THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in C.banner International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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 ALLIED GREAT INTERNATIONAL HOLDINGS LIMITED AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the Special General Meeting of C.banner International Holdings Limited to be held at 31st Floor, International Trade Center, No.18 East Zhongshan Road, Nanjing, China on Tuesday, 21 July 2020 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the Special General Meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.cbanner.com.cn. Whether or not you are able to attend the Special General Meeting, you are required to complete the form of proxy in accordance with the instructions printed thereon and deliver it to the Hong Kong share registrar of C.banner International Holdings Limited, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude a shareholder from attending and voting in person at the Special General Meeting if they so wish and in such event, the form of proxy shall be deemed to be revoked.

SPECIAL MEASURES FOR THE SPECIAL GENERAL MEETING

Please note that the following measures will be implemented for the Special General Meeting due to the COVID-19 pandemic (see pages 21 to 22 for details):

- Compulsory temperature checks before entering the building where the Special General Meeting will be held; those with a fever may not be admitted.
- Wearing of face masks is compulsory at any time within the meeting venue and throughout the Special General Meeting.
- There will be no distribution of gifts and no refreshments.

30 June 2020

CONTENTS

Page

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

"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" in the "Letter from the Board" of this circular, 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
"Dongguan Mayflower"	Dongguan Mayflower Footwear Corporation Limited (東莞美麗華鞋業有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
"GBP"	Pound sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Latest Practicable Date"	25 June 2020, being the latest practicable date prior to the printing of this circular, for ascertaining certain information for inclusion in this circular
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, set out in Appendix 10 to the Listing Rules
"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" in the "Letter from the Board" of this circular
"PRC"	the People's Republic of China, which, for the purpose of this circular, 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 Business"	the business to be carried out by the Remaining Group after Completion, details of which are set forth in the section headed "Scope of the Remaining Business for the Purposes of this Appendix IV" in Appendix IV to this circular
"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" in the "Letter from the Board" of this circular
"Sale Share"	1 ordinary share of the Target Company, which represents the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM" or "Special General Meeting"	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" in the "Letter from the Board" of this circular
"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" in the "Letter from the Board" of this circular
"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 Latest Practicable Date comprised 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" in the "Letter from the Board" of this circular
"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" in the "Letter from the Board" of this circular
"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

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)

Executive Directors:
Mr. CHEN Yixi *(Chairman)*
Mr. HUO Li
Mr. YUAN Zhenhua *(President and Chief Financial Officer)*
Mr. WAN Xianghua
Mr. WU Weiming

Non-executive Director:
Mr. MIAO Bingwen

Independent non-executive Directors:
Mr. KWONG Wai Sun Wilson
Mr. LI Xindan
Mr. ZHENG Hongliang

Registered office:
Victoria Place
5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Principal place of business in Hong Kong:
Unit 2904
29th Floor
Far East Finance Center
16 Harcourt Road
Hong Kong

30 June 2020

To the Shareholders

Dear Sirs and Madams,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF ALLIED GREAT INTERNATIONAL HOLDINGS LIMITED AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 18 June 2020 in relation to the Disposal.

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 purpose of this circular is to provide you with: (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 and other information of the Group; (iii) the financial information and property valuation of the Target Group; (iv) the unaudited pro forma financial information of the Remaining Group upon Completion; and (v) the notice of the SGM, to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the SGM.

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 then 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 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.

Under Condition Precedent (d), the ancillary agreements pertain to the settlement of the Trade Debts, while the mortgages pertain to the movable and immovable property of Nanjing Mayflower referred to in the section headed "The Obligations and Debts Framework Agreement – Mortgages of Movable and Immovable Property" below. The Share Purchase Agreement does not expressly stipulate the circumstances under which Condition Precedent (d) may be waived by the Company. As at the Latest Practicable Date, the Company had no intention to waive Condition Precedent (d).

As at the Latest Practicable Date, none of the Conditions Precedent had been satisfied or waived.

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 this circular could not 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 Purchaser's Ongoing Obligation to Assist with the Company's Financial Reporting

Pursuant to the Share Purchase Agreement, after Completion, the Purchaser shall provide all assistance, documents and information to the Company and its affiliated companies (including subsidiaries) and their auditors and other professional advisers in order to (i) assist the aforesaid parties in the preparation, review and audit of any financial statements; and (ii) assist the Company in the making of any public disclosure in relation to the Target Company or the Disposal or the submission of any document or information to the Stock Exchange pursuant to the Listing Rules.

Based on the above provision, the Company's auditors are of the view that sufficient and adequate steps have been taken by the Company to ensure the accessibility of books and records for subsequent compliance use. At this stage, the Company's auditors do not anticipate any modifications to their opinion in this regard, given proper auditing steps be carried out and sufficient audit evidence be collected.

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 the only subsidiary of the Target Company as at 31 May 2020 and the Latest Practicable Date.

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:

	For the year ended 31 December 2018 *(approximately)*	**For the year ended 31 December 2019** *(approximately)*	**For the five months ended 31 May 2020** *(approximately)*
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

	As at 31 December 2019 *(approximately)*	As at 31 May 2020 *(approximately)*
Certain assets:		
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
Certain liabilities:		
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
Total and net amounts:		
Total assets	RMB1,598,100,000	RMB1,100,400,000
Total liabilities	RMB1,442,500,000	RMB1,193,300,000
Net assets/(liabilities) *(Note)*	RMB155,600,000	RMB(92,900,000)
Net assets/(liabilities) attributable to the Group *(Note)*	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 valuation as at 30 April 2020 according to the property valuation report set out in Appendix III to this circular, are set forth as follows:

No.	Property interest	Status as at the Latest Practicable Date	Net carrying value as at 30 April 2020 *(approximately)*	Valuation (market value in existing state) as at 30 April 2020 *(approximately)*	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 retail purposes	RMB41,200,000	RMB92,200,000	Cost approach
2.	Office units in Nanjing	Used for office purpose	RMB45,600,000	RMB51,000,000	Comparison approach

No.	Property interest	Status as at the Latest Practicable Date	Net carrying value as at 30 April 2020 *(approximately)*	Valuation (market value in existing state) as at 30 April 2020 *(approximately)*	Valuation methodology used
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
		Total:	**RMB96,400,000**	**RMB163,300,000**	

Considering that (i) Jones Lang LaSalle Corporate Appraisal and Advisory Limited and its surveyors and appraisers possess extensive experience in real estate valuation in the PRC; (ii) in respect of property interest no. 1 above, given that there are unlikely to be relevant market comparable sales readily available due to the nature of the buildings and structures of the property and the particular location in which they are situated, the cost approach is considered appropriate; (iii) in respect of property interests nos. 2 to 4 above, given that there have been a number of comparable sales transactions in the market, the comparison approach is considered appropriate; and (iv) the assumptions made in the property valuation report set out in Appendix III to this circular are consistent with those typically found in property valuation reports contained in prospectuses and shareholders' circulars of Hong Kong listed companies, the Directors are of the view that the valuation of immovable property set forth above is fair and reasonable.

Leaseback of Office Units by the Target Group to the Remaining Group

The office units in respect of property interest nos. 2 to 4 in the sub-section headed "Valuation of Immovable Property" above are and will after Completion be leased back from the Target Group to the Remaining Group. The rents payable will be used to offset part of the Trade Debts pursuant to paragraph (c) in the section headed "The Obligations and Debts Framework Agreement – Settlement of the Trade Debts" above.

Considering that (i) leasing instead of owning these office units will provide the Group with greater flexibility in terms of the possible relocation of office units or adjustment in business focus (within or out of Nanjing, Chengdu and Beijing) in the future; (ii) if these office units were not sold as part of the Target Group, the Sale Consideration would be a negative number, which might render the Disposal impossible; and (iii) the rents payable for these office units will be used to offset part of the Trade Debts as explained above, the Directors are of the view that the disposal and leaseback of these office units is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 "Special General Meeting" 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.

Information on the Manufacturing Property and Plants in Xuzhou and Dongguan

After the Disposal, the Group will no longer own 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. On the other hand, the Group will continue to operate its footwear retail and wholesale business and footwear contract manufacturing business at its leased manufacturing property and plants in Xuzhou and Dongguan, respectively. Details of these leased manufacturing property and plants are set forth as follows:

Lessee	Lessor	Monthly rental	Term of lease
Xuzhou C.banner	Mr. Li Jingang (李金剛)	RMB244,036.00	1 July 2011 – 30 June 2031
Xuzhou C.banner	Suining County Buxin Housing Rental Co., Ltd. (睢寧縣步鑫房屋租賃有限公司)	RMB266,532.90	1 January 2012 – 31 December 2031
Dongguan Mayflower	Dongguan Yuanli Industrial Co., Ltd. (東莞市園利實業有限公司)	RMB386,246.00	1 July 2015 – 30 June 2020; 1 July 2020 – 30 June 2025

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the lessors named above are third parties independent of the Company and its connected persons.

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

Expected Gain on Disposal

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.

Pro Forma Impact on Assets and Liabilities

According to the unaudited pro forma financial information of the Remaining Group set out in Appendix V to this circular, assuming that the Disposal had been completed on 31 December 2019 on the terms of the Share Purchase Agreement and part of the Trade Debts had been settled on the same date on the terms of the Obligations and Debts Framework Agreement, the Group's assets and liabilities as at 31 December 2019 would have changed as follows: (i) an increase in total assets by approximately RMB123,300,000 or 7%; (ii) an increase in net assets by approximately RMB201,400,000 or 14%; and (iii) a decrease in total liabilities by approximately RMB78,100,000 or 19%.

