the Subscriber in the Subscription Agreements
Completion	the Completion (Convertible Notes) or the Completion (Share Subscription) (as the case may be)
Completion (Convertible Notes)	the completion of the issuance and subscription of the Convertible Notes
Completion (Share Subscription)	the completion of the issuance and subscription of the Subscription Shares
Completion Date	14 October 2020, or an earlier date upon the last of the Conditions Precedent of the relevant Subscription Agreement to be satisfied shall have been satisfied or waived or such other time and/or date as the parties to the relevant Subscription Agreement may agree in writing

Conditions Precedent	the conditions precedent as set out in the Subscription Agreements
Consideration	the subscription price for the Convertible Notes, being RMB25,300,000
Conversion Date	the date on which the Holder exercises the Conversion Right
Conversion Period	at any time during the period commencing from the date of issue of the Convertible Notes and up to the close of business on the Maturity Date
Conversion Price	the initial conversion price of HK\$0.221 per Conversion Share under the Convertible Notes
Conversion Right	the conversion right attaching to the Convertible Notes
Conversion Share(s)	the Shares which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes
Convertible Notes	the convertible notes in the aggregate principal amount of RMB25,300,000 to be issued by the Company to Subscriber pursuant to the Subscription Agreement
Director(s)	directors of the Company
EOD Redemption Amount	<p>upon early redemption of the Convertible Notes due to the occurrence of any Event of Default which is continuing, the amount payable by the Company to the Holder in respect of the outstanding principal amount of the Convertible Notes on the date of such redemption, being the aggregate of and the HK dollar equivalent of such aggregate amount:</p> <p>(a) the Base Redemption Amount;</p> <p>(b) interest accrued and outstanding the Terms and Conditions;</p> <p>(c) any default interest accrued and outstanding under the Terms and Conditions; and</p> <p>(d) any other payment accrued and outstanding to the Noteholder pursuant to the Terms and Conditions</p>
Events of Default	the events of default of the Convertible Notes as stipulated under the Terms and Conditions
General Mandate	the general mandate granted to the Directors at the last annual general meeting of the Company held on 26 May 2020 to issue up to 329,828,476 Shares

General Threshold	Mandate	the threshold of 329,828,476 Shares (subject to consolidation or subdivision) or such number of Shares which may be permissible to be issued under the General Mandate
Group		the Company and its subsidiaries
HK dollar equivalent		the amount (if stated in another currency), the amount in HK dollar after conversion using the fixed exchange rate of HK\$1.00 to RMB0.8836
HK\$		Hong Kong dollars, the lawful currency of Hong Kong
Holder		a person in whose name a Convertible Note is registered in the register of holders of Convertible Notes (or in the case of joint holders, the first named thereof)
Hong Kong		the Hong Kong Special Administrative Region of the People's Republic of China
Listing Committee		the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Main Board of the Stock Exchange
Listing Approval		the approval by the Listing Committee of the Stock Exchange to the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange
Listing Rules		the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
Long Stop Date		31 December 2020, or such other date as may be agreed by the Company and the Subscriber in writing
Majority Holder		the holder(s) of the Convertible Notes representing more than 50% of the total principal amount of all the Convertible Notes outstanding at the relevant time
Market Price		the average of the closing prices of a Share on the Main Board for each of the last thirty (30) consecutive trading days on which dealings in the Shares on the Main Board of the Stock Exchange took place ending on the last such trading day immediately preceding the day on or as of which the market price is to be determined
Maturity Date		the maturity date of the Convertible Notes

Pro Rata Portion	in the event that the Convertible Notes are held by multiple Holders, the number determined by dividing (i) the outstanding principal amount of the Convertible Notes then held by such Holder by (ii) the principal amount of all Convertible Notes then issued and outstanding
SFC	Securities and Futures Commission in Hong Kong
Share Subscription	the subscription of the Subscription Shares pursuant to the Subscription Agreement (Share Subscription)
Share(s)	fully paid ordinary shares in the share capital of the Company with a nominal value of HK\$0.10 each, or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares
Shareholder(s)	the holder(s) of the Shares
Shareholding Proportion	an interest in such number of Shares, convertible securities or any other derivative interest thereof, as is equal to or more than 5.00% of the issued and outstanding share capital of the Company on an as-converted basis
Share Option Scheme	the share option scheme of the Company adopted on 27 August 2013
Stock Exchange	The Stock Exchange of Hong Kong Limited
Subscriber	Warrior Limited, a company incorporated under the laws of Cayman Island, whose ultimate beneficial owner is Ms. Quan Qizi
Subscription Agreement (Convertible Notes)	the subscription agreement dated 14 September 2020 and entered into between the Company and the Subscriber relating to the subscription of the Convertible Notes
Subscription Agreement (Share Subscription)	the subscription agreement dated 14 September 2020 and entered into between the Company and the Subscriber relating to the subscription of the Subscription Shares
Subscription Agreement(s)	collectively, the Subscription Agreement (Convertible Notes) and the Subscription Agreement (Share Subscription), each a “Subscription Agreement”
Subscription Price	HK\$0.1817 per Share
Subscription Shares	the 164,914,238 new Shares to be allotted and issued pursuant to the Subscription Agreement (Share Subscription)
Takeovers Code	Hong Kong Code on Takeovers and Mergers and Share Buy-backs published by the SFC

Terms and Conditions	the terms and conditions of the Convertible Notes
Transactions	the issue of the Convertible Notes and the Share Subscription
Transaction Documents (Convertible Notes)	collectively, (i) the Subscription Agreement (Convertible Notes); (ii) the note instrument to be executed as a deed by the Company constituting the Convertible Notes; (iii) each certificate in respect of the Convertible Notes to be issued to the Subscriber pursuant to the terms of the Convertible Notes; and (iv) any other documents designated as such by the Company and the Subscriber

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

Hong Kong, 14 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