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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)**

## **VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF A WHOLLY-OWNED SUBSIDIARY**

### **THE SHARE PURCHASE AGREEMENT**

On 18 June 2020 (after trading hours), the Company and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Share which represents the entire issued share capital of the Target Company, namely Allied Great International Holdings Limited (滙英國際集團有限公司), a wholly-owned subsidiary of the Company, for the Sale Consideration of RMB5,000,000.

### **THE OBLIGATIONS AND DEBTS FRAMEWORK AGREEMENT**

On 18 June 2020 (after trading hours), the Company, Xuzhou C.banner, Meihong Footwear and Nanjing Mayflower (a member of the Target Group) entered into the Obligations and Debts Framework Agreement, pursuant to which Nanjing Mayflower agreed to settle the Trade Debts amounting to RMB826,705,000 it owed to the Remaining Group.

### **THE TRADEMARK TRANSFER AGREEMENT**

On 18 June 2020 (after trading hours), Nanjing Mayflower (a member of the Target Group) and the Company entered into the Trademark Transfer Agreement, pursuant to which Nanjing Mayflower agreed to transfer to the Company 158 Shoe Trademarks for a consideration of RMB1.

### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of (i) the Disposal; (ii) the settlement of the Trade Debts; and (iii) the transfer of the Shoe Trademarks, on an aggregate basis, is 75% or more, the aforesaid transactions constitute a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **SGM AND SHAREHOLDERS' CIRCULAR**

An SGM will be convened and held by the Company to seek the Shareholders' approval of the Share Purchase Agreement and the Disposal. A circular containing, among other things, a notice of the SGM, is expected to be despatched to the Shareholders on or before 30 June 2020.

### **INTRODUCTION**

The Board is pleased to announce that on 18 June 2020 (after trading hours), the Company and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Share which represents the entire issued share capital of the Target Company.

In connection with the Share Purchase Agreement, on 18 June 2020 (after trading hours), Nanjing Mayflower (a member of the Target Group) and certain members of the Remaining Group also entered into the Obligations and Debts Framework Agreement and the Trademark Transfer Agreement.

The principal terms of the Share Purchase Agreement, the Obligations and Debts Framework Agreement and the Trademark Transfer Agreement are set forth below.

### **THE SHARE PURCHASE AGREEMENT**

#### **Date**

18 June 2020 (after trading hours)

#### **Parties**

- (1) The Company as the seller
- (2) The Purchaser as the purchaser

#### **Subject Matter of the Disposal**

Pursuant to the Share Purchase Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Share which represents the entire issued share capital of the Target Company, free from any encumbrances.

Following Completion, members of the Target Group will cease to be subsidiaries of the Company.

## **Sale Consideration**

The Sale Consideration is RMB5,000,000, which shall be settled in cash at Completion.

The Sale Consideration was arrived at after arm's length negotiations between the Company and the Purchaser taking into account, among other things, the following factors:

- (a) the negative net asset value of the Target Group as at 31 May 2020 of approximately RMB(92,900,000), as referred to in the section headed "Information on Various Parties – The Target Company – Financial Information" below;
- (b) the tentative valuation of certain immovable property owned by the Target Group as at 30 April 2020 of approximately RMB163,300,000 (which is significantly higher than the corresponding net carrying value as at the same date of approximately RMB96,400,000), as detailed in the section headed "Information on Various Parties – The Target Company – Valuation of Immovable Property" below; and
- (c) the appreciation and development potential of the immovable property referred to in paragraph (b) above.

As explained in the section headed "Reasons for and Benefits of the Disposal" below, the Group's business operations in Nanjing have been substantially migrated to Xuzhou. Considering that (i) the business prospects of the Target Group (if any) are of little relevance to valuation after such business migration; and (ii) the Sale Consideration is higher than the aforesaid net asset value of the Target Group (even if adjusted for the difference between the aforesaid tentative valuation and the corresponding net carrying value), the Directors are of the view that the Sale Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Purchaser is expected to satisfy the Sale Consideration with the personal financial resources of its ultimate beneficial owner, Mr. Wu.