Shareholders should note that the above pro forma changes to assets and liabilities are of an unaudited and hypothetical nature, may not give a true picture of the actual financial position of the Remaining Group that would have been attained had the Disposal actually occurred on 31 December 2019, and does not purport to predict the Remaining Group's future financial position.

Shareholders should also note that the above pro forma changes to assets and liabilities have taken into account, among other things, certain intra-group transactions between the Remaining Group and the Target Group which took place between 31 December 2019 (being the base date of the pro forma financial information) and 18 June 2020 (being the date of the Share Purchase Agreement). For further details, please refer to notes 2(c) to 2(f) on page V-11 of this circular.

Use of Proceeds and Impact on Cash Position

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.

SPECIAL GENERAL MEETING

A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular. As at the Latest Practicable Date, (i) the Purchaser held 16,000,000 Shares (representing approximately 0.77% of the Company's issued share capital); (ii) Mr. Wu held 9,086,000 Shares (representing approximately 0.44% of the Company's issued share capital); and (iii) Mr. Wu was the sole beneficial owner of Famous Sino Limited, which held a 75% shareholding in China Consumer Capital Partners II Limited, which was the general partner of China Consumer Capital Fund II, L.P., which in turn held 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.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by way of poll. Accordingly, the resolution to be considered and, if thought fit, approved at the SGM will be voted by way of poll by the Shareholders.

RECOMMENDATION

Having considered the information set out herein, the Directors are of the view that the Share Purchase Agreement, the Obligations and Debts Framework Agreement and the Trademark Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Share Purchase Agreement and the Disposal.

PRECAUTIONS IN LIGHT OF COVID-19 PANDEMIC

In order to protect attending Shareholders and staff of the Company from the risk of infection of COVID-19, the Company will implement the following precautionary measures at the SGM.

- Compulsory temperature checks for every attending Shareholder, proxy or other attendee at the entrance to the building where the SGM will be held. Any person with a fever or is unwell may be denied entry into the meeting venue.

- Any person who does not comply with the precautionary measures may be denied entry into the meeting venue. Health declaration may be required.

- All attendees have to wear face masks within the meeting venue and throughout the meeting.

- There will be no distribution of gifts and no refreshments will be served.

- Appropriate seating spacing will be implemented to ensure safe distancing among attendees.

The Company also reminds Shareholders that attendance at the SGM in person is not necessary for the purpose of exercising voting rights. Shareholders may consider appointing the chairman of the SGM as their proxy to vote on the resolution at the meeting as an alternative to attending the meeting in person.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Chen Yixi
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three financial years ended 31 December 2017, 2018 and 2019 have been disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cbanner.com.cn):

- annual report of the Company for the year ended 31 December 2019 published on 14 May 2020 (pages 75 to 175);
- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 78 to 199); and
- annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 75 to 175).

2. STATEMENT OF INDEBTEDNESS

At the close of business of 31 May 2020, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group had lease liabilities of RMB143,356,000.

Save as disclosed above or as otherwise mentioned herein, and normal accounts payables in the ordinary course of business, as at 31 May 2020, the Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, and term loans, other borrowings or indebtedness in the nature of borrowing including liabilities under acceptances or acceptance credits or hire purchase commitments, and any mortgages and charges, guarantees and material contingent liabilities.

3. NO MATERIAL ADVERSE CHANGE

The Directors confirmed that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources of the Group and the net cash proceeds expected to be received from the Disposal, the working capital available to the Group is sufficient for its present requirements for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

With respect to the Group's footwear retail and wholesale business, the Board does not expect any material change to the scope of such business after Completion because the Group's business operations in Nanjing have been substantially migrated to Xuzhou. 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.

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

With respect to the Group's toy retail business, the Board plans to dispose of or terminate such business in the foreseeable future, taking into consideration (among other things) the Group's intention to focus on its footwear retail and wholesale business.

For further details, please refer to the section headed "Business Performance and Prospects of the Remaining Group" in the "Letter from the Board" of this circular.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited consolidated statements of financial position of Allied Great International Holdings Limited and its subsidiaries (the "**Target Group**") as at 31 December 2017, 2018 and 2019 and the unaudited consolidated statements of profit or loss and other comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2019 (the "**Relevant Periods**") and explanatory notes, which have been reviewed by the Company's reporting accountants, ZHONGHUI ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

A. UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the years ended 31 December		
	2019	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,379,747	1,847,811	2,113,647
Cost of sales	(745,222)	(865,087)	(836,044)
Gross profit	634,525	982,724	1,277,603
Other income and expenses and other gains and losses	(26,618)	42,678	21,255
Distribution and selling expenses	(819,484)	(1,125,415)	(1,220,223)
Administrative and general expenses	(38,124)	(38,365)	(35,523)
Finance costs	(1,344)	–	–
Loss before income tax	(251,045)	(138,378)	43,112
Income tax expenses	(51,394)	17,372	(12,700)
(Loss)/profit for the year	(302,439)	(121,006)	30,412
Other comprehensive (expenses)/income:			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income	(20,998)	–	–
Other comprehensive expenses for the year	(20,998)	–	–
Total comprehensive (expenses)/income for the year	(323,437)	(121,006)	30,412
(Loss)/profit for the year attributable to:			
Owners of the Company	(301,629)	(120,999)	30,562
Non-controlling interests	(810)	(7)	(150)
	(302,439)	(121,006)	30,412
Total comprehensive (expenses)/ income attributable to:			
Owners of the Company	(322,627)	(120,999)	30,562
Non-controlling interests	(810)	(7)	(150)
	(323,437)	(121,006)	30,412

B. UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December		
	2019	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	132,565	116,223	119,505
Right-of-use assets	32,613	–	–
Prepaid lease payments	–	12,622	13,019
Other intangible assets	2,191	1,680	2,461
Equity investments at fair value through other comprehensive income	20,000	–	–
Deferred tax assets	–	59,692	20,592
Long-term deposits and prepayments	22,251	20,063	20,067
	209,620	210,280	175,644
Current assets			
Inventories	599,159	674,362	837,905
Trade receivables	91,426	205,717	270,698
Other receivables and prepayments	64,805	59,628	52,256
Amount due from ultimate holding company	243,994	326,964	323,211
Amount due from fellow subsidiaries	226,371	61,462	28,029
Financial assets at fair value through profit or loss	35,300	–	–
Pledged bank deposits	20,000	–	–
Bank balances and cash	107,377	144,577	254,053
	1,388,432	1,472,710	1,766,152

	At 31 December		
	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade and bills payables	24,891	3,606	3,989
Other payables	49,089	91,626	111,133
Contract liabilities	17,806	22,576	–
Deferred revenue	–	–	30,563
Lease liabilities	12,751	–	–
Amount due to fellow subsidiaries	1,310,726	1,056,287	1,006,026
Amount due to ultimate holding company	20,200	24,949	24,949
Current tax liabilities	–	4,918	9,367
	1,435,463	1,203,962	1,186,027
Net current (liabilities)/assets	(47,031)	268,748	580,125
Total assets less current liabilities	162,589	479,028	755,769
Non-current liabilities			
Lease liabilities	6,998	–	–
	6,998	–	–
Net assets	155,591	479,028	755,769
Capital and reserves			
Share capital	426,000	426,000	426,000
Reserves	(272,342)	50,285	329,355
Total equity attributable to owners of the Company	153,658	476,285	755,355
Non-controlling interests	1,933	2,743	414
Total equity	155,591	479,028	755,769

C. UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								
	Share capital	**PRC statutory reserve**	**Other reserve**	**Equity investment revaluation reserve**	**Accumulated profits/ (losses)**	**Proposed final dividend**	**Sub-total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	426,000	114,550	8,046	–	176,197	–	724,793	564	725,357
Profit and total comprehensive income for the year	–	–	–	–	30,562	–	30,562	(150)	30,412
At 31 December 2017 and at 1 January 2018	426,000	114,550	8,046	–	206,759	–	755,355	414	755,769
Effect on adoption of IFRS 9	–	–	–	–	(23,071)	–	(23,071)	–	(23,071)
At 31 December 2017 and at 1 January 2018, as restated	426,000	114,550	8,046	–	183,688	–	732,284	414	732,698
Loss and total comprehensive expenses for the year	–	–	–	–	(120,999)	–	(120,999)	(7)	(121,006)
Proposed final dividend	–	–	–	–	(135,000)	135,000	–	–	–
Dividends paid	–	–	–	–	–	(135,000)	(135,000)	–	(135,000)
Deregistration of a subsidiary	–	–	–	–	–	–	–	(414)	(414)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	2,750	2,750
At 31 December 2018 and at 1 January 2019	426,000	114,550	8,046	–	(72,311)	–	476,285	2,743	479,028
Loss for the year	–	–	–	–	(301,629)	–	(301,629)	(810)	(302,439)
Other comprehensive expenses for the year									
– Fair value change of equity investments at fair value through other comprehensive income	–	–	–	(20,998)	–	–	(20,998)	–	(20,998)
Total comprehensive expenses for the year	–	–	–	(20,998)	(301,629)	–	(322,627)	(810)	(323,437)
At 31 December 2019	426,000	114,550	8,046	(20,998)	(373,940)	–	153,658	1,933	155,591

D. UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2019	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
(Loss)/profit before income tax	(251,045)	(138,378)	43,112
Adjustments for:			
Finance costs	1,344	–	–
Depreciation of property, plant and equipment	58,721	16,686	20,196
Depreciation of right-of-use assets	15,810	–	–
Amortisation of intangible assets	135	1,157	1,270
Amortisation of prepaid lease payments	–	397	397
(Reversal of)/write-down of inventories to net realisable value	(22,338)	34,485	(29,161)
Written off of property, plant and equipment	2,241	798	831
Written off of amount due from fellow subsidiaries	122,016	–	–
Interest income on bank deposits	(3,831)	(3,837)	(4,151)
Gain on modification of right-of-use assets and lease liabilities	(47)	–	–
Reversal of impairment provision in respect of trade receivables	(17,157)	(8,784)	–
Operating cash flows before working capital changes	(94,151)	(97,476)	32,494
Change in inventories	97,541	129,058	16,090
Change in trade receivables	131,448	43,003	(2,612)
Change in other receivables and prepayments	46,910	(4,369)	(7,494)
Change in trade payables	21,285	(383)	(1,613)
Change in other payables	(42,537)	(19,507)	(8,774)
Change in contract liabilities	(4,770)	(7,987)	–
Change in deferred revenue	–	–	13,651
Change in long-term deposit	2,964	4	(235)
Change in amount due from fellow subsidiaries	(286,826)	(33,291)	(9,256)
Change in amount due to fellow subsidiaries	163,441	49,847	(61,753)
Change in amount due from/to ultimate holding company	78,221	(3,753)	(4,398)
Change in financial assets at fair value through profit or loss	(35,300)	–	–
Cash generated from/(used in) operations	78,226	55,146	(33,900)
Income taxes refund/(paid)	3,380	(18,486)	(1,100)
Net cash from/(used in) operating activities	81,606	36,660	(35,000)

	For the year ended 31 December		
	2019	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from investing activities			
Change in pledged bank deposits	(20,000)	–	–
Payments for acquisition of property, plant and equipment	(77,304)	(14,202)	(8,172)
Payments for acquisition of intangible assets	(5,798)	(376)	(569)
Interest received from bank deposits	828	692	2,149
Net cash used in investing activities	(102,274)	(13,886)	(6,592)
Cash flows from financing activities			
Dividends paid to owners of the Company	–	(135,000)	–
Capital contribution from non-controlling interests	–	2,750	–
Repayment of lease liabilities	(15,188)	–	–
Lease interest paid	(1,344)	–	–
Net cash used in financing activities	(16,532)	(132,250)	–
Net decrease in cash and cash equivalents	(37,200)	(109,476)	(41,592)
Cash and cash equivalents at 1 January	144,577	254,053	295,645
Cash and cash equivalents at 31 December	107,377	144,577	254,053
Cash and cash equivalents at end of year, represented by			
bank balances and cash	107,377	144,577	254,053
	107,377	144,577	254,053

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

1. GENERAL

C.banner International Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") were principally engaged in manufacture and sale of branded fashion footwear and retail of toys in the PRC.

On 18 June 2020, the Company and Huaxin Ventures Limited (the "**Purchaser**") entered into a sale and purchase agreement (the "**SPA**"), or the disposal of the entire equity interest in Allied Great International Holdings Limited (the "**Target Company**") and its subsidiaries (together the "**Target Group**"), at a consideration of RMB5,000,000 (the "**Disposal**"). Upon completion of the Disposal, the Target Group will cease to be subsidiaries of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The unaudited consolidated financial information of the Target Group has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is solely for the purpose of inclusion in the circular issued by the Company in connection with the Disposal.

The amounts included in the unaudited consolidated financial information for each of the three years ended 31 December 2019 have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of the Company's annual consolidated financial statements, which conform with International Financial Reporting Standards issued by the International Accounting Standard Board.

The unaudited consolidated financial information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standard Board and should be read in conjunction with the Company's annual consolidated financial statements.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2020 of the Properties held by the Target Company.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F, One Taikoo Place,
979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No: C-030171

30 June 2020

The Board of Directors
C.banner International Holdings Limited
Victoria Place
5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Dear Sirs,

On 18 June 2020, C.banner International Holdings Limited (the "**Company**") and Huaxin Ventures Limited (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 Allied Great International Holdings Limited (the "**Target Company**"), a wholly-owned subsidiary of the Company, for the Sale Consideration of RMB5,000,000.

In accordance with your instructions to value the property interests held by the Target Company in the PRC, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 April 2020 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, we have valued the property interest of Property No.1 by the cost approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have valued the property interests of Property Nos. 2 to 4 by comparison approach assuming sale of the property interests in their existing state by making reference to comparable sales transactions as available in the market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Target Company and the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of State-owned Land Use Rights Certificates, Building Ownership Certificates and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser – Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior, and where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in April 2020 by Ms. Alice Liu, Ms. Erin Wu, Ms. Hao Wang and Mr. Mo Xu. Ms. Alice Liu is China Qualified Real Estate Appraiser and has 5 years' valuation experience in the real estate industry of the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Company and the Company. We have also sought confirmation from the Target Company and the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the properties under frequent review.

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of COVID-19 has caused much disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the rental/income projections/ assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the report date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result it causes volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held for investment by the Target Company in the PRC

No.	**Property**	**Market value in existing state as at 30 April 2020** *RMB*
1.	A parcel of land, various buildings and structures No. 209 Jiangjun Avenue Moling Subdistrict Jiangning District Nanjing City Jiangsu Province The PRC	92,220,000
2.	Portions of office units of Nanjing International Trade Center No. 18 East Zhongshan Road Qinhuai District Nanjing City Jiangsu Province The PRC	51,020,000
3.	4 office units of Block I R&F Tianhui Center No. 269 Shuncheng Street Qingyang District Chengdu City Sichuan Province The PRC	9,070,000
4.	2 office units and an underground car parking space of Caifu Xihuan Business Center No.58 Caihuying Fengtai District Beijing City The PRC	10,970,000
	Total:	163,280,000

VALUATION CERTIFICATE

Property interests held for investment by the Target Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2020 *RMB*
1.	A parcel of land, various buildings and structures No. 209 Jiangjun Avenue Moling Subdistrict Jiangning District Nanjing City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 100,176.30 sq.m., 8 buildings and various ancillary structures erected thereon which were completed in various stages between 2005 and 2018. The buildings have a total gross floor area of approximately 41,951.69 sq.m. The buildings include 4 industrial buildings, a canteen, a composite building and 2 dormitories. The structures mainly include a container structure, 2 bicycle sheds, boundary walls and roads. The land use rights of the property have been granted for a term with the expiry date on 27 December 2056 for industrial use.	As at the valuation date, except for portions of the property which were leased to Meihong Footwear for storage and retail purposes, the remaining portions of the property were vacant.	92,220,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract, the land use rights of a parcel of land with a site area of approximately 100,176.30 sq.m. were contracted to be granted to Mayflower (Nanjing) Enterprise Limited (美麗華企業（南京）有限公司, "**Nanjing Mayflower**", a direct wholly-owned subsidiary of the Target Company), commencing from the land delivery date. The land premium was RMB21,037,023.

2. Pursuant to a State-owned Land Use Rights Certificate – Ning Jiang Guo Yong (2007) Di No. 29840, the land use rights of the property with a site area of approximately 100,176.30 sq.m. have been granted to Nanjing Mayflower for a term with the expiry date on 27 December 2056 for industrial use.

3. Pursuant to 7 Building Ownership Certificates – Ning Fang Quan Zheng Jiang Chu Zi Di Nos. JN00185072 to JN00185076, JN00312876 and JN00312880, 8 buildings with a total gross floor area of approximately 41,951.69 sq.m are owned by Nanjing Mayflower.

4. Pursuant to a Tenancy Agreement entered between Nanjing Mayflower and Meihong Footwear Company Limited (美鴻鞋業有限公司, "**Meihong Footwear**", a wholly-owned subsidiary of the Company), portions of the property with a lettable area of 10,506.33 sq.m. were rented to Meihong Footwear for storage and retail purposes with the expiry date on 31 December 2020 at a total annual passing rent of RMB1,200,000, exclusive of management fees, water and electricity charges.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   Nanjing Mayflower is legally and validly in possession of the land use rights and building ownership rights of the property. Nanjing Mayflower is entitled to occupy, transfer, lease, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2020 *RMB*
2.	Portions of office units of Nanjing International Trade Center No. 18 East Zhongshan Road Qinhuai District Nanjing City Jiangsu Province The PRC	The property comprises various office units located on Levels 24 to 26 of an office building known as Nanjing International Trade Center, which was completed in 2004. The property is located at No. 18 East Zhongshan Road, Qinhuai District, Nanjing City. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area with retail stores and commercial buildings. The property has a total gross floor area of approximately 3,670.12 sq.m. The details are set out as following:	As at the valuation date, the property was leased to Meihong Footwear for office purpose.	51,020,000

Unit	Gross Floor Area (sq.m.)
Level 24	1,472.50
Level 25	1,458.44
Units 2601-2606 on Level 26	739.18
Total:	3,670.12

The land use rights of the property have been granted for a term with the expiry date on 19 November 2042 for office use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Ning Qin Guo Yong (2013) Di No. 09341, the land use rights of a land parcel with apportioned site area of approximately 228.80 sq.m., on which the property is situated, have been granted to Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司, "**Nanjing Mayflower**", a direct wholly-owned subsidiary of the Target Company), for a term with the expiry date on 19 November 2042 for commercial use.

2. Pursuant to a Building Ownership Certificate – Ning Fang Quan Zheng Qin Zhuan Zi Di No. 331484, the property with a gross floor area of approximately 3,670.12 sq.m. is owned by Nanjing Mayflower.

3. Pursuant to a Tenancy Agreement entered between Nanjing Mayflower and Meihong Footwear Company Limited (美鴻鞋業有限公司, "**Meihong Footwear**", a wholly-owned subsidiary of the Company), the property with a lettable area of 3,670.12 sq.m. was rented to Meihong Footwear for office purpose with the expiry date on 31 March 2032 at a total annual passing rent of RMB2,750,000, exclusive of management fees, water and electricity charges.

