
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Daphne International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting (“EGM”) of the Company to be held at Unit 1603-1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Friday, 5 February 2021 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompany form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any adjournment thereof) should you so wish.

Hong Kong, 21 January 2021

* for identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
APPENDIX I FINANCIAL INFORMATION OF THE GROUP	10
APPENDIX II GENERAL INFORMATION OF THE GROUP	12
NOTICE OF EXTRAORDINARY GENERAL MEETING	EGM-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 3 January 2021 in relation to the Land Resumption
“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
“HK\$”	Hong Kong dollars, lawful currency of Hong Kong
“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)
“Latest Practicable Date”	18 January 2021, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“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 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
“Lessee”	Fujian Ruizhong Asset Management Co., Ltd.* (福建瑞眾資產管理有限公司), an Independent Third Party to the best of Director’s knowledge, information and belief having made all reasonable enquiries
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* for identification purpose only

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Chang Chih-Kai (*Chairman*)
Mr. Chang Chih-Chiao (*Chief Executive Officer*)
Mr. Wang Jungang

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent Non-executive Directors:

Mr. Hon Ping Cho Terence
Mr. Huang Shun-Tsai
Mr. Kuo Jung-Cheng

Principal Place of Business

in Hong Kong:
Unit 2605, 26/F
The Metropolis Tower
10 Metropolis Drive
Hung Hom, Kowloon
Hong Kong

21 January 2021

To Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION DISPOSAL OF LAND AND PROPERTIES IN RELATION TO LAND RESUMPTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement, in which the Company announced 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.

* *for identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, amongst other things, further information in relation to the Land Resumption Agreement and the Land Resumption thereunder.

THE LAND RESUMPTION AGREEMENT

The principal terms of the Land Resumption Agreement are set out as follows:

Date

1 January 2021

Parties

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.

Subject Matter

Pursuant to the Land Resumption Agreement, 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.

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:

LETTER FROM THE BOARD

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. The Group acquired the Land in 1991 for the purpose of construction of factory buildings for the Group’s manufacturing purpose. The total acquisition and construction costs amounted to approximately RMB14.0 million. The Resumed Land and the Properties had been used by the Group for manufacturing and production of footwear purpose until June 2016. After June 2016, the Resumed Land and Properties have been and are currently used primarily by the Group to generate rental income for the Group pursuant to a lease agreement (the “**Lease**”) between Dasheng and the Lessee. The Lease was entered into for the period between 1 July 2016 and 30 September 2022. In contemplation of the proposed Land Resumption, Dasheng and the Lessee entered into a supplemental agreement (the “**Supplemental Agreement**”), pursuant to which Dasheng agreed to pay the Lessee the amount of RMB22.0 million in consideration of the early termination of the Lease and the Lessee’s agreement to vacate, and cause and any sub-lessees to vacate, the Resumed Land and Properties by no later than 31 January 2021. The amount of RMB22.0 million was agreed following arm’s length negotiations held between Dasheng and the Lessee.

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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the total amount of compensation received by Dasheng was RMB10,000,000.

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, the compensation cost payable by Dasheng to the Lessee pursuant to the Supplemental Agreement for early termination of the existing Lease in the total amount of RMB22.0 million, an assessment made by Guangming Appraisal Co., Ltd.* (光明房地產評估有限公司), an independent professional valuer (the "Valuer") of the value of the Resumed Land and Properties as at 2 December 2020 in the amount of approximately RMB9,463,744 and prevailing market price of comparable properties in Putian. The valuation technique adopted by the Valuer is market approach and the assessment of the Valuer was conducted in accordance with the relevant laws, regulations and procedures applicable to resumption of industrial lands in Putian.

Having reviewed and assessed the credentials and background of the Valuer, the Directors consider that the Valuer is a competent and independent professional valuer. Taking into account the practices adopted for land resumption generally in Putian, the Directors consider that the valuation method of the Valuer is fair and reasonable.

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. Subject to obtaining approval from the Shareholders, the Land Resumption is expected to be completed by no later than end of February.

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 and the net book value of the Resumed Land and Properties. Taking into account of such premium, the expected compensation cost payable to the Lessee and the possible financial effects from the Land Resumption, the Directors therefore consider that the total compensation payable to Dasheng for the Land Resumption is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Furthermore, 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.