## **Conditions Precedent**

Completion is conditional upon the satisfaction and/or waiver (as applicable) of the following Conditions Precedent:

- (a) the Stock Exchange having approved the Disposal and any public disclosure in relation to the Disposal which is required to be made by the Company and pre-vetted by the Stock Exchange under the Listing Rules;
- (b) the Shareholders having approved the Disposal at the SGM;

- (c) no governmental department, stock exchange or supervisory or regulatory body having promulgated, introduced, published or enforced prior to Completion any law, judgement, ruling, decree or injunction, the effect of which may (i) restrict or prohibit the signing of the Share Purchase Agreement or Completion; or (ii) cause any adverse effect in any material respect on the Purchaser's or the Company's full rights or powers to purchase or sell the Sale Share or the Purchaser's or the Company's rights or powers under the Share Purchase Agreement;
- (d) certain ancillary agreements having been entered into between the Remaining Group and the Target Group and certain mortgages having been registered by Nanjing Mayflower with the competent authorities pursuant to the Obligations and Debts Framework Agreement;
- (e) the representations and warranties given by the Purchaser in the Share Purchase Agreement remaining true, accurate and not misleading from the date of the Share Purchase Agreement to the date of Completion; and
- (f) the representations and warranties given by the Company in the Share Purchase Agreement remaining true, accurate and not misleading from the date of the Share Purchase Agreement to the date of Completion.

Conditions Precedent (a), (b) and (c) may not be waived. Conditions Precedent (d) and (e) may be waived by the Company only. Condition Precedent (f) may be waived by the Purchaser only.

## **Completion**

If all Conditions Precedent have been satisfied and/or waived on or before the Long Stop Date (being 31 December 2020 or such later date as the Company and the Purchaser may otherwise agree), Completion shall take place within 5 Business Days from the date on which the last Condition Precedent is satisfied or waived, or on such date as the Company and the Purchaser may otherwise agree.

The Long Stop Date was determined taking into account, among other things, (i) the possible additional time needed for the Company and its auditors to update the financial information of the Target Group covering a stub period in 2020 if the circular referred to in the section headed "SGM and Shareholders' Circular" below cannot be despatched to the Shareholders on or before 30 June 2020; (ii) the possible postponement of the SGM caused by the ongoing development of the COVID-19 pandemic in Hong Kong and the PRC; and (iii) the possible delay in certain pre-Completion steps (such as the registration of the mortgages referred to in the section headed "The Obligations and Debts Framework Agreement – Mortgages of Movable and Immovable Property" below with the competent authorities) caused by the ongoing development of the COVID-19 pandemic in the PRC.

## **Termination**

Prior to Completion, the Share Purchase Agreement may be terminated:

- (a) by the Company and the Purchaser upon mutual agreement in writing; or
- (b) by the Company or the Purchaser unilaterally in writing, if any Condition Precedent has not been satisfied or waived as at the Long Stop Date.

## **THE OBLIGATIONS AND DEBTS FRAMEWORK AGREEMENT**

### **Date**

18 June 2020 (after trading hours)

### **Parties**

- (1) The Company
- (2) Xuzhou C.banner
- (3) Meihong Footwear
- (4) Nanjing Mayflower

### **Trade Debts**

As at 31 May 2020, Nanjing Mayflower owed various members of the Remaining Group the Trade Debts, being certain intra-group debts amounting to RMB826,704,744.22 (rounded to RMB826,705,000 for the purposes of the Obligations and Debts Framework Agreement) which had arisen in the ordinary course of business over the years.

Pursuant to the Obligations and Debts Framework Agreement, the Company and Xuzhou C.banner shall procure various members of the Remaining Group to transfer their respective parts of the Trade Debts to Xuzhou C.banner, such that Xuzhou C.banner shall become the debtor in respect of the entirety of the Trade Debts.

The purpose of the Obligations and Debts Framework Agreement is to make arrangements for the settlement of the Trade Debts by Nanjing Mayflower before and after Completion.