4. In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are office units within the same development of the subject property and other buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB13,600 to RMB16,000 per sq.m. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   Nanjing Mayflower is legally and validly in possession of the land use rights and building ownership rights of the property. Nanjing Mayflower is entitled to occupy, transfer, lease, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2020 *RMB*
3.	4 office units of Block I R&F Tianhui Center No. 269 Shuncheng Street Qingyang District Chengdu City Sichuan Province The PRC	The property comprises 4 office units on Level 8 of Block I of an office building known as R&F Tianhui Center which was completed in May 2014. The property is located at junction of Xiyulong Street and Shuncheng Street, Qingyang District, Chengdu City. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area with retail stores and commercial buildings. The property has a gross floor area of approximately 810.23 sq.m. The land use rights of the property have been granted for a term with the expiry date on 27 May 2063 for office use.	As at the valuation date, the property was leased to Meihong Footwear for office purpose.	9,070,000

Notes:

1. Pursuant to 4 State-owned Land Use Rights Certificates – Qing Guo Yong (2016) Di Nos. 26636 to 26639, the land use rights of a land parcel with apportioned site area of approximately 34.28 sq.m., on which the property is situated, have been granted to Mayflower (Nanjing) Enterprise Limited (美麗華企業（南京）有限公司, "**Nanjing Mayflower**", a direct wholly-owned subsidiary of the Target Company), for a term with the expiry date on 27 May 2063 for office use.

2. Pursuant to 4 Building Ownership Certificates – Cheng Fang Chan Quan Jian Zheng Zi Di Nos. 4179556 to 417959, the property (Unit Nos. 1, 6, 23 and 24 on Level 8) with a gross floor area of approximately 810.23 sq.m. is owned by Nanjing Mayflower.

3. Pursuant to a Tenancy Agreement entered between Nanjing Mayflower and Meihong Footwear Company Limited (美鴻鞋業有限公司, "**Meihong Footwear**", a wholly-owned subsidiary of the Company), the property with a lettable area of approximately 810.23 sq.m. was rented to Meihong Footwear for office purpose with the expiry date on 31 March 2032 at a total annual passing rent of RMB600,000, exclusive of management fees, water and electricity charges.

4. In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are office units within the same development of the subject property. The unit price of these comparable properties ranges from RMB11,000 to RMB12,000 per sq.m. Appropriate adjustments and analysis are considered to the differences in several aspects including time and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   Nanjing Mayflower is legally and validly in possession of the land use rights and building ownership rights of the property. Nanjing Mayflower is entitled to occupy, transfer, lease, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2020 *RMB*
4.	2 office units and an underground car parking space of Caifu Xihuan Business Center No.58 Caihuying Fengtai District Beijing City The PRC	The property comprises 2 office units on Level 24 and a car parking space on Basement Level 2 of a composite building known as Caifu Xihuan Business Center which was completed in 2005. Caifuxihuan Business Center is located at No.58 Caihuying, Fengtai District, Beijing City. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area with retail stores, office buildings, and residential developments. The office units of the property have a total gross floor area of approximately 281.36 sq.m. and the car parking space has a gross floor area of approximately 64.52 sq.m.	As at the valuation date, the property was leased to Meihong Footwear for office and car parking purposes.	10,970,000

Notes:

1. Pursuant to 3 Building Ownership Certificates – X Jing Fang Quan Zheng Feng She Wai Zi Di Nos. 011387,011388 and X Jing Fang Quan Zheng Feng Zi Di No. 052560, the property (Unit Nos. 2403 and 2404 and car parking space No. 226) with a gross floor area of approximately 345.88 sq.m. is owned by Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司, "**Nanjing Mayflower**", a direct wholly-owned subsidiary of the Target Company).

2. Pursuant to a Tenancy Agreement entered between Nanjing Mayflower and Meihong Footwear Company Limited (美鴻鞋業有限公司, "**Meihong Footwear**", a wholly-owned subsidiary of the Company), the property with a lettable area of approximately 345.88 sq.m. was rented to Meihong Footwear for office and car parking purposes with the expiry date on 31 March 2032 at a total annual passing rent of RMB360,000, exclusive of management fees, water and electricity charges.

3. In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are office units and car parking spaces within the same development of the subject property and other buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB37,500 to RMB38,600 per sq.m. for office units, and RMB195,000 to RMB206,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   Nanjing Mayflower is legally and validly in possession of the building ownership rights of the property. Nanjing Mayflower is entitled to occupy, transfer, lease, mortgage or otherwise dispose of the property.

Scope of the Remaining Business for the Purposes of this Appendix IV

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.

For better comparability of the financial and operating information of the Remaining Business for the three years ended 31 December 2017, 2018 and 2019 set out in this Appendix IV as well as the five months ended 31 May 2020 set out in the section headed "Business Performance and Prospects of the Remaining Group" in the "Letter from the Board" of this circular, the scope of business of each of the aforesaid three business segments is delineated as follows for the purposes of this Appendix IV.

Footwear retail and wholesale business

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. In preparation for the Disposal, the Group's business operations in Nanjing (which were previously carried out under the Target Group) have been substantially migrated to Xuzhou, with a corresponding ramp-up of production in Xuzhou in recent months. Therefore, the Board does not expect any material change to the scope of the Group's footwear retail and wholesale business after Completion. For further details, please refer to the sections headed "Reasons for and Benefits of the Disposal" and "Business Performance and Prospects of the Remaining Group" in the "Letter from the Board" of this circular.

On this basis, insofar as footwear retail and wholesale business is concerned, the scope of the Remaining Business covers the Group's footwear retail and wholesale business (without exclusion of the Target Group's portion) as at and for the years ended 31 December 2017, 2018 and 2019.

Footwear contract manufacturing business

The Group acts as an OEM or ODM manufacturer for international shoes companies dealing in export markets. 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.

On this basis, insofar as footwear contract manufacturing business is concerned, the scope of the Remaining Business covers the Group's footwear contract manufacturing business (without any exclusion) as at and for the years ended 31 December 2017, 2018 and 2019.

Toy retail business

The Group's toy retail business had previously been carried out under Hamleys Global Holdings Limited and its subsidiaries, which had operated a number of proprietary and franchised Hamleys stores around the world, including three proprietary Hamleys stores in the PRC. Following the Group's disposal of Hamleys Global Holdings Limited and its subsidiaries in July 2019, these three proprietary Hamleys stores in the PRC were turned into franchised stores with a member of the Group as the franchisee, since which the Group's toy retail business has solely been carried out on a franchise basis through these three franchised stores.

On this basis, insofar as toy retail business is concerned, the scope of the Remaining Business only covers the aforesaid three Hamleys stores in the PRC (being the Group's continuing operations after the aforesaid disposal) as at and for the years ended 31 December 2017, 2018 and 2019.

Liquidity, Financial Resources and Capital Structure

For the year ended 31 December 2017

As of 31 December 2017, the Remaining Business had bank balances and cash of RMB478.6 million, compared to RMB544.6 million at the end of 2016. For the year ended 31 December 2017, net cash generated from operating activities was RMB127.4 million, a decrease of RMB91.3 million as compared to RMB218.7 million as of the end of 2016.

The Remaining Business recorded a net cash outflow of RMB619.1 million from investing activities for the year of 2017, compared to an inflow of RMB61.4 million in 2016. The outflow was primarily due to the investment in an associate subsequently treated as assets classified as held for sale. Net cash generated from financing activities was RMB437.1 million in 2017, compared to a net cash used in financing activities of RMB93.0 million in 2016. This was mostly attributable to the issuance of other borrowings and notes in 2017 offset by the repayment of bank borrowings.

As of 31 December 2017, the net current assets of the Remaining Business were RMB877.9 million, compared to RMB1,240.1 million at the end of 2016, a decrease of 29.2% or RMB362.2 million.

For the year ended 31 December 2018

As of 31 December 2018, the Remaining Business had cash and cash equivalents of RMB274.2 million, compared to RMB478.6 million at the end of 2017. For the year ended 31 December 2018, net cash generated from operating activities was RMB159.9 million, an increase of RMB32.5 million as compared to RMB127.4 million as of the end of 2017.

The Remaining Business recorded a net cash inflow of RMB469.0 million from investing activities for the year of 2018, compared to an outflow of RMB619.1 million in 2017. The inflow was primarily due to the income received from disposal of held for sale assets of RMB569.9 million. Net cash used in financing activities was RMB836.8 million in 2018, compared to a net cash from financing activities of RMB437.1 million in 2017. This was mostly attributable to the repayment of bank borrowings.

As of 31 December 2018, the net current assets of the Remaining Business were RMB740.5 million, compared to RMB877.9 million at the end of 2017, a decrease of 15.6% or RMB137.4 million.

For the year ended 31 December 2019

As of 31 December 2019, the Remaining Business had cash and cash equivalents of RMB401.1 million, compared to RMB274.2 million at the end of 2018. The improvement in the Remaining Business's cash position was primarily due to the sale proceeds from the disposal of Hamleys Global Holdings Limited and its subsidiaries in July 2019, which proceeds were partly used to repay bank borrowings and partly used to strengthen the Remaining Business's cash position.

As of 31 December 2019, the net current assets of the Remaining Business were RMB1,038.8 million, compared to RMB740.5 million at the end of 2018, an increase of 40.3% or RMB298.3 million.

Gearing Ratio

The Remaining Business's gearing ratio, computed by dividing total loans and borrowings by total assets, was 30.5% as at 31 December 2017, 12.2% as at 31 December 2018 and 0.0% as at 31 December 2019.

Capital Structure

The Remaining Business's operations were financed mainly by shareholder's equity, bank facilities available to the Remaining Business and internal resources. The Remaining Business will continue to adopt its treasury policy of placing its cash and cash equivalent as interest bearing deposits. The Remaining Business's loans and cash and cash equivalents were mainly denominated in RMB, HK$, GBP and US$.

