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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)

FURTHER INFORMATION ON THE DISCLOSABLE TRANSACTION IN RELATION TO ACQUISITION OF INTEREST IN A COMPANY ENGAGED IN THE OPERATION OF KINDERGARTENS IN THE PRC

Reference is made to the announcement of C.banner International Holdings Limited (the “**Company**”) dated July 21, 2017 (the “**Announcement**”) in relation to the Acquisition. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

The Board wishes to provide potential investors and Shareholders with further information in relation to (i) the basis in determining the Consideration, (ii) the key terms of the Shareholders’ Agreement and (iii) the reasons for and benefits of the Acquisition.

Basis in determining the Consideration

The Consideration was determined after arm’s length negotiation between the Company and the Sellers with reference to (i) the historical financial performance and growth potential of the Target Group, including its unaudited consolidated net profit after taxation of approximately RMB69 million and approximately RMB51 million based on the unaudited consolidated management accounts of the Target Group for the 10 months ended June 30, 2017 and the unaudited consolidated financial statements of the Target Group for the financial year ended August 31, 2016 respectively; (ii) the prospects of the kindergarten education services industry in the PRC; and (iii) the current price-to-earnings ratios of certain comparable companies listed in Hong Kong which are principally engaged in similar education business in the PRC.

Based on the unaudited consolidated financial statements of the Target Group for the financial year ended August 31, 2016, the unaudited consolidated net profit after taxation of the Target Group amounts to approximately RMB51 million, which represents an implied P/E ratios of the Target Group of approximately 23 times. Based on the unaudited consolidated management accounts of the Target Group for the 10 months ended June 30, 2017, the unaudited consolidated net profit after taxation of the Target Group amounts to approximately RMB69 million, which represents an implied P/E ratios of the Target Group of lower than 17 times. As illustrated in the below table, the implied P/E ratios of the Target Group falls within the range of the P/E ratios of the following comparable companies and is below the average and the median of the P/E ratios of the following comparable companies.

Hong Kong-listed education companies	Market capitalization <i>(HK\$ million)</i> <i>(Note 1)</i>	Net profit <i>(HK\$ million)</i> <i>(Note 2)</i>	Implied P/E ratios	Remarks
China YuHua Education Corporation Ltd. (6169.HK)	8,364.0	361.4	23.1	Operating kindergartens
China Maple Leaf Educational Systems Ltd. (1317.HK)	8,768.0	356.6	24.6	Operating kindergartens
Virscend Education Co. Ltd. (1565.HK)	14,869.3	337.9	44.0	Operating K12 education
Wisdom Education International Holdings Co. Ltd. (6068.HK)	5,766.7	178.9	32.2	Operating primary and secondary schools
Average			31.0x	
Median			28.4x	

Source: website of the Stock Exchange

Note 1: Based on the average closing price as quoted on the Stock Exchange from July 14, 2017 to July 20, 2017, being the five trading days prior to the date of the Sale and Purchase Agreement of July 21, 2017, of the respective comparable companies.

Note 2: Based on audited profits attributable to the owners as disclosed in the latest annual report or prospectus of the respective comparable companies. For the purpose of this announcement, the conversion of RMB into HK\$ is based on the applicable exchange rate of RMB1 to HK\$1.1594 on August 31, 2016 or RMB1 to HK\$1.1179 on December 31, 2016 for illustration purpose only.

Key terms of the Shareholders' Agreement

The Shareholders' Agreement provides for, among others, the following customary provisions for the protection of the interests of the Company as a minority shareholder:

- (i) the approval from the shareholders holding an aggregate equity interest of not less than 67% is required for certain reserved matters at shareholders meeting level such as structural reorganization or reclassification of shares, issue of new securities and payment or declaration of the dividends;

- (ii) the affirmative vote of the director appointed by the Company is required for certain reserved matters at board level such as acquisition or sale of businesses or assets exceeding a specified threshold, creation of any new debt exceeding a specified threshold and mortgaging, pledging, sub-leasing or disposing of any asset of the Target Company exceeding a specified threshold;
- (iii) the pre-emptive rights of the existing shareholders in respect of the issue of new equity securities by the Target Company and the right of first refusal of the existing shareholders in relation to the transfer of the equity securities of the Target Company; and
- (iv) certain tag-along rights and information rights enjoyed by the Company.

Reasons for and benefits of the Acquisition

Apart from the reasons and benefits mentioned under the section headed “Reasons for and benefits of the Acquisition” in the Announcement, the Directors are of the view that the Acquisition also allows the Group to achieve strong synergy with the existing toys retailer business of the Group because potential cooperation between the brands “EtonKids” and “Hamleys” will create cross sale opportunities, which will in turn increase the revenue of the Group. In addition to the profit arising from the increased revenue as mentioned above, the equity method of accounting allows the Group to recognize its share of the profit and loss of the Target Group. The Company believes the promising financial performance and the expected fast growth potential of the Target Group will enhance the profitability of the Group.

In light of the fact that (i) the Consideration was determined on an appropriate basis; (ii) terms of the Shareholders’ Agreement offers proportionate protections to the Company which help safeguard its interest in the Target Group; and (iii) the Acquisition will diversify the Group’s business into kindergarten education services industry which has fast growth potential and enhance the profitability of the Group with good quality assets, the Company believes that the Acquisition is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

As Completion is subject to the fulfilment and/or waiver of certain conditions set forth therein, the Acquisition may or may not proceed. Investors should exercise caution when dealing in the Shares. If in doubt, investors are recommended to consult their professional adviser(s).

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

Hong Kong, July 28, 2017

As at the date of this announcement, the executive directors are Mr. CHEN Yixi, Mr. ZHAO Wei, Mr. HUO Li and Mr. YUAN Zhenhua; the non-executive directors are Mr. MIAO Bingwen, Mr. WU Guangze and Mr. NGAN Wing Ho; and the independent non-executive directors are Mr. KWONG Wai Sun Wilson, Mr. LI Xindan, Mr. ZHANG Zhiyong and Mr. ZHENG Hongliang.