## Settlement of the Trade Debts

Pursuant to the Obligations and Debts Framework Agreement, Nanjing Mayflower shall settle the Trade Debts in the following manner during the Trade Debts Settlement Period, namely the two years from 31 May 2020:

- (a) Nanjing Mayflower shall pay a sum equivalent to its cash balance as at the date of the Obligations and Debts Framework Agreement minus an amount necessary for its daily operations (as agreed with Xuzhou C.banner) to Xuzhou C.banner to repay part of the Trade Debts;
- (b) Nanjing Mayflower shall deliver all of its inventories as at the date of the Obligations and Debts Framework Agreement to Meihong Footwear, which shall sell such inventories on behalf of Nanjing Mayflower and offset part of the Trade Debts with the sale proceeds (after deducting related warehousing and selling fees payable by Nanjing Mayflower to Meihong Footwear);
- (c) Nanjing Mayflower shall lease certain of its immovable property (mainly for office purpose) to Meihong Footwear and offset part of the Trade Debts with the rents payable;
- (d) in connection with certain tenancies of retail stores and other immovable property which Nanjing Mayflower (as the original tenant) has novated or will novate to Meihong Footwear (as the new tenant):
  - (i) Nanjing Mayflower shall assign the rental deposits and other earnest monies it previously paid to the landlords and other third parties to Meihong Footwear and offset part of the Trade Debts with such deposits and earnest monies; and
  - (ii) Nanjing Mayflower shall lease all furniture and other fittings owned by it at those retail stores to Meihong Footwear and offset part of the Trade Debts with the rents payable; and
- (e) if the Trade Debts have not been fully settled by means of paragraphs (a) to (d) above within the Trade Debts Settlement Period, Nanjing Mayflower shall pay a sum equivalent to the remaining Trade Debts to Xuzhou C.banner upon the expiry of such period, failing which Nanjing Mayflower shall be liable for default interest at a rate of 0.1% per day.

The settlement of the Trade Debts is to take place over the two-year Trade Debts Settlement Period (rather than at once upon Completion) because the means of settlement set forth in paragraphs (b), (c) and (d)(ii) above are by way of set-off against sales proceeds and rents payable which will take place over a period of time (rather than at a point in time). Taking into consideration (i) the expected time needed for the sale of the inventories referred to in paragraph (b) above; and (ii) that the Trade Debts had arisen over the years in the first place, the Directors are of the view that the Trade Debts Settlement Period is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Trade Debts are non-interest-bearing during the Trade Debts Settlement Period. Taking into consideration (i) the default interest payable by Nanjing Mayflower if the Trade Debts are not fully settled on time; and (ii) that the Group would not receive any interest on the Trade Debts anyway if the Disposal was not carried out, the Directors are of the view that such interest-free arrangement is fair and reasonable.

### **Mortgages of Movable and Immovable Property**

To secure Nanjing Mayflower's obligations to settle the Trade Debts under the Obligations and Debts Framework Agreement, Nanjing Mayflower shall create mortgages over certain of its movable property (including but not limited to inventories) and immovable property (including but not limited to the property interests referred to in the section headed "Information on Various Parties – The Target Company – Valuation of Immovable Property" below) in favor of Xuzhou C.banner. These mortgages shall not be released unless and until the following amounts are fully settled: (i) the Trade Debts; (ii) all losses suffered by Xuzhou C.banner as a result of Nanjing Mayflower's failure to settle the Trade Debts on time; (iii) all interest and other fees payable by Nanjing Mayflower to Xuzhou C.banner as a result of Nanjing Mayflower's failure to settle the Trade Debts on time; and (iv) all expenses incurred by Xuzhou C.banner as a result of its recovery of the Trade Debts.

Considering that (i) the movable and immovable property to be mortgaged represent a considerable portion of the Target Group's assets; (ii) the registration of the mortgages is one of the Conditions Precedent to Completion; and (iii) the mortgages will affect the marketability of the movable and immovable property (other than the sale of inventories by Meihong Footwear), the Directors are of the view that the mortgages will incentivize Nanjing Mayflower to settle the Trade Debts on time, thereby increasing the recoverability of the Trade Debts.

## **THE TRADEMARK TRANSFER AGREEMENT**

### **Date**

18 June 2020 (after trading hours)

### **Parties**

- (1) Nanjing Mayflower, as the transferor
- (2) The Company, as the transferee

### **Shoe Trademarks**

Nanjing Mayflower is the applicant or registrant of the Shoe Trademarks, being 158 trademarks mainly related to certain of the Group's self-developed brands referred to in the section headed "Information on Various Parties – The Company" below.