The Remaining Business's bank borrowings denominated in US$ as at 31 December 2017 amounted to RMB1,117.1 million, and its bank borrowings denominated in US$ as at 31 December 2018 amounted to RMB233.3 million. As at 31 December 3019, the Remaining Business had no bank borrowings.

Pledge of Assets

As at 31 December 2017 and 2018, the Company's equity interest in Nanjing Mayflower, Dongguan Mayflower, Nanjing Soft Garment & Footwear Co., Ltd.（南京舒服特服飾鞋業有限公司）and Xuzhou C.banner were pledged to secure the bank borrowings of the Remaining Business.

As at 31 December 2019, bills payables of the Remaining Business of RMB20.0 million were pledged by bank deposits of RMB20.0 million.

Contingent Liabilities

The Remaining Business did not have any substantial or contingent liabilities as of 31 December 2017, 2018 and 2019.

Foreign Exchange Risk Management

The Remaining Business's sales are mainly denominated in RMB, while its contract manufacturing of shoes business is mainly denominated in US$. The Remaining Business did not hold any derivative instruments for hedging against foreign exchange risk. The Board will keep monitoring the impact of the exchange rate on our business closely and take appropriate measures to mitigate the impact where necessary.

For the year ended 31 December 2017, the contract manufacturing of shoes business accounted for 5.5% of the Remaining Business's total revenue. The Remaining Business recorded a RMB10.8 million gain from currency exchange, compared to a RMB66.7 million gain in 2016.

For the year ended 31 December 2018, the contract manufacturing of shoes business accounted for 9.6% of the Remaining Business's total revenue. The Remaining Business recorded a RMB1.8 million loss from currency exchange, compared to a RMB10.8 million gain in 2017.

For the year ended 31 December 2019, the contract manufacturing of shoes business accounted for 10.9% of the Remaining Business's total revenue. The Remaining Business recorded a RMB1.1 million gain from currency exchange, compared to a RMB1.8 million loss in 2018.

Acquisitions and Disposals

Investment in and disposal of EtonKids Educational Group Limited

On 21 July 2017, the Company entered into a sale and purchase agreement with Standard Chartered Financial Holdings and Standard Chartered Private Equity Korea III (the "**Sellers**"), pursuant to which the Sellers conditionally agreed to sell, and the Company conditionally agreed to purchase, 5,669,931 A series preference shares of US$0.001 each and 649,889 A-1 series preference shares of US$0.001 each of EtonKids Educational Group Limited ("**EtonKids**"), all of which would be simultaneously converted into ordinary shares of US$0.001 each of EtonKids upon completion, representing 45.78% of the issued share capital of EtonKids, for a cash consideration of US$79,408,705. Completion of the sale and purchase took place on 11 August 2017, after which the Company held 45.78% of the issued share capital of EtonKids.

On 29 December 2017, the Company entered into sale and purchase agreements with Allied Way International Enterprise Limited and Hongkong Hongxing Investment Management Limited (the "**Purchasers**"), pursuant to which the Company conditionally agreed to sell, and the Purchasers conditionally agreed to purchase, 6,319,820 ordinary shares of EtonKids, representing 45.78% of the issued share capital of EtonKids, for an aggregate cash consideration of US$89,499,900. Completion of the sales and purchases took place on 17 May 2018.

Disposal of Hamleys Global Holdings Limited

On 9 May 2019, the Company entered into a sale and purchase agreement with Reliance Brands Limited ("**RBL**"), pursuant to which the Company conditionally agreed to sell, and RBL conditionally agreed to purchase, the entire issued share capital of Hamleys Global Holdings Limited for a cash consideration of GBP34,293,436 and the repayment of a shareholder's loan made by the Company of GBP33,671,017. Completion of the sale and purchase took place on 16 July 2019.

Convertible Bonds and Notes

Convertible bonds and notes issued in August 2017

On 4 August 2017, the Company issued convertible bonds and notes, each in the principal amount of US$50,000,000, to Cheer Hope Holdings Limited ("**Cheer Hope**"). Mr. Chen Yixi had unconditionally and irrevocably guaranteed to Cheer Hope the punctual discharge by the Company of its obligations of whatever nature under the subscription agreement in relation to the issue of the convertible bonds and the notes and other ancillary transaction documents and promised to pay on demand each sum (together with interest on such sum accrued both before and after the date of demand until the date of payment) which the Company was liable to pay under the subscription agreement and other ancillary transaction documents. Pursuant to the subscription agreement, the bond instrument and the note instrument, it shall be an event of default if Mr. Chen Yixi ceased to (i) be beneficially interested (directly or indirectly) in at least 30% of the issued Shares of the Company and the single largest Shareholder of the Company; or (ii) be the chairman and executive Director of the Company. If an event of default under the subscription agreement occurs, the convertible bonds and the notes were, and they shall become, immediately due and repayable. In January 2018, the Company redeemed convertible bonds and notes each in the principal amount of US$10,000,000, and subsequently on 17 May 2018, the Company had, pursuant to the terms and conditions of the convertible bonds and the notes, given notice to the holders of the convertible bonds and the notes respectively that the Company would redeem the convertible bonds and the notes each in the aggregate principal amount of US$40,000,000 that remained outstanding in full on 17 May 2018 before their maturity each at a total redemption price of US$41,742,223 (together with outstanding interests thereon up to the early redemption date). Upon completion of the early redemption, the convertible bonds and the notes had been fully cancelled.

Convertible bonds and notes issued in January 2018

On 17 January 2018, the Company issued convertible bonds and notes, each in the principal amount of US$10,000,000, to OCI Capital Limited. Pursuant to the relevant subscription agreement, it shall be an event of default if Mr. Chen Yixi ceased to (i) be beneficially interested (directly or indirectly) in at least 30% of the issued Shares of the

Company and the single largest Shareholder of the Company; or (ii) be the chairman and executive Director of the Company. If an event of default under the subscription agreement occurs, the convertible bonds and the notes were, and they shall become, immediately due and repayable. On 3 May 2018, the Company had, pursuant to the terms and conditions of the convertible bonds and the notes, given notice to the holders of the convertible bonds and the notes respectively that the Company would redeem the convertible bonds and the notes each in the aggregate principal amount of US$10,000,000 that remained outstanding in full on 3 May 2018 before their maturity at a total redemption price of US$10,526,463.86 and US$10,426,463.86 respectively (together with outstanding interests thereon up to the early redemption date). Upon completion of the early redemption, the convertible bonds and the notes had been fully cancelled.

Human Resources

The Remaining Business provides its employees with competitive remuneration packages including mandatory pension funds, insurance and medical benefits. In addition, the Remaining Business pays discretionary bonuses to qualified employees according to the business performance and their individual work performance.

The Remaining Business had 9,977 employees as of 31 December 2017, 8,818 employees as of 31 December 2018 and 7,459 employees as of 31 December 2019.

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the proposed disposal (the "**Disposal**") of the 100% equity interest in Allied Great International Holdings Limited and its subsidiary, (collectively referred to as the "**Target Group**") might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2019 as extracted from the annual report of the Company for the year ended 31 December 2019 as if the Disposal had been completed on 1 January 2019.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2019 is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2019 as extracted from the annual report of the Company for the year ended 31 December 2019 as if the Disposal had been completed on 31 December 2019.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group as at 31 December 2019	Pro forma adjustments												The Remaining Group as at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	*Note 2(e)*	*Note 2(f)*	*Note 2(g)*	*Note 2(i)*	*Note 2(j)*	*Note 2(k)*	*Note 2(l)*	*Note 2(m)*	
Non-current assets														
Property, plant and equipment	160,993	(132,565)	–	–	6,069	–	1,768	–	–	–	–	–	–	36,265
Right-of-use assets	152,289	(32,613)	–	16,613	–	–	–	–	–	–	40,844	–	–	177,133
Other intangible assets	11,455	(2,191)	–	–	–	–	–	–	–	–	–	–	–	9,264
Goodwill	5,725	–	–	–	–	–	–	–	–	–	–	–	–	5,725
Interest in joint ventures	7,310	–	–	–	–	–	–	–	–	–	–	–	–	7,310
Equity investments at fair value through other comprehensive income	20,000	(20,000)	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax assets	59,103	–	–	–	–	–	–	(54,382)	–	–	–	–	–	4,721
Long-term deposits, prepayments and receivables	28,520	(22,251)	–	–	–	–	–	–	–	176,709	3,446	16,152	189,460	392,036
	445,395	(209,620)	–	16,613	6,069	–	1,768	(54,382)	–	176,709	44,290	16,152	189,460	632,454