LETTER FROM THE BOARD

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 and the Group will not generate any further rental income from the Resumed Land and Properties when the Group vacates from, and Putian Licheng Government possesses, the Resumed Land and Properties. Upon completion of the Land Resumption, it is estimated that the total assets of the Group would be increased by approximately RMB63.6 million (which is estimated based on the aggregate compensation amount thereunder, less (i) the net book value of the Resumed Land and Properties as at 30 June 2020 and (ii) compensation payable to existing tenants of the Resumed Land and Properties in the amount of approximately RMB22.0 million, the PRC corporate income tax and professional fees payable in respect of the Land Resumption, representing approximately 7.5% of the total assets of the Group as at 30 June 2020) and there will be no material impact to the total liabilities of the Group.

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 <i>(unaudited)</i> RMB'000	For the year ended 31 December 2019 <i>(unaudited)</i> RMB'000
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, (i) the net book value of the Resumed Land and Properties as at 30 June 2020 and (ii) compensation payable to existing tenants of the Resumed Land and Properties in the amount of approximately RMB22.0 million). 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 corporate income 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 circular.

The net proceeds (after deducting compensation payable to existing tenants of the Resumed Land and Properties in the amount of approximately RMB22.0 million, the PRC corporate income tax and professional fees payable in respect of the Land Resumption) arising from the Land Resumption will be of approximately RMB66.2 million.

Taking into account the financials and estimated budget of the Group, 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, which is expected to be utilized by December 2021;

LETTER FROM THE BOARD

- (ii) approximately 10% of the net proceeds for advertising and promotion of the brands of the Group, which is expected to be utilized by December 2021; and
- (iii) approximately 30% of the net proceeds for the Group's general working capital, including rental expenses, professional fees and employee costs, which is expected to be utilized by December 2021.

INFORMATION ON THE PARTIES

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.

As the carrying amount of each property interest held by Dasheng in respect of the Resumed Land and Properties was below 1% of the Company's total assets as at 30 June 2020, and the total carrying amount of the property interests comprising the Resumed Land and Properties does not exceed 10% of the Company's total assets as at 30 June 2020, therefore the valuation report on the Resumed Land and Properties is not required to be included in this circular pursuant to Rule 5.02A(5) of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Land Resumption Agreement and the Land Resumption. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Land Resumption Agreement and the Land Resumption. As such, no Shareholder is required to abstain from voting at the EGM.

LETTER FROM THE BOARD

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to the office of the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

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.

Accordingly, the Directors recommend that all Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Land Resumption Agreement and Land Resumption.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

The English text of this circular, the notice of the EGM and the form of proxy for use at the EGM shall prevail over the Chinese text in case of inconsistency.

Yours faithfully,
By order of the Board
Daphne International Holdings Limited
Chang Chih-Kai
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are disclosed in following financial reports of the Company which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.daphneholdings.com):

- the audited consolidated financial statements of the Group for the year ended 31 December 2017 is disclosed in the 2017 annual report of the Company published on 16 April 2018, from pages 49 to 124. Please see below the link to the 2017 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0416/ltn20180416314.pdf>

- the audited consolidated financial statements of the Group for the year ended 31 December 2018 is disclosed in the 2018 annual report of the Company published on 15 April 2019, from pages 66 to 148. Please see below the link to the 2018 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0415/ltn20190415614.pdf>

- the audited consolidated financial statements of the Group for the year ended 31 December 2019 is disclosed in the 2019 annual report of the Company published on 15 April 2020, from pages 67 to 144. Please see below the link to the 2019 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041500229.pdf>

- the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 are disclosed in the 2020 interim report of the Company published on 8 September 2020, from pages 16 to 33. Please see below link to the 2020 interim report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0908/2020090800333.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had unsecured and unguaranteed convertible notes with a carrying amount of the liability component amounting to approximately HK\$23.7 million and lease liabilities amounting to approximately HK\$14.3 million.

The convertible notes in the aggregate principal amount of RMB25.3 million were issued on 14 October 2020 with a term of three years from the date of issue and carried an interest rate of 9% per annum. The convertible notes are classified as a hybrid instrument and measured at fair value. The liability component will be recognized as liability and the remaining fair value will be recognized as equity in the consolidated balance sheet.