The purpose of the Trademark Transfer Agreement is to effect an intra-group transfer of the Shoe Trademarks so that the Group will continue to own and have the right to use the Shoe Trademarks after Completion.

### **Transfer of the Shoe Trademarks**

Pursuant to the Trademark Transfer Agreement, Nanjing Mayflower agreed to transfer to the Company all property, rights, title and interest in respect of the Shoe Trademarks, together with the goodwill associated with the business that had used the Shoe Trademarks, for a consideration of RMB1 within 3 Business Days from the date of the Trademark Transfer Agreement.

## **INFORMATION ON VARIOUS PARTIES**

### **The Target Company**

#### ***Overview***

Incorporated in Hong Kong, the Target Company is a direct wholly-owned subsidiary of the Company, and is an investment holding company. Nanjing Mayflower was and is the only subsidiary of the Target Company as at 31 May 2020 and the date of this announcement.

Incorporated in the PRC, Nanjing Mayflower is a direct wholly-owned subsidiary of the Target Company, and is principally engaged in the manufacturing and retail of footwear mainly in Nanjing.

#### ***Financial Information***

According to the unaudited consolidated management accounts of the Target Group prepared in accordance with International Financial Reporting Standards, the Target Group's revenue and net losses before and after taxation for the years ended 31 December 2018 and 2019 and the five months ended 31 May 2020 as well as the major line items of its assets and liabilities as at 31 December 2019 and 31 May 2020 are set forth as follows:

	<b>For the year ended 31 December 2018 <i>(approximately)</i></b>	<b>For the year ended 31 December 2019 <i>(approximately)</i></b>	<b>For the five months ended 31 May 2020 <i>(approximately)</i></b>
Revenue	RMB1,847,800,000	RMB1,379,700,000	RMB166,000,000
Net loss before taxation	RMB138,400,000	RMB251,000,000	RMB13,300,000
Net loss after taxation	RMB121,000,000	RMB302,400,000	RMB13,300,000



	<b>As at 31 December 2019</b> <i>(approximately)</i>	<b>As at 31 May 2020</b> <i>(approximately)</i>
<b>Certain assets:</b>		
Property, plant and equipment	RMB132,600,000	RMB109,300,000
Inventories	RMB599,200,000	RMB436,200,000
Amount due from ultimate holding company	RMB244,000,000	RMB10,700,000
Amount due from fellow subsidiaries	RMB226,400,000	RMB336,900,000
<b>Certain liabilities:</b>		
Amount due to ultimate holding company	RMB20,200,000	RMB20,200,000
Amount due to fellow subsidiaries	RMB1,310,700,000	RMB1,154,100,000
<b>Total and net amounts:</b>		
Total assets	RMB1,598,100,000	RMB1,100,400,000
Total liabilities	RMB1,442,500,000	RMB1,193,300,000
Net assets/(liabilities) <i>(Note)</i>	RMB155,600,000	RMB(92,900,000)
Net assets/(liabilities) attributable to the Group <i>(Note)</i>	RMB153,700,000	RMB(92,900,000)

*Note:* The significant decrease in the net asset value of the Target Group between 31 December 2019 and 31 May 2020 was mainly attributable to the elimination of certain intra-group receivables amounting to RMB233,500,000 owed by the Company to the Target Company by way of capital reduction by the Target Company in March 2020.

### ***Valuation of Immovable Property***

The Target Group owns certain immovable property in Nanjing, Chengdu and Beijing. With respect to each of the property interests concerned, (i) the net carrying value as at 30 April 2020 according to the unaudited consolidated management accounts of the Group; and (ii) the tentative valuation as at 30 April 2020 according to a draft property valuation report which, when finalized, will be included in the circular referred to in the section headed “SGM and Shareholders’ Circular” below, are set forth as follows:

No.	Property interest	Status as at the date of this announcement	Net carrying value as at 30 April 2020 <i>(approximately)</i>	Tentative valuation (market value in existing state) as at 30 April 2020 <i>(approximately)</i>	Valuation methodology used
1.	A parcel of land, various buildings and structures in Nanjing in relation to the C.banner Industrial Park (千百度工業園)	Mostly idle, with a small portion used for storage and sales purposes	RMB41,200,000	RMB92,200,000	Cost approach

