

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION

**ACQUISITION OF APPROXIMATELY 40.04% SHARES
IN THE TARGET COMPANY**

THE TRANSACTION

On 28 September 2023 (after trading hours), the Company as purchaser, the Vendor as vendor, and the Warrantor as the Vendor's warrantor entered into the SP Agreement, pursuant to which and subject to the terms and conditions thereof, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing approximately 40.04% of all issued shares in the Target Company (a direct non-wholly owned subsidiary of the Company), at the consideration of RMB42,500,000 (equivalent to approximately HK\$45,900,000).

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the Vendor, a wholly-owned subsidiary of the Warrantor, is a substantial shareholder of the Target Company which is in turn a non-wholly owned subsidiary of the Company, both the Vendor and the Warrantor are connected persons at the subsidiary level, hence the Transaction constitutes a connected transaction under Rule 14A.25 of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, such connected transaction is exempted from the circular, independent financial adviser and shareholders' approval requirements insofar as the Company is concerned if (1) the Board has approved the Transaction; (2) the

* for identification purpose only

independent non-executive Directors have confirmed that the terms of the Transaction are fair and reasonable, the Transaction is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

The Board has approved the Transaction and the Directors (including its independent non-executive Directors) have confirmed that the terms of the Transaction are fair and reasonable, the Transaction is on normal commercial terms or better for the Company and is in the interests of the Company and its Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules. As such, pursuant to Rule 14A.101 of the Listing Rules, the Transaction is only subject to the reporting and announcement requirements, but is exempted from the circular, independent financial adviser and shareholders' approval requirements under Chapter 14A of the Listing Rules insofar as the Company is concerned.

THE TRANSACTION

On 28 September 2023 (after trading hours), the Company as purchaser, the Vendor as vendor, and the Warrantor as the Vendor's warrantor entered into the SP Agreement, pursuant to which and subject to the terms and conditions thereof, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing approximately 40.04% of all issued shares in the Target Company, at the consideration of RMB42,500,000 (equivalent to approximately HK\$45,900,000). The principal terms of the SP Agreement are summarised as follows.

The SP Agreement

Date

28 September 2023 (after trading hours)

Parties involved

- (1) the Company, as purchaser;
- (2) the Vendor, as vendor; and
- (3) the Warrantor, as the Vendor's warrantor.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, except (a) the Vendor's holding of the Sale Shares; and (b) the Vendor being a wholly-owned subsidiary of the Warrantor, the Vendor, the Warrantor and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

As at the date of this announcement, the Target Company is owned as to approximately 59.96% by the Company and as to approximately 40.04% by the Vendor.

Pursuant to the SP Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing approximately 40.04% of all issued shares in the Target Company. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company.

Consideration

The consideration for the Transaction shall be RMB42,500,000 (equivalent to approximately HK\$45,900,000), which shall be paid in the following manner:

- (1) upon signing of the SP Agreement, the Company shall pay to the Vendor a deposit in the amount of RMB12,750,000 (being thirty per cent (30%) of the consideration, equivalent to approximately HK\$13,770,000, the “**Deposit**”), which shall be treated as part payment of the consideration upon Completion.

If the SP Agreement terminates for any unforeseeable circumstance (including but not limited to the Stock Exchange’s objection to the SP Agreement and/or the Transaction) which prevents the Company from performing and fulfilling its obligations under the SP Agreement, the Deposit shall be returned by the Vendor to the Company in full.

If (i) the SP Agreement terminates due to an Obligor having committed a breach of the terms of the SP Agreement, including without limitation a failure by any of the Obligors to fulfill any of the conditions precedent set out in paragraphs (a) and (b) of the section headed “Conditions Precedent” below; (ii) or it is found that any of the Vendor Warranties is untrue, misleading or incorrect in any respect; or (iii) any Obligor becoming unable or failing to deliver the documents required to be delivered by it at Completion, then the Vendor shall return the Deposit in full to the Company and pay an additional sum equal to the amount of the Deposit to the Company as liquidated damages.

If (I) without any default or breach of the terms of the SP Agreement on the part of any Obligor, the Company fails to pay the Balance Payment (defined below) at the Completion and the Vendor elects to terminate the SP Agreement; or (II) the Company terminates this Agreement for any reason other than those listed above, then the Deposit shall be forfeited by the Vendor as liquidated damages; and

- (2) as to RMB29,750,000 (being the balance of the consideration, equivalent to approximately HK\$32,130,000, the “**Balance Payment**”), to be paid by the Company to the Vendor at Completion.

