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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 HAMLEYS GLOBAL HOLDINGS LIMITED AND RESUMPTION OF TRADING

SALE AND PURCHASE AGREEMENT

The Board of the Company is pleased to announce that on May 9, 2019 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which, and subject to the terms and conditions set out therein, the Company agreed to sell and the Purchaser agreed to purchase with effect from the Completion Date, the legal and beneficial ownership of the entire issued share capital of the Target Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal under the Sale and Purchase Agreement exceeds 75%, the Disposal constitutes a very substantial disposal of the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

GENERAL

An SGM will be convened and held by the Company to seek Shareholders' approval of the Sale and Purchase Agreement and the transactions contemplated thereunder. As far as the Company is aware, none of the Shareholders is materially interested in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting on the resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

Each of Hongguo International Group Limited, Sure Manage Investments Limited, Miao Bingwen, China Consumer Capital Fund II, L.P., Wu Guangze, Rongxin Global Limited and Parksville Holding Limited has given an irrevocable undertaking that all voting rights attached to its/his entire beneficial shareholding in the Company as at the date of the SGM will be exercised in favour of any resolution to be proposed at the SGM for approving the Disposal.

The number of Shares held by Hongguo International Group Limited, Sure Manage Investments Limited, Miao Bingwen, China Consumer Capital Fund II, L.P., Wu Guangze, Rongxin Global Limited and Parksville Holding Limited and which are the subject of the irrevocable undertakings amounted to 1,055,474,078 Shares, representing approximately 50.82% of the total issued Shares of the Company as at the date of this announcement.

A circular containing, among other things, detailed information regarding the Disposal and a notice of the SGM is expected to be despatched to the Shareholders on or before June 28, 2019 to allow sufficient time required for the preparation of the relevant information for inclusion in the circular.

Completion is conditional upon the satisfaction of the condition set out in the section headed “Condition Precedent” in 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.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on May 10, 2019 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on May 15, 2019.

INTRODUCTION

The Board of the Company is pleased to announce that on May 9, 2019 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which, and subject to the terms and conditions set out therein, the Company agreed to sell and the Purchaser agreed to purchase with effect from the Completion Date, the legal and beneficial ownership of the entire issued share capital of the Target Company.

The principal terms of the Sale and Purchase Agreement are set out below.

SALE AND PURCHASE AGREEMENT

Date

May 9, 2019 (after trading hours)

Subject of the Disposal

Pursuant to the Sale and Purchase Agreement, and subject to the terms and conditions set out therein, the Seller (that is, the Company) shall sell and the Purchaser (that is Reliance Brands Limited, or a direct or indirect wholly-owned subsidiary of Reliance Brands Limited) shall purchase with effect from the Completion Date, the legal and beneficial ownership of the entire issued share capital of the Target Company.

Completion Payment

At Completion, the Purchaser shall pay to the Company, for the sale and purchase of the entire issued share capital of the Target Company, the sum of £34,293,436 (the “**Shares Consideration**”). From the Shares Consideration an amount of £1,000,000 will be retained to meet certain contingencies and otherwise will be credited to the Company by 18 months from Completion.

The Purchaser shall also procure the repayment by the Target Company of £33,671,017 to the Company (representing the balance of the shareholder’s loans made by the Company) (the “**Loan Repayment Amount**”) in two tranches, payable on the Completion Date and the Business Day immediately following Completion. The Loan Repayment Amount will be repaid against a confirmation from the Company that this discharges all borrowings due to the Company from the Target Group, in relation to any loans from the Company to the Target Group.

Basis of determination of the Completion Payment

The Completion Payment was determined by arm’s length negotiations between the Company and the Purchaser taking into account the factors described in the section headed “Reasons for and Benefits of the Disposal” below. The Company also took into account that the Disposal will result in the outstanding shareholder loans owed by the Target Group to the Company of approximately £33.7 million being repaid. As at 31 December 2018, the net asset value of the Target Group was approximately £36.9 million and that factor was taken into consideration in agreeing the Shares Consideration value of approximately £34.3 million.

The Directors (including the independent non-executive Directors) consider that the Completion Payment is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Condition Precedent

Completion is conditional upon the approval of the Disposal by a majority vote of the Shareholders at the SGM (the “**Shareholder Approval Condition**”) on or before the Long Stop Date.

Irrevocable Undertakings

On May 9, 2019, each of Hongguo International Group Limited, Sure Manage Investments Limited, Miao Bingwen, China Consumer Capital Fund II, L.P., Wu Guangze, Rongxin Global Limited and Parksville Holding Limited gave an irrevocable undertaking that all voting rights attached to its/his entire beneficial shareholding in the Company as at the date of the SGM will be exercised in favour of any resolution to be proposed at the SGM for approving the Disposal.

As at May 9, 2019, the aggregate number of Shares held by Hongguo International Group Limited, Sure Manage Investments Limited, Miao Bingwen, China Consumer Capital Fund II, L.P., Wu Guangze, Rongxin Global Limited and Parksville Holding Limited amounted to 1,055,474,078 Shares, representing approximately 50.82% of the total issued Shares of the Company as at the date of this announcement.