No.	Property interest	Status as at the date of this announcement	Net carrying value as at 30 April 2020 <i>(approximately)</i>	Tentative valuation (market value in existing state) as at 30 April 2020 <i>(approximately)</i>	Valuation methodology used
2.	Office units in Nanjing	Used for office purpose	RMB45,600,000	RMB51,000,000	Comparison approach
3.	Office units in Chengdu	Used for office purpose	RMB8,500,000	RMB9,100,000	Comparison approach
4.	Office units and a car parking space in Beijing	Used for office and car parking purposes	RMB1,100,000	RMB11,000,000	Comparison approach
<b>Total:</b>			<b><u>RMB96,400,000</u></b>	<b><u>RMB163,300,000</u></b>	

### The Purchaser

Incorporated in Samoa, the Purchaser is an investment holding company directly wholly-owned by Mr. Wu, an active investor in the PRC consumer and retail sector and a former non-executive Director who resigned from his directorship with the Company with effect from 4 April 2018 due to his pursuit of other business commitments. Notwithstanding his resignation, Mr. Wu has maintained contact with the current Directors and has remained a Shareholder. The Disposal was the outcome of discussions between Mr. Wu and the Company since early 2020.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser and its ultimate beneficial owner Mr. Wu are third parties independent of the Company and its connected persons; and (ii) save for Mr. Wu's former directorship with the Company and the shareholding of the Purchaser, Mr. Wu and his affiliated fund in the Company as disclosed in the section headed "SGM and Shareholders' Circular" below, the Purchaser and its associates do not have any current or prior relationships or business arrangements or transactions with the Company and its connected persons.

### The Company

The Company is a leading international integrated retailer and wholesaler of mid-to-premium women's formal and casual footwear in the PRC. The Group distributes self-developed brands and licensed brands products through department stores and independent retail stores in different cities in the PRC, and also acts as an OEM or ODM manufacturer for international shoes companies dealing in export markets. The Group is popular for its brand values of elegance, charm and fashionable in the market, and operates self-developed brands, including C.banner, EBLAN, sundance, MIO, Badgley Mischka and natursun, and a licensed brand, United Nude.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

The ongoing trade conflict between the PRC and the USA since 2018 has resulted in a decline in the demand for the Group's footwear products, which is exacerbated by the negative impact on consumer spending in the PRC brought by the COVID-19 outbreak in the past few months.

The majority of the Group's footwear retail and wholesale business and related manufacturing activities have historically been carried out in both Nanjing and Xuzhou. Due to the aforesaid decline in demand, the Board believes that the Xuzhou facilities' production capacity is sufficient to satisfy the Group's business needs at present and in the foreseeable future. The Group substantially migrated its retail and wholesale activities from Nanjing to Xuzhou during the period from August to December 2019, and also suspended its manufacturing activities in Nanjing in January 2020 followed by a gradual ramp-up of production in Xuzhou since February 2020. As a result, a considerable portion of the immovable property owned by the Target Group (in particular the C.banner Industrial Park in Nanjing referred to in the section headed "Information on Various Parties – The Target Company – Valuation of Immovable Property" above) is now of little utility to the Group. Meanwhile, the Target Group currently holds excess inventories in stock, which are mainly products for 2019 and previous years that the Group has been unable to sell. The Group expends significant costs on storing such excess inventories, which may in the near future become obsolete.

The Board believes that disposing of the Target Group will help the Group lower costs and enhance efficiency in the following ways:

- (a) The Group will no longer need to expend costs on running the Nanjing facilities. Meanwhile, costs for running the Xuzhou facilities are lower than those for Nanjing because of (i) the abundant labor supply and hence lower wage levels in Xuzhou; and (ii) the availability of local governmental subsidies in Xuzhou;
- (b) The Group will save costs on internal governance and logistics by running production facilities in one locality instead of two. For example, the Group's Foshan R&D center currently needs to produce two sets of samples and co-ordinate with production personnel based in both Nanjing and Xuzhou for the development of new products. After the Disposal, the Foshan R&D center will only have to work with the Xuzhou facilities. The process from R&D to mass production will be streamlined, from which the Group will save internal governance and logistics costs; and
- (c) The Group will save costs on storage of the excess inventories owned by the Target Group, and avoid potential future costs of recognizing inventory obsolescence.

