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## **C.banner International Holdings Limited**

### **千百度國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1028)**

#### **SUPPLEMENTAL ANNOUNCEMENT TO 2019 ANNUAL REPORT**

Reference is made to the annual report of C.banner International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2019 published on 14 May 2020 (the “**2019 Annual Report**”).

As disclosed in the sections headed “Management Discussion & Analysis – Additional Information Relating to the Qualified Opinion” and “Independent Auditor’s Report” on pages 43 to 45 and 67 to 74 of the 2019 Annual Report, the external auditors of the Company, ZHONGHUI ANDA CPA Limited (the “**Auditors**”), issued a qualified opinion in relation to (i) the opening balances of Hamleys Global Holdings Limited and its subsidiaries (collectively, the “**Disposal Group**”) which were disposed of during the year ended 31 December 2019; and (ii) the net carrying values of certain non-current assets (the “**Toys Assets**”) as at 31 December 2018 in connection with the Group’s toys business operating in the People’s Republic of China (the “**PRC**”) (the “**Toys Business**”) (collectively, the “**Audit Qualification**”).

The board of directors of the Company (the “**Board**”) would like to provide the following further information in relation to the Audit Qualification.

#### **DETAILS OF OUTSTANDING MATTERS AND INFORMATION FROM THE COMPANY WHICH THE AUDITORS HAD NOT BEEN ABLE TO OBTAIN AND WHICH LED TO THE ISSUANCE OF THE AUDIT QUALIFICATION**

##### **In relation to the Audit Qualification on the opening balances of the Disposal Group**

As disclosed on page 67 of the 2019 Annual Report, the Auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves on the opening balances of the Disposal Group (the “**Opening Balances**”) and the Group’s loss for the year from discontinued operation.

After the completion of the disposal of the Disposal Group (“**Completion**”), the Company has retained and made available to the Auditors certain basic business records of the Disposal Group, including but not limited to (i) business licences and permits; (ii) documents in relation to capital structure; (iii) brand lists; (iv) lease agreements; (v) licensing and distribution agreements; (vi) documents in relation to litigation; and (vii) financial statements such as auditors’ reports and management accounts (collectively, the “**Basic Records**”).

The Auditors did not find the Basic Records to be of a sufficient level of granularity for audit purposes. Instead, the Auditors would need to obtain more specific business records of the Disposal Group, including but not limited to (i) detailed ledgers and sub-ledgers; (ii) supporting documents of business transactions, such as invoices, receipts and purchase orders; and (iii) stocktaking records in relation to inventories (collectively, the “**Specific Records**”). Unfortunately, after Completion, the Company has not retained the Specific Records due to, among other reasons, the sheer volume of the Specific Records and the fact that the vast majority of the Specific Records were physically situated outside of the PRC.

The Company and the Auditors had made requests to the Company’s former auditors and the Disposal Group’s then auditors for access to the audit working papers relating to the Opening Balances, and had also held discussions with the new owner of the Disposal Group and its auditors on various possible work plans that would allow the Auditors to conduct audit on the Opening Balances. However, none of these attempts resulted in a favourable outcome that would provide audit-level assurance on the Opening Balances.

### **In relation to the Audit Qualification on the net carrying values of the Toys Assets**

As disclosed on pages 68 to 69 of the 2019 Annual Report, the Auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves on the recoverability of the Toys Assets as well as the magnitude and timing of certain related depreciation, amortisation, write-off and impairment loss.

The Company provided to the Auditors, among other things, (i) a two-year budget/financial forecast in respect of the Toys Business as at 31 December 2018 (the “**Forecast**”) for the purpose of impairment assessment; and (ii) a franchise agreement dated 7 May 2018 entered into between the Group and a franchisee in Hangzhou (the “**Franchise Agreement**”) to support the projected growth rates in the Forecast and the feasibility of the business model of the Toys Business.

Due to a change of business direction, the Company subsequently did not enter into any new franchise agreements similar to the Franchise Agreement in relation to the Toys Business. As a result, the Auditors considered that the supporting evidence provided by the Company was insufficient to support the Forecast.

Besides, as disclosed on pages 44 to 45 of the 2019 Annual Report, the dynamic business environment and the Company’s disposal of the Disposal Group resulted in a significant deviation of the actual results of the Toys Business from the Forecast. The Auditors considered that the reliability of the Forecast was severely affected by such deviation.

### **THE AUDIT COMMITTEE’S VIEW TOWARDS THE AUDIT QUALIFICATION**

As disclosed on page 45 of the 2019 Annual Report, with regards to the Audit Qualification, (i) the audit committee of the Company (the “**Audit Committee**”) communicated with the Auditors in detail during a meeting on 28 April 2020; (ii) the Audit Committee also reported the situation to the Board during the Board meeting on the same date; (iii) the Audit Committee and the Company both agreed that the matter is non-recurring; and (iv) neither the Company’s corporate governance, nor the impartiality of the Board and management, was impaired.

The Company further confirms that the Audit Committee has reviewed and agreed with the Board's position concerning the Audit Qualification.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board  
**C.banner International Holdings Limited**  
**Chen Yixi**  
*Chairman*

Nanjing, 8 June 2020

*As at the date of this announcement, the executive Directors are Mr. CHEN Yixi, Mr. HUO Li, Mr. YUAN Zhenhua, Mr. WAN Xianghua and Mr. WU Weiming; the non-executive Director is Mr. MIAO Bingwen; and the independent non-executive Directors are Mr. KWONG Wai Sun Wilson, Mr. LI Xindan and Mr. ZHENG Hongliang.*