Completion

Completion shall take place in London six (6) Business Days following the date on which the Shareholder Approval Condition is satisfied, or as otherwise agreed between the parties in writing (the “**Completion Date**”).

Upon Completion, the Company shall cease to hold (directly or indirectly) any interest in all members of the Target Group, and therefore, all the members of the Target Group will cease to be subsidiaries of the Group and their financial results will no longer be consolidated into the financial statements of the Group.

BUSINESS IN THE PRC

As at the date of this announcement, the Company is operating three Hamleys stores in the PRC. It is expected that following Completion, the Company will retain and have the exclusive right to operate the Hamleys stores on a franchise basis in the PRC for a term of 20 years on terms and conditions that are consistent with those applicable to other Hamleys franchisees. It is intended that the Company will pay royalty, a one-time development fee, or a combination thereof, if it does enter into any such franchising agreement following Completion.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in England and Wales and, together with its subsidiaries, is a retailer of high-end toys under the world-renowned brand “Hamleys”.

Financial Information of the Target Group

According to the audited consolidated financial statements of the Target Group prepared in accordance with IFRS, the total asset value and the net asset value of the Target Group as at December 31, 2018 were approximately £83.8 million (equivalent to approximately HK\$852.8 million) and £36.9 million (equivalent to approximately HK\$375.5 million), respectively.

Set forth below is the audited consolidated financial information of the Target Group prepared in accordance with IFRS:

	For the year ended December 31, 2018	For the year ended December 31, 2017
	<i>£'000</i>	<i>£'000</i>
Gross transaction value	69,551	69,873
Revenue	62,885	66,272
Profit/(Loss) before taxation	1,485	(11,964)
Profit/(Loss) after taxation	2,443	(11,240)

INFORMATION ON THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in the design, manufacture and sale of branded women's footwear in the PRC and retail of toys across the globe through Hamleys. The Group is the leading retailer of mid-to-premium women's formal and casual footwear in the PRC. It distributes self-developed brands and licensed brands products through department stores and independent retail stores in different cities in the PRC, and is also proactive in developing online business to further expand its customer base as well as sales and distribution network. The Group is popular for its brand values of elegance, charm and fashionable in the market. The Group operates self-developed brands including C.banner, EBLAN, sundance, MIO, Badgley Mischka and sells Steve Madden shoes in the PRC through a joint venture.

INFORMATION ON THE PURCHASER

Founded in 2007, Reliance Brands Limited ("**RBL**") is a subsidiary of Reliance Industries Limited ("**RIL**"), a publicly listed company, which is RBL's ultimate beneficial owner. RIL is India's largest private sector company, and its activities span hydrocarbon exploration and production, petroleum refining and marketing, petrochemicals, retail and digital services. RBL was started with a mandate to launch and build international and domestic brands in the premium to luxury segment across fashion and lifestyle space. RBL today operates over 40 brand partnerships. Its current portfolio of brand partnerships comprises of Armani Exchange, Bally, Bottega Veneta, Brooks Brothers, Burberry, Canali, Coach, DC, Diesel, Dune, Emporio Armani, Ermenegildo Zegna, G-Star Raw, Gas, Giorgio Armani, Hamleys, Hugo Boss, Hunkemoller, Iconix Group, Jimmy Choo, Kate Spade New York, Kurt Geiger, Michael Kors, Mothercare, Muji, Paul & Shark, Paul Smith, Pottery Barn, Pottery Barn Kids, Quiksilver, Replay, Roxy, Salvatore Ferragamo, Satya Paul, Steve Madden, Superdry, Scotch & Soda, Thomas Pink, Tumi, Villeroy & Boch and West Elm. RBL currently operates over 400 stores and 350 shop-in-shops in India.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the Company's acquisition of the Target Group in late 2015, the performance of the Target Group was below expectation. Neither the expected synergy between the Group's core shoe business and the toy business nor the desired diversification of business for the Group materialized. Moreover, the gloomy business climate of the retail market in the UK has further worsened in recent years, which is contributed by the "Brexit" uncertainty. Given the principal business of Hamleys is focused in the UK, the Target Company is inevitably susceptible to the UK and macro-economic downturn despite its worldwide reputation. In light of the operational difficulties, the uncertain prospect of the Target Group and the inability to deliver a successful business diversification, the Company has been seeking to dispose of its toy business since late 2018.

The Disposal will also release resources invested by the Group in the Target Group, which can allow the Group to focus on the development of its core business of manufacturing and sale of mid-to-premium ladies' footwear. After the Completion of the Disposal, the Group will channel its resources into the footwear business in particular, to which the Group has a long-term commitment and also commands a strong market position. As a leading retailer in the footwear industry in the PRC, the Company considers that a strong brand is a powerful resource in delivering a competitive advantage in terms of the marketing and sales of products. The Disposal will allow the Company to focus on its self-developed brands, namely "C.banner", "EBLAN", "sundance", "MIO" and "BADGLEY MISCHKA". Furthermore, the Company will also be able to deploy the necessary resources to enhance its role as OEM or ODM manufacturer for international shoes companies.