The consideration was determined after arm’s length negotiations between the Company and the Vendor with reference to (i) the valuation of RMB47,717,908 (equivalent to approximately HK\$51,535,341) on the Sale Shares based on the Valuation Report; (ii) the prospects of the business activities of the Target Company and its subsidiaries; and (iii) the benefits that would be brought to the Company as a result of the Transaction as described in the paragraph headed “Reasons for and Benefits of the Transaction”.

Conditions Precedent

Completion is conditional upon the following:

- (a) all the Warranties being true and correct in all material respects and remaining so from the date of the SP Agreement up to Completion;
- (b) all necessary consents in relation to the transactions contemplated under the SP Agreement having been obtained by each Obligor, including without limitation such consents (if appropriate or required) of the Stock Exchange and any relevant authorities and other relevant third parties in Hong Kong, the PRC or elsewhere which are required for the entering into, execution, delivery and performance of the SP Agreement and the Transaction, having been obtained;
- (c) the Company having paid the Deposit in full to the Vendor;
- (d) the Company having obtained the Valuation Report;
- (e) all necessary consents in relation to the transactions contemplated under the SP Agreement having been obtained by the Company, including without limitation such consents (if appropriate or required) of the Stock Exchange and any relevant authorities and other relevant third parties in Hong Kong, the PRC or elsewhere which are required for the entering into, execution, delivery and performance of the SP Agreement and the Transaction, having been obtained; and
- (f) the Company having published an announcement on the website designated by the Stock Exchange in relation to the SP Agreement and the Transaction, and the Stock Exchange not having made any objection to the SP Agreement, the Transaction, or this announcement.

If any of the above conditions shall not have been fulfilled (or waived in accordance with the terms of the SP Agreement) on the Long Stop Date, the SP Agreement shall lapse and, subject to the liability of any party of the SP Agreement to the other in respect of any antecedent breach of the terms thereof, be null and void and of no further effect.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company.

Guarantee

Each Obligor unconditionally and irrevocably guarantees to the Company the due and punctual performance and observance by the other Obligor of all its obligations, commitments, undertakings, agreements, warranties, indemnities and covenants under or pursuant to the SP Agreement, and agrees to indemnify and keep indemnified the Company in full from and against all liabilities, losses, damages, claims, costs and expenses (including legal costs and expenses) which the Company may suffer through or arising from any breach by an Obligor

of such obligations, commitments, undertakings, agreements, warranties, indemnities or covenants.

INFORMATION OF THE PARTIES

The Company

The Company is an investment holding company. The Group is principally engaged in the licensing, distribution and sale of footwear products and accessories in the PRC.

The Vendor and the Warrantor

The Vendor is an investment holding company, and a wholly-owned subsidiary of the Warrantor.

The Warrantor is an investment holding company, whose shares are listed on the Stock Exchange for trading (Stock code: 551). The principal activities of the Warrantor and its subsidiaries are manufacturing and sales of footwear products, as well as retail and distribution of sportswear and footwear products, including provision of large scale commercial spaces to retailers and distributors.

INFORMATION OF THE TARGET COMPANY

The Target Company is a BVI business company incorporated under the laws of the British Virgin Islands with limited liability. As at the date of this announcement, its issued shares are legally and beneficially owned as to approximately 59.96% by the Company and as to 40.04% by the Vendor.

The Target Company is an investment holding company. Its subsidiaries are engaged in the business of distribution and licensing of footwear products in the PRC and trademarks holding.

Set out below is the unaudited consolidated financial information of the Target Company and its subsidiaries prepared in accordance with IFRS:

	For the year ended 31 December 2021 (audited) RMB	For the year ended 31 December 2022 (audited) RMB	For the seven months ended 31 July 2023 (unaudited) RMB
Net profit/(loss) before (tax expense)/tax credit	424,701	(121,230)	335,013
Net profit/(loss) after (tax expense)/tax credit	430,875	(121,230)	335,013

As at 31 July 2023, the unaudited consolidated net assets of the Target Company was RMB210,466,949 (equivalent to approximately HK\$227,304,305).

The aggregate original acquisition costs of the Sale Shares incurred by the Vendor was US\$12,226,424 (equivalent to approximately HK\$95,366,107).

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Target Company and its subsidiaries are engaged in distribution and licensing of footwear products in the PRC under the “Aee”, “Amanda” and “Dulala” brands, and the holding and licensing of the related trademarks (collectively the “**Business**”).