Save as aforementioned or as otherwise disclosed herein, and apart from intra-group liabilities within the Group and normal trade and other payables, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges or hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 November 2020.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances and other internal resources available and also the effect of the Land Resumption, the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the adverse impact of the COVID-19 pandemic on the business operations of the Group as disclosed in the interim report of the Company for the six months ended 30 June 2020, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

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

Despite the challenging operation environment brought by the COVID-19 pandemic, the Group has been able to minimise the losses and cash outflow for the second half year in 2020 compared to the same period in last year. This is attributable to the Group's effort in large-scale business transformation actions and the adoption of the "asset-light" business model in previous years, which has led to visible improvement in operation efficiency compared to the full year of 2019, as well as the stringent cost control measurements.

Management have taken and continue to implement various efforts and measures to enhance the liquidity position and working capital of the Group, including but not limited to improving the operating results, fund raising activities by issue of new shares and convertible notes and disposal of certain non-core properties etc.

However, considering the volatility of the pandemic, operational pressure of the retail market persists and the retail of women's shoes is no exception. In view of the challenging and uncertain outlook, the Group will continue to adhere to the principle of prudent execution and responsively handling any situation posed by the market changes whilst cautiously push forward with its business transformation measures to continue to pursue an "asset-light" business model with more resources and focus on exploring and expanding its licensing business instead of retailing of products.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO; or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

Directors’ long positions in the Shares and underlying Shares

Name of Directors	Capacity	Number of Shares held	Number of underlying Shares	Total interests	Approximate percentage of the issued Shares as at the Latest Practicable Date
Mr. Chang Chih-Kai	Personal interest	–	6,000,000 (Note)	6,000,000	0.33%
Mr. Chang Chih-Chiao	Personal interest	–	3,000,000 (Note)	3,000,000	0.17%

Note: These interests represented the interests in underlying Shares of the Company in respect of share options granted to the directors.

Directors' interests in options to subscribe for Shares

Name of Directors	Date of grant	Exercise price per Share (HK\$)	Exercise period	Number of Shares subject to outstanding options as at the Latest Practicable Date	Approximate percentage of the issued Shares as at the Latest Practicable Date
Mr. Chang Chih-Kai	2017/01/25	0.70	2017/01/25 – 2027/01/24 <i>(Note)</i>	6,000,000	0.33%
Mr. Chang Chih-Chiao	2017/01/25	0.70	2017/01/25 – 2027/01/24 <i>(Note)</i>	3,000,000	0.17%

Note: The share options shall vest one-third each year from the date of grant.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares or underlying Shares

Name of shareholders	Capacity	Number of Shares		Approximate percentage of the issued Shares as at the Latest Practicable Date
Lucky Earn International Limited	Beneficial interests	400,719,995	(Note 1)	22.09%
Warrior Limited	Beneficial interests	329,456,045	(Note 2)	18.16%
Teresaeleven Inc.	Interests of controlled corporation	329,456,045	(Note 2)	18.16%
Ms Quan Qizi	Interests of controlled corporation	329,456,045	(Note 2)	18.16%
Top Glory Assets Limited	Beneficial interests	174,908,895	(Note 3)	9.64%
Ms. Chen Jennifer Yi-Chen	Interests of controlled corporation	174,908,895	(Note 3)	9.64%
Mr. Chen Tommy Yi-Hsun	Interests of controlled corporation and personal interests	176,508,895	(Note 3)	9.73%
Pushkin Holding Limited	Beneficial interests	147,740,920	(Note 4)	8.14%
Mr. Chen Ming-Yuan	Interests of controlled corporation	147,740,920	(Note 4)	8.14%
Mr. Ma Liang Chun	Personal interests	109,862,000		6.06%

Notes:

- (1) Mr. Chang Chih-Kai, the Chairman of the Board and the executive Director of the Company and Mr. Chang Chih-Chiao, an executive Director and Chief Executive Officer of the Company, and their two sisters have beneficial interests of 26%, 26% and 24% each, respectively, in Lucky Earn International Limited, a company incorporated in the British Virgin Islands.
- (2) Warrior Limited has beneficial interest in 164,914,238 shares of the Company and has subscribed for convertible notes of the Company. Upon full conversion of the convertible notes, an aggregate of 164,541,807 shares would be issued to Warrior Limited. Warrior Limited is wholly owned by Teresaeleven Inc., which in turn is wholly owned by Ms. Quan Qizi. Teresaeleven Inc. and Ms. Quan are deemed to be interested in 329,456,045 shares of the Company held by Warrior Limited.