The Xuzhou facilities have been operating for more than a decade with a steady increase in production capacity in the past few years, and have been working closely with the Foshan R&D center on developing new products. Overall, the Board believes that the Xuzhou facilities are capable of supporting the long term growth of the Group.

Moreover, the settlement of the Trade Debts by Nanjing Mayflower pursuant to the Obligations and Debts Framework Agreement will lead to a gradual improvement in the Group's cash position, while the transfer of the Shoe Trademarks to the Company pursuant to the Trademark Transfer Agreement will allow the Group to continue to operate its self-developed brands. As such, the Disposal will not pose any material adverse impact on the Group's existing footwear businesses.

Based on the above, the Directors are of the view that the terms of the Share Purchase Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **BUSINESS PERFORMANCE AND PROSPECTS OF THE REMAINING GROUP**

### **Business Segments of the Group**

As disclosed on pages 119 to 124 of the Company's annual report for the year ended 31 December 2019, the Group has three business segments, namely (i) retail and wholesale of branded fashion footwear; (ii) contract manufacturing of footwear; and (iii) retail of toys. The revenue from these three business segments accounted for approximately 75.3%, 9.8% and 14.9%, respectively, of the Group's total revenue for the year ended 31 December 2019.

Figures in the following sub-sections are derived from the unaudited consolidated management accounts and preliminary sales records of the Group, which have not been confirmed, reviewed or audited by the Company's auditors or audit committee and may be subject to adjustment.

### **Footwear Retail and Wholesale Business**

As explained in the section headed "Reasons for and Benefits of the Disposal" above, the Group's business operations in Nanjing have been substantially migrated to Xuzhou, with a corresponding ramp-up of production in Xuzhou in recent months. In terms of the quantity of shoes manufactured, 85-90% of the manufacturing activities associated with the Group's footwear retail and wholesale business were carried out at the Xuzhou facilities in January to May 2020, as compared to an average of only 50-55% during 2017 to 2019. The production capacity of the Xuzhou facilities has seen an increase from around 1.0 million pairs per year before the aforesaid ramp-up to around 1.2 million pairs per year at present, and is expected to further rise to 1.5-1.8 million pairs per year in the foreseeable future, largely covering the previous production capacity of the Nanjing facilities. Therefore, the Board does not expect any material change to the scope of the Group's footwear retail and wholesale business after Completion.

The revenue from the Group's footwear retail and wholesale business in January to April 2020 recorded a year-on-year decrease of 35-40%, primarily due to the COVID-19 outbreak in the PRC. It is encouraging, however, that the revenue from online sales channels recorded a year-on-year increase of 75-80% in the same period as a result of the Group's aggressive online promotion initiatives and the nationwide shift of retail activities from offline to online during the COVID-19 pandemic. The revenue contribution of online sales channels to the Group's footwear retail and wholesale business rose from around 6% in January to April 2019 to around 16% in January to April 2020.

As the impact of the COVID-19 pandemic began to subside, the revenue from the Group's footwear retail and wholesale business in May 2020 recorded a slight year-on-year increase of 5-10%, among which the revenue from online sales channels recorded a remarkable year-on-year increase of more than 500% in the same month. The revenue contribution of online sales channels to the Group's footwear retail and wholesale business rose from around 4% in May 2019 to around 21% to May 2020.

The Board expects the Group's offline sales to recover after the COVID-19 pandemic, and intends to continue expanding the Group's online sales channels on platforms such as vip.com (唯品會), Tmall (天貓) and WeChat (微信).

### **Footwear Contract Manufacturing Business**

The Group acts as an OEM or ODM manufacturer for international shoes companies dealing in export markets. The COVID-19 outbreak resulted in a widespread suspension of business operations first in the PRC and then in the USA. This led to a year-on-year decrease of 55-60% in the revenue from the Group's footwear contract manufacturing business in January to May 2020.

The Disposal does not affect the Group's footwear contract manufacturing business, which is solely carried out at the Group's production facilities in Dongguan. The Board expects the Group's footwear contract manufacturing business to recover after the COVID-19 pandemic.