The net proceeds from the Disposal will also contribute to the Group's cash-flow and financial position, which allows the repayment of certain indebtedness of the Group, thereby improving the leverage ratio of the Group.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

REMAINING BUSINESS OF THE GROUP AFTER THE DISPOSAL

The Group has been engaging in the footwear industry for many years. In 2015, the Group acquired the Target Company, which is a world-renowned retail brand of high-end toys, in a bid to diversify its business to the toy retailing industry. However, due to the loss-making business performance of the Target Group (the Target Group would have incurred a loss in the financial year of 2018 if the Company had not waived the accrued but unpaid interest on the shareholder loans made by the Company), the challenging retail market in the UK and the net deficit of the Target Group since its acquisition, the Company decided to proceed with the Disposal.

Upon the Disposal, the Group will continue and focus on developing its shoes business, which has always been the core business of the Group. As disclosed in the Group's 2018 annual report, the Group's revenue on "retail and wholesale" and "contract manufacturing" of shoes was RMB2,048,973,000 and RMB229,104,000, representing approximately 70.1% and 7.8% of the total revenue of the Group respectively. In other words, the shoes business of the Group contributed about 77.9% of the total revenue of the Group for the financial year ended December 31, 2018. Meanwhile, the revenue on "retail of toys" was RMB645,582,000, representing only about 22.1% of the total revenue of the Group for the financial year ended December 31, 2018. As such, the Disposal would not cause a fundamental change in the Group's principal business.

The Company intends to continue to carry out the toy retail business in the PRC after the Disposal under the franchise arrangement currently contemplated to be entered into with the Purchaser following Completion.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

The Disposal is currently expected to record a loss of approximately £1.0 million (equivalent to approximately HK\$10.2 million), calculated based on the Share Consideration of £34,293,436 as reduced by (i) the carrying value of the Company's investment in the Target Group of approximately £32.8 million and (ii) the transaction costs currently estimated to be approximately £2.5 million. Shareholders should note that the exact amount of the loss on the Disposal to be recorded in the consolidated statement of profit or loss of the Group for the year ending December 31, 2019 will be subject to audit, and will be calculated based on the net asset value of the Target Group as at Completion, possible adjustments to the Shares Consideration and net of any incidental expenses, tax expenses, transaction costs and any exchange rate fluctuation before Completion and therefore may vary from the figures provided above.

The proceeds are intended to be applied for repayment of certain indebtedness of the Group and general working capital of the Group.

LISTING RULES APPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal under the Sale and Purchase Agreement exceeds 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

GENERAL

An SGM will be convened and held by the Company to seek Shareholders' approval of the Sale and Purchase Agreement and the transactions contemplated thereunder. As far as the Company is aware, having made all reasonable enquiries, none of the Shareholders is materially interested in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting on the resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among other things, detailed information regarding the Disposal and a notice of the SGM is expected to be despatched to the Shareholders on or before June 28, 2019 to allow sufficient time required for the preparation and finalization of the relevant information for inclusion in the circular.

Completion is conditional upon the satisfaction of the condition set out in the section headed “Condition Precedent” in 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.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on May 10, 2019 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on May 15, 2019.

DEFINITIONS

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

“Board”	the board of the Directors
“Business Day(s)”	a day (other than a Saturday or a Sunday) on which banks are open for business in London, Mumbai and Hong Kong
“Company”	C.banner International Holdings Limited, 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 Sale and Purchase Agreement
“Completion Date”	has the meaning set forth in the section entitled “Completion” in this announcement
“Completion Payment”	the aggregate amount of the Shares Consideration and the Loan Repayment Amount set forth in the section entitled “Completion Payment” in this announcement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Condition Precedent”	the condition precedent set forth in the section entitled “Condition Precedent” in this announcement
“Director(s)”	the director(s) of the Company

“Disposal”	the proposed disposal of the entire issued share capital of the Target Company pursuant to the Sale and Purchase Agreement
“GBP” or “£”	Pound sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	11:59 p.m. London Time on November 30, 2019 or such later date as may be agreed by the parties to the Sale and Purchase Agreement
“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”	Reliance Brands Limited, a company incorporated in India
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated May 9, 2019 entered into between the Company and the Purchaser regarding the Disposal
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	holder(s) of the share(s) of the 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 Sale and Purchase Agreement and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hamleys Global Holdings Limited, a company incorporated in England and Wales, which was acquired by the Company and became a wholly-owned subsidiary of the Company in 2015

“Target Group” or “Hamleys”	the Target Company and its subsidiaries, taken as a whole
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“%”	per cent

For the purpose of this announcement, the conversion of GBP into HK\$ is made based on the approximate exchange rate of £1.00 to HK\$10.1765 for illustration purpose only.

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

Hong Kong, May 14, 2019

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