	The Group as at 31 December 2019	Pro forma adjustments												The Remaining Group as at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	*Note 2(e)*	*Note 2(f)*	*Note 2(g)*	*Note 2(i)*	*Note 2(j)*	*Note 2(k)*	*Note 2(l)*	*Note 2(m)*	
Current assets														
Inventories	510,578	(599,159)	–	–	–	–	1,595	217,528	–	–	–	–	–	130,542
Trade receivables	286,940	(91,426)	–	–	–	–	–	–	–	–	–	–	–	195,514
Other receivables and prepayments	84,992	(64,805)	–	–	–	–	312	–	–	–	21,130	–	–	41,629
Amount due from Target Group	–	860,561	233,500	–	–	–	(1,088)	–	(150,000)	(189,902)	(65,420)	(16,152)	(207,886)	463,613
Current tax assets	3,619	–	–	–	–	–	–	–	–	–	–	–	–	3,619
Financial assets at fair value through profit or loss	65,300	(35,300)	–	–	–	–	300	–	–	–	–	–	–	30,300
Pledged bank deposits	20,000	(20,000)	–	–	–	–	–	–	–	–	–	–	–	–
Bank balances and cash	401,057	(107,377)	–	–	–	–	181	(368)	150,000	–	–	–	–	443,493
	1,372,486	(57,506)	233,500	–	–	–	1,300	217,160	–	(189,902)	(44,290)	(16,152)	(207,886)	1,308,710
Current liabilities														
Trade and bills payables	127,206	(24,891)	–	–	–	–	919	–	–	–	–	–	–	103,234
Other payables	132,232	(49,089)	–	–	–	–	885	–	–	–	–	–	–	84,028
Contract liabilities	26,932	(17,806)	–	–	–	15,243	–	–	–	–	–	–	–	24,369
Lease liabilities	40,645	(12,751)	–	10,724	–	–	–	–	–	–	–	–	–	38,618
Current tax liabilities	6,709	–	–	–	–	–	–	–	–	–	–	–	–	6,709
	333,724	(104,537)	–	10,724	–	15,243	1,804	–	–	–	–	–	–	256,958
Net current assets	1,038,762	47,031	233,500	(10,724)	–	(15,243)	(504)	217,160	–	(189,902)	(44,290)	(16,152)	(207,886)	1,051,752
Total assets less current liabilities	1,484,157	(162,589)	233,500	5,889	6,069	(15,243)	1,264	162,778	–	(13,193)	–	–	(18,426)	1,684,206

	The Group as at 31 December 2019	Pro forma adjustments													The Remaining Group as at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	*Note 2(e)*	*Note 2(f)*	*Note 2(g)*	*Note 2(i)*	*Note 2(j)*	*Note 2(k)*	*Note 2(l)*	*Note 2(m)*	
Non-current liabilities														
Lease liabilities	83,887	(6,998)	–	5,619	–	–	–	–	–	–	–	–	–	82,508
	83,887	(6,998)	–	5,619	–	–	–	–	–	–	–	–	–	82,508
Net assets	1,400,270	(155,591)	233,500	270	6,069	(15,243)	1,264	162,778	–	(13,193)	–	–	(18,426)	1,601,698
Capital and reserves														
Share capital	209,097	–	–	–	–	–	–	–	–	–	–	–	–	209,097
Reserves	1,120,714	(153,658)	233,500	270	6,069	(15,243)	(669)	162,778	–	(13,193)	–	–	(18,426)	1,322,142
Total equity attributable to owners of the Company	1,329,811	(153,658)	233,500	270	6,069	(15,243)	(669)	162,778	–	(13,193)	–	–	(18,426)	1,531,239
Non-controlling interests	70,459	(1,933)	–	–	–	–	1,933	–	–	–	–	–	–	70,459
Total equity	1,400,270	(155,591)	233,500	270	6,069	(15,243)	1,264	162,778	–	(13,193)	–	–	(18,426)	1,601,698

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

	The Group For the year ended 31 December 2019			Pro forma adjustments				The Remaining Group For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(c)*	*Note 3(f)*	*Note 3(g)*	*Note 4(a)*	*Note 4(b)*	
CONTINUING OPERATIONS								
Revenue	1,935,538	–	–	–	–	–	–	1,935,538
Cost of sales	(776,452)	(24,188)	–	–	–	–	–	(800,640)
Gross profit	1,159,086	(24,188)	–	–	–	–	–	1,134,898
Other income and expenses and other gains and losses	(45,840)	(22,226)	–	–	–	31,291	5,131	(31,644)
Distribution and selling expenses	(1,033,471)	2,592	–	–	(19,174)	–	–	(1,050,053)
Administrative and general expenses	(147,724)	54,091	–	–	(3,404)	–	–	(97,037)
Share of profit of an associate	1,651	–	–	–	–	–	–	1,651
Share of loss of joint ventures	(4,713)	–	–	–	–	–	–	(4,713)
Finance costs	(19,556)	213	–	–	–	–	–	(19,343)
Loss on disposal of subsidiaries	–	–	(128,661)	(6,614)	–	–	–	(135,275)
Loss before income tax	(90,567)	10,482	(128,661)	(6,614)	(22,578)	31,291	5,131	(201,516)
Income tax expenses	(114,709)	78,178	–	–	–	–	–	(36,531)
Loss for the year from continuing operations	(205,276)	88,660	(128,661)	(6,614)	(22,578)	31,291	5,131	(238,047)
DISCONTINUED OPERATION								
Loss for the year from discontinued operation	(102,159)	–	–	–	–	–	–	(102,159)
Loss for the year	(307,435)	88,660	(128,661)	(6,614)	(22,578)	31,291	5,131	(340,206)

	The Group For the year ended 31 December 2019	Pro forma adjustments						The Remaining Group For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(c)*	*Note 3(f)*	*Note 3(g)*	*Note 4(a)*	*Note 4(b)*	
Other comprehensive income/ (expenses):								
Items that may be reclassified to profit or loss:								
Exchange differences reclassified to profit or loss on disposal of subsidiaries	43,565	–	–	–	–	–	–	43,565
Exchange differences on translation of foreign operations	2,938	–	–	–	–	–	–	2,938
Share of other comprehensive income of an associate	20	–	–	–	–	–	–	20
	46,523	–	–	–	–	–	–	46,523
Items that will not be reclassified to profit or loss:								
Fair value changes of equity investments at fair value through other comprehensive income	(20,000)	–	–	–	–	–	–	(20,000)
Other comprehensive income for the year	26,523	–	–	–	–	–	–	26,523
Total comprehensive expenses for the year	(280,912)	88,660	(128,661)	(6,614)	(22,578)	31,291	5,131	(313,683)

	The Group For the year ended 31 December 2019	Pro forma adjustments						The Remaining Group For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(c)*	*Note 3(f)*	*Note 3(g)*	*Note 4(a)*	*Note 4(b)*	
Loss for the year attributable to:								
Owners of the Company								
Loss from continuing operations	(209,493)	88,660	(128,661)	(6,614)	(22,578)	31,291	5,131	(242,264)
Loss from discontinued operation	(101,987)	–	–	–	–	–	–	(101,987)
	(311,480)	88,660	(128,661)	(6,614)	(22,578)	31,291	5,131	(344,251)
Non-controlling interests								
Profit from continuing operations	4,217	–	–	–	–	–	–	4,217
Loss from discontinued operation	(172)	–	–	–	–	–	–	(172)
	4,045	–	–	–	–	–	–	4,045
Total comprehensive (expenses)/ income attributable to:								
Owners of the Company	(284,957)	88,660	(128,661)	(6,614)	(22,578)	31,291	5,131	(317,728)
Non-controlling interests	4,045	–	–	–	–	–	–	4,045
	(280,912)	88,660	(128,661)	(6,614)	(22,578)	31,291	5,131	(313,683)

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group For the year ended 31 December 2019	Pro forma adjustments								The Remaining Group For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(b)*	*Note 3(c)*	*Note 3(e)*	*Note 3(f)*	*Note 3(g)*	*Note 3(h)*	*Note 4(a)*	*Note 4(b)*	
Cash flows from operating activities										
Loss before income tax	(199,921)	10,482	(128,661)	–	(6,614)	(22,578)	–	31,291	5,131	(310,870)
Adjustments for:										
Share of profit of associates	(1,651)	–	–	–	–	–	–	–	–	(1,651)
Share of loss of joint ventures	4,713	–	–	–	–	–	–	–	–	4,713
Finance costs	40,696	(213)	–	–	–	–	–	–	–	40,483
Depreciation of property, plant and equipment	85,205	(53,956)	–	–	–	–	–	–	–	31,249
Depreciation of right-of-use assets	63,719	(2,592)	–	–	–	3,404	–	–	–	64,531
Amortisation of intangible assets	9,209	(135)	–	–	–	–	–	–	–	9,074
Reversal of write-down of inventories to net realisable value	(21,689)	24,188	–	–	–	–	–	–	–	2,499
Written off of property, plant and equipment	12,446	(1,606)	–	–	–	–	–	–	–	10,840
Interest income on bank deposits	(4,555)	3,784	–	–	–	–	–	–	–	(771)
Income from other financial assets	(2,750)	–	–	–	–	–	–	–	–	(2,750)
Interest income on the Trade Debts	–	–	–	–	–	–	–	–	(5,131)	(5,131)
Gain on deemed disposal of an associate	(1,008)	–	–	–	–	–	–	–	–	(1,008)
Gain on modification of right-of-use assets and lease liabilities	(1,719)	47	–	–	–	–	–	–	–	(1,672)
Gain on disposal of property, plant and equipment	(1,064)	–	–	–	–	–	–	–	–	(1,064)
Impairment loss on property, plant and equipment	53,247	–	–	–	–	–	–	–	–	53,247
Impairment loss on long-term deposit	1,200	–	–	–	–	–	–	–	–	1,200
Impairment loss on prepayment	10,000	–	–	–	–	–	–	–	–	10,000
Impairment loss on right-of-use assets	4,804	–	–	–	–	–	–	–	–	4,804
Impairment loss on other intangible assets	32,689	–	–	–	–	–	–	–	–	32,689
Impairment loss on joint ventures	4,781	–	–	–	–	–	–	–	–	4,781
Impairment loss on an associate	2,375	–	–	–	–	–	–	–	–	2,375
Reversal of impairment provision in respect of trade receivables	(13,445)	20,001	–	–	–	–	–	–	–	6,556
Loss on disposal of subsidiaries	62,154	–	128,661	–	6,614	–	–	–	–	197,429