### **Toy Retail Business**

Following the Group's disposal of Hamleys Global Holdings Limited and its subsidiaries in July 2019, the Group's toy retail business has solely been carried out on a franchise basis through three Hamleys stores in the PRC. As a result of the COVID-19 outbreak which deterred parents from bringing their children to shopping malls, the revenue from these three Hamleys stores in January to May 2020 saw a year-on-year decrease of 60-65%.

For the year ended 31 December 2019, the revenue from these three Hamleys stores only accounted for approximately 5% of the Group's total revenue from continuing operations. Taking into consideration (i) the limited significance of these stores to the Group's revenue; (ii) the continuously loss-making nature of these stores; and (iii) the Group's intention to focus on its footwear retail and wholesale business (in particular its online sales channels), the Board plans to dispose of or terminate the Group's toy retail business in the foreseeable future.

### **The Company's Intention as to the Remaining Group**

The Company and the Directors do not have any intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) at present on (i) any disposal, termination or scaling-down of the Group's existing businesses, apart from the Disposal and the planned disposal or termination of its toy retail business as explained in the sub-section headed "Toy Retail Business" above; (ii) any injection of new business to the Group; and (iii) any change in the Company's shareholding structure within the Company's control.

The Remaining Group is not expected to have any material business relationship with the Target Group after Completion, apart from the settlement of the Trade Debts by Nanjing Mayflower pursuant to the Obligations and Debts Framework Agreement.

## **FINANCIAL EFFECT OF THE DISPOSAL, USE OF PROCEEDS AND IMPACT ON CASH POSITION**

Subject to final audit, it is currently expected that the Group will record a gain of approximately RMB188,100,000 as a result of the Disposal, which is calculated with reference to (i) the Sale Consideration of RMB5,000,000; (ii) adding the carrying value of net liabilities of the Target Group attributable to owners of the Company as at 31 May 2020 of RMB92,900,000; (iii) adding the unrealized gross profit in inventories of the Group of RMB165,000,000; (iv) subtracting the deferred income tax assets in respect of unrealized gross profit in inventories of the Group of RMB41,200,000; (v) subtracting the estimated transaction costs attributable to the Disposal of RMB5,400,000; and (vi) subtracting the loss on initial recognition of certain Trade Debts of RMB28,200,000.

Shareholders should note that the exact amount of the gain or loss on the Disposal to be recorded in the consolidated statement of profit or loss of the Group for the year ending 31 December 2020 will be subject to audit, and will be calculated based on the net asset value of the Target Group as at Completion and taking into account relevant costs and expenses, and therefore may vary from the figures provided above.

The Company expects to receive the Sale Consideration of RMB5,000,000 as an offshore RMB payment, and intends to apply such proceeds (after deducting relevant costs and expenses) as general working capital of the Group to pay various expenses in Hong Kong and Bermuda for approximately three months after Completion including, among other things, rental expenses, professional advisors' fees, annual listing fees and related expenses, as well as salaries, bonus and allowances.

According to the unaudited consolidated management accounts of the Group, the Group's bank balances and cash as at 31 May 2020 amounted to approximately RMB215,300,000. Taking into account the Sale Consideration and the Group's ongoing cash flows, the Remaining Group's bank balances and cash as at 31 July 2020 (being the current estimated date of Completion) are estimated to be approximately RMB257,200,000.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of (i) the Disposal; (ii) the settlement of the Trade Debts; and (iii) the transfer of the Shoe Trademarks, on an aggregate basis, is 75% or more, the aforesaid transactions constitute a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## SGM AND SHAREHOLDERS' CIRCULAR

An SGM will be convened and held by the Company to seek the Shareholders' approval of the Share Purchase Agreement and the Disposal. As at the date of this announcement, (i) the Purchaser holds 16,000,000 Shares (representing approximately 0.77% of the Company's issued share capital); (ii) Mr. Wu holds 9,086,000 Shares (representing approximately 0.44% of the Company's issued share capital); and (iii) Mr. Wu is the sole beneficial owner of Famous Sino Limited, which holds a 75% shareholding in China Consumer Capital Partners II Limited, which is the general partner of China Consumer Capital Fund II, L.P., which in turn holds 48,000,000 Shares (representing approximately 2.31% of the Company's issued share capital). The Purchaser, Mr. Wu and China Consumer Capital Fund II, L.P. are materially interested in the Share Purchase Agreement and the Disposal and are therefore required to abstain from voting on the relevant resolution at the SGM. Save as the aforesaid, as far as the Company is aware having made all reasonable enquiries, no other Shareholder is materially interested in the Share Purchase Agreement and the Disposal and therefore no other Shareholder is required to abstain from voting on the relevant resolution at the SGM.