- (3) Mr. Chen Tommy Yi-Hsun, an ex-director of the Company, and Ms. Chen Jennifer Yi-Chen have beneficial interests of 50% each in Top Glory Assets Limited, a company incorporated in the British Virgin Islands. By virtue of the SFO, they are deemed to be interested in 174,908,895 shares of the Company held by Top Glory Assets Limited.
- (4) Pushkin Holding Limited is solely owned by Mr. Chen Ming-Yuan. By virtue of the SFO, Mr. Chen is deemed to be interested in 147,740,920 shares of the Company held by Pushkin Holding Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contracts with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited accounts of the Group were made up).

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by the members of the Group within two years immediately preceding the date of this circular, which are or may be material:

- (a) the agreement entered into between Dasheng and Putian Licheng Government dated 1 January 2021 in relation to 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 Putian Licheng Government to Dasheng;
- (b) the subscription agreement entered into between the Company and Warrior Limited dated 14 September 2020 in relation to the subscription of convertible notes issued by the Company in the principal amount of RMB25,300,000; and
- (c) the subscription agreement entered into between the Company and Warrior Limited dated 14 September 2020 in relation to the subscription of the 164,914,238 new Shares.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, as far as the Directors were aware, no member of the Group was engaged in any litigation or arbitration or claim of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is Unit 2605, 26/F, The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Mr. Cheung Chun Hay, who is a member of the Hong Kong Institute of Certified Public Accountant.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over this respective Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 2605, 26/F, The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong from the date of this circular up to the date which is 14 days from the date of this circular (both days inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019, respectively and the interim report of the Company for the six months ended 30 June 2020;
- (c) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix to this circular; and
- (d) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

DAHPNE 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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Daphne International Holdings Limited (the “**Company**”) will be held at Unit 1603-1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Friday, 5 February 2021 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (1) (a) the agreement entered into between Dasheng Footwear Co., Ltd., Putian City* (莆田市大盛鞋業有限公司) (“**Dasheng**”) and Putian City Licheng District People’s Government* (莆田市荔城區人民政府) (“**Putian Licheng Government**”) dated 1 January 2021 (the “**Land Resumption Agreement**”) and the resumption by Putian Licheng Government, and the surrender by Dasheng of certain land and properties in consideration of an aggregate compensation of RMB110,219,093 payable by Putian Licheng Government Putian Licheng Government to Dasheng (the “**Land Resumption**”) pursuant to the terms and conditions of the Land Resumption Agreement be and are hereby approved, confirmed and ratified; and

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any director of the Company be and are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he may in his absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Land Resumption Agreement and the Land Resumption and all matters incidental or ancillary thereto.”

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

Hong Kong, 21 January 2021

Registered Office
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Unit 2605, 26/F
The Metropolis Tower
10 Metropolis Drive, Hung Hom
Kowloon, Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and on a poll, vote instead of him/her. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM. In such event, the form of proxy will be deemed to be revoked.
3. The register of members of the Company will be closed from Tuesday, 2 February 2021 to Friday, 5 February 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong no later than 4:30 p.m. on Monday, 1 February 2021 for registration.
4. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members in respect of the relevant joint holding.
5. In the event that a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal or extreme conditions caused by super typhoon is in force on the day of the EGM, shareholders are suggested to contact the Company's branch share registrar in Hong Kong by telephone at (852) 2980 1333 for arrangement of the EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. Taking into account of the recent development of the pandemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the EGM against the pandemic to protect the shareholders from the risk of infection:
- (i) Compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;
 - (ii) Every shareholder or proxy who has travelled from jurisdictions, which according to the Department of Health of Hong Kong would render such person subject to a quarantine order, within 14 days of the date of the EGM will not be admitted to the venue;
 - (iii) Every shareholder or proxy is required to wear surgical facial mask throughout the EGM; and
 - (iv) No refreshment will be served nor any souvenir will be given.

Furthermore, the Company wishes to advise the shareholders, particularly shareholders who are subject to quarantine in relation to COVID-19, that they may appoint the chairman of the EGM as a proxy to vote on the resolution, instead of attending the EGM in person.

As at the date of this notice, 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.