	The Group For the year ended 31 December 2019				Pro forma adjustments					The Remaining Group For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(b)*	*Note 3(c)*	*Note 3(e)*	*Note 3(f)*	*Note 3(g)*	*Note 3(h)*	*Note 4(a)*	*Note 4(b)*	
Operating cash flows before working capital changes	139,436	–	–	–	–	(19,174)	–	31,291	–	151,553
Change in inventories	92,056	(347,728)	–	–	–	–	–	–	–	(255,672)
Change in trade receivables	11,914	(211,208)	–	–	–	–	–	–	–	(199,294)
Change in other receivables and prepayments	58,777	(26,235)	–	–	–	(5,402)	(11,000)	–	–	16,140
Change in amount due from the Target Group	–	–	–	120,000	–	24,576	11,000	594,526	–	750,102
Change in trade payables	19,809	3,606	–	–	–	–	–	–	–	23,415
Change in other payables	187,907	43,422	–	–	–	–	–	–	–	231,329
Change in contract liabilities	(18,347)	(2,563)	–	–	–	–	–	–	–	(20,910)
Change in provisions	(5,490)	–	–	–	–	–	–	–	–	(5,490)
Change in long-term deposit	1,255	–	–	–	–	–	–	–	–	1,255
Change in financial assets at fair value through profit or loss	(65,300)	35,000	–	–	–	–	–	–	–	(30,300)
Cash generated from operations	422,017	(505,706)	–	120,000	–	–	–	625,817	–	662,128
Interest paid	(17,051)	–	–	–	–	–	–	–	–	(17,051)
Income taxes paid	(77,649)	(3,380)	–	–	–	–	–	–	–	(81,029)
Net cash from operating activities	327,317	(509,086)	–	120,000	–	–	–	625,817	–	564,048
Cash flows from investing activities										
Change in pledged bank deposits	(20,000)	20,000	–	–	–	–	–	–	–	–
Payments for acquisition of property, plant and equipment	(97,450)	72,847	–	–	–	–	–	–	–	(24,603)
Payments for acquisition of intangible assets	(46,170)	5,798	–	–	–	–	–	–	–	(40,372)
Proceeds from disposal of subsidiaries	295,560	–	(140,747)	–	–	–	–	–	–	154,813
Proceeds from disposal of property, plant and equipment	6,212	–	–	–	–	–	–	–	–	6,212
Interest received from bank deposits	1,552	(828)	–	–	–	–	–	–	–	724
Income received from other financial assets	2,750	–	–	–	–	–	–	–	–	2,750
Net cash from investing activities	142,454	97,817	(140,747)	–	–	–	–	–	–	99,524

	The Group For the year ended 31 December 2019				Pro forma adjustments					The Remaining Group For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(b)*	*Note 3(c)*	*Note 3(e)*	*Note 3(f)*	*Note 3(g)*	*Note 3(h)*	*Note 4(a)*	*Note 4(b)*	
Cash flows from financing activities										
Repayment of borrowings	(277,520)	–	–	–	–	–	–	–	–	(277,520)
Repayment of lease liabilities	(50,476)	2,082	–	–	–	–	–	–	–	(48,394)
Lease interest paid	(26,412)	213	–	–	–	–	–	–	–	(26,199)
Net cash used in financing activities	(354,408)	2,295	–	–	–	–	–	–	–	(352,113)
Net increase/(decrease) in cash and cash equivalents	115,363	(408,974)	(140,747)	120,000	–	–	–	625,817	–	311,459
Cash and cash equivalents at 1 January 2019	288,974	–	–	–	–	–	–	–	–	288,974
Effect of foreign exchange rate changes	(3,280)	–	–	–	–	–	–	–	–	(3,280)
Cash and cash equivalents at 31 December 2019	401,057	(408,974)	(140,747)	120,000	–	–	–	625,817	–	597,153
Cash and cash equivalents at end of year, represented by bank balances and cash	401,057	(408,974)	(140,747)	120,000	–	–	–	625,817	–	597,153
	401,057	(408,974)	(140,747)	120,000	–	–	–	625,817	–	597,153

Notes:

1. The audited consolidated statement of financial position of C.banner International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2019 are extracted from the published annual report of the Company for the year ended 31 December 2019.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposal had taken place on 31 December 2019.

   (a) The adjustments represent the de-recognition of assets and liabilities of the Allied Great International Holdings Limited (the "**Target Company**") and its subsidiary (collectively referred to as the "**Target Group**") as at 31 December 2019, assuming the Disposal had taken place on 31 December 2019. The assets and liabilities of the Target Group are extracted from the unaudited consolidated statement of the financial position of the Target Group as at 31 December 2019.

   (b) The adjustments represent certain intra-group receivables owed by the Company to the Target Company (amounting to approximately RMB233,500,000 as at 31 December 2019) decreased by way of capital reduction of the Target Company before completion of the Disposal.

(c) The adjustments represent transferring certain right-of-use assets of RMB16,613,000 and lease liabilities of RMB16,343,000 of the Target Group to the Remaining Group before completion of the Disposal. Those transfers had taken place by 31 May 2020.

(d) The adjustments represent transferring certain property, plant and equipment of RMB6,069,000 of the Target Group to the Remaining Group before completion of the Disposal. Those transfers had taken place by 1 June 2020.

(e) The adjustments represent transferring certain contract liabilities of RMB15,243,000 of the Target Group to the Remaining Group before completion of the Disposal. Those transfers had taken place by 31 May 2020.

(f) The adjustments represent the disposal of Jiangsu Meisen Footwear Company Limited ("**Jiangsu Meisen**"), a non-wholly-owned subsidiary of the Company and a member of the Target Group, by the Target Group to the Remaining Group on 30 April 2020.

(g) 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 RMB5,000,000 (the "**Shares Consideration**").

The adjustment represents the estimated gain on disposal assuming the Disposal had taken place on 31 December 2019 and is calculated as follows:

	RMB'000
Consideration	5,000
Adjusted carrying value of net liabilities of the Target Group attributable to owners of the Company *(note)*	70,269
Unrealized gross profit in inventories of the Group	217,528
Deferred income tax assets in respect of unrealized gross profit in inventories of the Group	(54,382)
Estimated gain on disposal before transaction costs	238,415
Less: Estimated transaction costs attributes to the Disposal	(5,368)
Estimated gain on disposal before considering loss on initial recognition of long-term Trade Debts *(Note 2(j) and Note 2(m))*	233,047
Loss on initial recognition of long-term Trade Debts	
– Trade Debts of RMB189,902,000 with present value of RMB176,709,000 *(Note 2(j))*	(13,193)
– Trade Debts of RMB207,886,000 with present value of RMB189,460,000 *(Note 2(m))*	(18,426)
Estimated gain on disposal after considering loss on initial recognition of long-term Trade Debts *(Note 2(j) and Note 2(m))*	201,428

Note: Adjusted carrying value of net liabilities of the Target Group is calculated as follows:

	RMB'000
Carrying value of the net assets of the Target Group attributable to owners of the Company as at 31 December 2019 *(Note 2(a))*	(153,658)
Certain intra-group receivables owed by the Company to the Target Company decreased by way of capital reduction of the Target Company before completion of the Disposal *(Note 2(b))*	233,500
Transferring certain right-of-use assets of the Target Group to the Remaining Group before completion of the Disposal *(Note 2(c))*	16,613
Transferring certain lease liabilities of the Target Group to the Remaining Group before completion of the Disposal *(Note 2(c))*	(16,343)
Transferring certain property, plant and equipment of the Target Group to the Remaining Group before completion of the Disposal *(Note 2(d))*	6,069
Transferring certain contract liabilities of the Target Group to the Remaining Group before completion of the Disposal *(Note 2(e))*	(15,243)
Disposal of Jiangsu Meisen by the Target Group to the Remaining Group before completion of the Disposal *(Note 2(f))*	(669)
	70,269

(h) As at 31 December 2019, the Target Group owed various members of the Remaining Group the trade debts ("**Trade Debts**"), being certain intra-group debts amounting to approximately RMB1,092,973,000 which had arisen in the ordinary course of business over the years.

Before completion of the Disposal, the Company, Xuzhou C.banner Shoes Co., Ltd ("**Xuzhou C.banner**"), a wholly-owned subsidiary of the Company, Meihong Footwear Company Limited ("**Meihong Footwear**"), a wholly-owned subsidiary of the Company, and Mayflower (Nanjing) Enterprise Limited ("**Nanjing Mayflower**"), a wholly-owned subsidiary of the Company and a member of the Target Group, entered into an obligations and debts framework agreement ("**Obligations and Debts Framework Agreement**").

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 the Target Group before and after Completion.

Pursuant to the Obligations and Debts Framework Agreement, the manner that the Target Group shall settle the Trade Debts during the two years from 31 December 2019 and the related estimated amounts of settlements assuming the Disposal had taken place on 31 December 2019 are set out as follows:

	Notes	*RMB'000*
The Target Group shall pay a sum equivalent to its cash balance as at the date of completion 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;	*2(i)*	150,000
The Target Group shall deliver all of its inventories (the "**Inventories**") as at the date of completion to Meihong Footwear which shall sell such Inventories on behalf of the Target Group and offset part of the Trade Debts with the net sale proceeds (after deducting service fee based on 5% of sale proceeds payable by the Target Group to Meihong Footwear);	*2(j)*	645,667
The Target Group shall lease certain of its immovable property to Meihong Footwear and offset part of the Trade Debts with the rents payable;	*2(k)*	65,420
The Target Group shall assign the rental deposits and other earnest monies it previously paid to the landlords and other third parties to Meihong Footwear and transfer prepayments for intangible asset to Meihong Footwear and offset part of the Trade Debts with the rental deposit and other earnest monies and prepayments for intangible asset; and	*2(l)*	24,000
If the Trade Debts have not been fully settled by means of the above within the two-year period, the Target Group shall pay a sum equivalent to the remaining Trade Debts to Xuzhou C.banner upon the expiry of the two-year period.	*2(m)*	207,886
		1,092,973

(i) For the purpose of compiling this unaudited pro forma consolidated statement of financial position, cash of approximately RMB150,000,000 is assumed to be the cash balance minus an amount necessary for the Target Group's daily operations and the amount repaid by the Target Group to Xuzhou C.banner on 31 December 2019. The adjustment represents the repayment of Trade Debts of RMB150,000,000 on 31 December 2019.