As indicated in the consolidated revenue and profits of the Target Company in the last two financial years, the Business was severely affected by the COVID-19 pandemic and the related pandemic control measures taken by the PRC government. Therefore, the Vendor had been seeking potential purchaser for the Sale Shares. After negotiation at arm’s length, the Vendor and the Company were able to agree on a price acceptable to both sides, which represented a discount from the Target Company’s consolidated net asset value and commensurate with the valuation of the Sale Share by the Valuation Report.

The Company considered that despite the setback suffered by the Business during the pandemic years, with the Group’s expertise in the footwear distribution and licensing sectors in the PRC and connections with downstream retail channels, the Company is in a position to revive the Business and its brand, as well as create potential synergies and/or other business opportunities, by merging and coordinating the same with the other brands and sales channels of the Group. The Company therefore considered the Business and its brands still have good prospects.

The Company also considered it feasible to acquire 100% shareholding in the Target Company as it would allow the Group to merge and coordinate the Business with the Group’s other operations and utilise the accumulated tax credits of the Target Company and its subsidiaries, which would not have been possible during the time when the Target Company had a 40% minority shareholder.

Therefore, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction are fair and reasonable, the Transaction is on normal commercial terms or better for the Company and is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the Vendor, a wholly-owned subsidiary of the Warrantor, is a substantial shareholder of the Target Company which is in turn a non-wholly owned subsidiary of the Company, both the Vendor and the Warrantor are connected persons at the subsidiary level, hence the Transaction constitutes a connected transaction under Rule 14A.25 of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, such connected transaction is exempted from the circular, independent financial adviser and shareholders' approval requirements insofar as the Company is concerned if (1) the Board has approved the Transaction; (2) the independent non-executive Directors have confirmed that the terms of the Transaction are fair and reasonable, the Transaction is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

The Board has approved the Transaction and the Directors (including its independent non-executive Directors) have confirmed that the terms of the Transaction are fair and reasonable, the Transaction is on normal commercial terms or better for the Company and is in the interests of the Company and its Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Transaction is only subject to the reporting and announcement requirements, but is exempted from the circular, independent financial adviser and shareholders' approval requirements under Chapter 14A of the Listing Rules insofar as the Company is concerned.

Each Director has, prior to voting to approve the Transaction at the relevant Board meeting, confirmed that he has no material interest in the SP Agreement and the Transaction. Therefore, no Director was required to abstain from voting to approve the Transaction.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	Daphne International Holdings Limited, an exempted 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)
“Completion”	completion of the Transaction in accordance with the terms and conditions of the SP Agreement
“Completion Date”	the date falling five (5) business days after the date of receipt by the Vendor of a written notice from the Company
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2023, or such later date as the Company and the Vendor may agree in writing
“Obligors”	the Vendor and the Warrantor collectively, and “Obligor” means any of them
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	all the issued shares in the Target Company held by the Vendor, which collectively represent approximately 40.04% of all issued shares in the Target Company
“Share(s)”	ordinary shares in issue in the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SP Agreement”	the sale and purchase agreement entered into on 28 September 2023 (after trading hours) by and among the Company as purchaser, the Vendor as vendor, and the Warrantor as Vendor’s warrantor governing the terms of the Transaction
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Full Pearl International Limited 富珍國際有限公司, a BVI business company incorporated in the British Virgin Islands with limited liability
“Transaction”	the proposed purchase of the Sale Shares by the Company from the Vendor at Completion in accordance with the terms and conditions of the SP Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“Valuation Report”	a valuation report prepared for the Company by CHFT Advisory and Appraisal Limited on the value of the Sale Shares as at 31 July 2023
“Vendor”	Great Pacific Investments Ltd., a BVI business company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Warrantor

“ Warranties ”	the representations, warranties and undertakings on the part of the Obligors given in the SP Agreement, and “ Warranty ” means any of the Warranties
“ Warrantor ”	Yue Yuen Industrial Holdings Limited (裕元工業(集團)有限公司), an exempted company incorporated under the laws of Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 551)
“ % ”	per cent

For the purpose of this announcement, translations of RMB and USD into HK\$ have been calculated at the exchange rate of RMB1.00 = HK\$1.08 and USD1.00 = HK\$7.80 respectively for illustration only. No representation is made that the currencies or any amounts will be or can be exchanged at the said rate or at all.

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

Hong Kong, 28 September 2023

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