A circular containing, among other things, (i) further details of the Share Purchase Agreement, the Obligations and Debts Framework Agreement and the Trademark Transfer Agreement and the transactions contemplated thereunder; (ii) the financial information of the Target Group; (iii) the unaudited pro forma financial information of the Remaining Group; (iv) a valuation report on certain immovable property owned by the Target Group; and (v) a notice of the SGM, is expected to be despatched to the Shareholders on or before 30 June 2020.

**Completion is conditional upon the satisfaction and/or waiver (as applicable) of the Conditions Precedent set forth in the section headed "The Share Purchase Agreement – Conditions Precedent" of this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of the Directors
“Business Day(s)”	day(s) on which banks are generally open for normal business in the PRC, Hong Kong, Bermuda and Samoa, excluding Saturdays, Sundays and holidays in the aforesaid regions
“Company”	C.banner International Holdings Limited (千百度國際控股有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 1028)

“Completion”	completion of the Disposal pursuant to the Share Purchase Agreement
“Condition(s) Precedent”	the conditions precedent set forth in the section headed “The Share Purchase Agreement – Conditions Precedent” of this announcement, or one or some of them if the context so requires
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share pursuant to the Share Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 December 2020 or such later date as the Company and the Purchaser may otherwise agree
“Meihong Footwear”	Meihong Footwear Company Limited (美鴻鞋業有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“Mr. Wu”	Mr. Wu Guangze (吳廣澤), the ultimate beneficial owner of the Purchaser
“Nanjing Mayflower”	Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company and a member of the Target Group
“Obligations and Debts Framework Agreement”	the obligations and debts framework agreement dated 18 June 2020 entered into among the Company, Xuzhou C.banner, Meihong Footwear and Nanjing Mayflower, the principal terms of which are set forth in the section headed “The Obligations and Debts Framework Agreement” of this announcement
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan



“Purchaser”	Huaxin Ventures Limited (華鑫創投有限公司), a company incorporated in Samoa with limited liability which is directly wholly-owned by Mr. Wu
“R&D”	research and development
“Remaining Group”	the Group excluding the Target Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Consideration”	RMB5,000,000, details of which are set forth in the section headed “The Share Purchase Agreement – Sale Consideration” of this announcement
“Sale Share”	1 ordinary share of the Target Company, which represents the entire issued share capital of the Target Company
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, if thought fit, the Share Purchase Agreement and the Disposal
“Share Purchase Agreement”	the share purchase agreement dated 18 June 2020 entered into between the Company and the Purchaser, the principal terms of which are set forth in the section headed “The Share Purchase Agreement” of this announcement
“Share(s)”	ordinary share(s) of nominal value of US\$0.015 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s)
“Shoe Trademarks”	certain trademarks of which Nanjing Mayflower is the applicant or registrant, details of which are set forth in the section headed “The Trademark Transfer Agreement – Shoe Trademarks” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Allied Great International Holdings Limited (滙英國際集團有限公司), a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company and a member of the Target Group

“Target Group”	the Target Company and its subsidiary(ies), which as at the date of this announcement comprises Nanjing Mayflower
“Trade Debts”	certain intra-group debts owed by Nanjing Mayflower to various members of the Remaining Group, details of which are set forth in the section headed “The Obligations and Debts Framework Agreement – Trade Debts” of this announcement
“Trade Debts Settlement Period”	the period during which the Trade Debts shall be settled pursuant to the Obligations and Debts Framework Agreement, being the two years from 31 May 2020
“Trademark Transfer Agreement”	the trademark transfer agreement dated 18 June 2020 entered into between the Company and Nanjing Mayflower, the principal terms of which are set forth in the section headed “The Trademark Transfer Agreement” of this announcement
“US\$”	United States dollar(s), the lawful currency of the USA
“USA”	the United States of America
“Xuzhou C.banner”	Xuzhou C.banner Shoes Co., Ltd. (徐州千百度鞋業有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“%”	per cent

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

Nanjing, 18 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.*