(j) For the purpose of compiling this unaudited pro forma consolidated statement of financial position, it is assumed that (i) the Target Group delivers all of its Inventories on 31 December 2019 to Meihong Footwear; and (ii) Meihong Footwear will sell the Inventories on behalf of the Target Group (after charging service fee based on 5 % of sales proceed) with net sale proceeds of approximately RMB455,765,000 during the first year and approximately RMB15,825,000 each month during the second year.

The adjustment represents the initial recognition of long-term Trade Debts of approximately RMB189,902,000 (in respect of the net sales proceeds of the Inventories of approximately RMB15,825,000 received each month during the second year) with present value of approximately RMB176,709,000 (discounted at effective interest rate of 4.75%) and loss on initial recognition of long-term Trade Debts of approximately RMB13,193,000 on 31 December 2019.

(k) For the purpose of compiling this unaudited pro forma consolidated statement of financial position, on 31 December 2019, it is assumed that the undiscounted cash flow in respect of the Target Group leases certain of its immovable property to Meihong Footwear and offset part of the Trade Debts with the rents payable are set out as follows:

	RMB'000
Lease (the "**Long-Term Lease**") excluding value-added-tax recognized as right-of-use assets	40,844
Non-current portion of value-added tax of the Long-Term Lease recognized as long-term prepayment	3,446
Current portion of value-added tax of the Long-Term Lease recognized as prepayment	230
Short-term leases recognised as prepayment for rental expenses including value-added tax of approximately RMB1,726,000	20,900
	65,420

The adjustment represents the recognition of right-of-use assets in respect of the Long-Term Lease of approximately RMB40,844,000, non-current and current portions of prepayment for value-added-tax of approximately RMB3,446,000 and RMB230,000 respectively and prepayment for rental expenses of the short-term lease of approximately RMB20,900,000 on 31 December 2019.

(l) the Target Group transfers rental deposit of approximately RMB11,000,000 and prepayments for an intangible asset of approximately RMB5,152,000 to Meihong Footwear and offset part of the Trade Debts on 31 December 2019 and will pay for acquisition of an intangible assets of approximately RMB7,848,000 on behalf of Meihong Footwear after the date of completion which will offset part of the Trade Debts.

The adjustment represents the Target Group transfers rental deposit of approximately RMB11,000,000 and prepayments for an intangible asset of approximately RMB5,152,000 to Meihong Footwear and offset part of the Trade Debts on 31 December 2019.

(m) For the purpose of compiling this unaudited pro forma consolidated statement of financial position, Trade Debts of approximately RMB207,886,000 with present value of approximately RMB189,460,000 (discounted at effective interest rate of 4.75%) are assumed to be repaid upon the expiry of the two-year period and resulted in loss on initial recognition of long-term Trade Debts of approximately RMB18,426,000.

The adjustment represents the initial recognition of long-term Trade Debts of approximately RMB189,460,000 and loss on initial recognition of long-term Trade Debts of approximately RMB18,426,000 on 31 December 2019.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Disposal had taken place on 1 January 2019.

Before completion of the Disposal, (1) Jiangsu Meisen will be disposed to the Remaining Group by the Target Group; (2) the business operation of the Target Group will be migrated to the Remaining Group; and (3) certain property, plant and equipment, right-of-use assets, lease liabilities and contract liabilities will be transferred to the Remaining Group (collectively referred to as the "**Pre-Disposal Arrangements**").

(a) For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, taking into consideration of the Pre-Disposal Arrangements, it is assumed that the operating results of the Target Group will be migrated to the Remaining Group except the following items.

	Notes	*RMB'000*
Cost of sales		
Reversal of write-down of inventories to net realisable value	*(i)*	24,188
Other income and expenses and other gains and losses		
Gain on modification of right-of-use assets and lease liabilities	*(ii)*	47
Written off of property, plant and equipment	*(iii)*	(1,606)
Interest income on bank deposits	*(iv)*	3,784
Reversal of impairment provision in respect of trade receivables	*(v)*	20,001
		22,226
Distribution and selling expenses		
Depreciation of right-of-use assets	*(ii)*	(2,592)
Administrative and general expenses		
Depreciation of property, plant and equipment	*(vi)*	(53,956)
Amortisation of intangible assets	*(vii)*	(135)
		(54,091)
Finance costs		
Lease interests	*(ii)*	(213)
Loss before income tax		(10,482)
Income tax expenses	*(viii)*	(78,178)
		(88,660)

Notes:

(i) This represents reversal of write-down of inventories to net realisable value in respect of the inventories of the Target Group purchased before completion of the Disposal.

(ii) The gain on modification of right-of-use assets and lease liabilities, depreciation of right-of-use assets and lease interest are related to the right-of-use assets and lease liabilities that will not be transferred to the Remaining Group before completion of the Disposal.

(iii) This represents write-off in respect of property, plant and equipment that will not be transferred to the Remaining Group before completion of the Disposal.

(iv) This represents interest income on bank deposits belongs to the Target Group.

(v) This represents reversal of impairment provision in respect of trade receivables recognised prior to completion of the Disposal.

(vi) This represents depreciation in respect of property, plant and equipment that will not be transferred to the Remaining Group before completion of the Disposal.

(vii) This represents amortization in respect of intangible assets that will not be transferred to the Remaining Group before completion of the Disposal.

(viii) This represents the income tax expenses of the Target Group amounting to approximately RMB51,394,000 and deferred tax expenses of the Group in respect of the unrealized gross profit in inventories amounting to approximately RMB26,784,000.

The adjustment represents the exclusion of operating results of the Target Group as above for the year ended 31 December 2019, taking consideration of the Pre-Disposal Arrangement and assuming the Disposal had taken place on 1 January 2019.

This adjustment is not expected to have a continuing effect on the Remaining Group.

(b) For the purpose of the unaudited pro forma consolidated statement of cash flows, taking into consideration of the Pre-Disposal Arrangements, the cash flow of the Target Group are estimated as follows:

	Notes	*RMB'000*
Cash flows from operating activities		
Change in inventories	*(i)*	347,728
Change in trade receivables	*(ii)*	211,208
Change in other receivables and prepayments	*(iii)*	26,235
Change in trade payables	*(iv)*	(3,606)
Change in other payables	*(iii)*	(43,422)
Change in contract liabilities	*(v)*	2,563
Change in financial assets at fair value through profit or loss	*(iii)*	(35,000)
Income taxes refund	*(iii)*	3,380
		509,086
Cash flows from investing activities		
Change in pledged bank deposits	*(iii)*	(20,000)
Payments for acquisition of property, plant and equipment	*(vi)*	(72,847)
Payments for acquisition of intangible assets	*(iii)*	(5,798)
Interest received from bank deposits	*(iii)*	828
		(97,817)
Cash flows from financing activities		
Repayment of lease liabilities	*(vii)*	(2,082)
Lease interest paid	*(vii)*	(213)
		(2,295)
Cash and cash equivalents at 1 January 2019	*(iii)*	140,379
		549,353

Notes:

(i) Change in inventories is estimated as the amount of inventories purchased prior to 1 January 2019 and sold during 2019.

(ii) Change in trade receivables is estimated as the amount of trade receivables recognised prior to 1 January 2019 and settled during 2019.

(iii) This is estimated based on the accounting records of the Target Group.

(iv) Change in trade payables is estimated as the amount of trade payables recognised prior to 1 January 2019 and settled during 2019.

(v) Change in contract liabilities is estimated based on contract liabilities that will not be transferred to the Remaining Group before completion of the Disposal.

(vi) Payments for acquisition of property, plant and equipment is estimated based on the property, plant and equipment acquired during 2019 and will not be transferred before completion of the Disposal.

(vii) Repayment of lease liabilities and lease interest paid are estimated based on lease liabilities that will not be transferred to the Remaining Group before completion of the Disposal.

This adjustment is not expected to have a continuing effect on the Remaining Group.

(c) 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 RMB5,000,000 (the "**Shares Consideration**").

The adjustment represents the estimated gain on disposal and net cash outflow assuming the Disposal had taken place on 1 January 2019 and are calculated as follows:

Estimated gain on disposal

	RMB'000
Consideration	5,000
Adjusted carrying value of net asset of the Target Group attributable to owners of the Company (note)	(263,867)
Unrealized gross profit in inventories of the Group	180,765
Deferred income tax assets in respect of unrealized gross profit in inventories of the Group	(45,191)
Estimated loss on disposal before transaction costs	(123,293)
Less: Estimated transaction costs attributes to the Disposal	(5,368)
Estimated loss on disposal before considering loss on initial recognition of long-term Trade Debts *(Note 3(f))*	(128,661)
Loss on initial recognition of long-term Trade Debts	
– Trade Debts of RMB114,644,000 with present value of RMB108,030,000 *(Note3(f))*	(6,614)
Estimated loss on disposal after considering loss on initial recognition of long-term Trade Debts *(Note 3(f))*	(135,275)

Note:

Adjusted carrying value of net assets of the Target Group is calculated as follows:

	RMB'000
Carrying value of the net assets of the Target Group attributable to owners of the Company as at 1 January 2019	(476,285)
Certain intra-group receivables owed by the Company to the Target Company decreased by way of capital reduction of the Target Company before completion of the Disposal	225,780
Transferring certain right-of-use assets of the Target Group to the Remaining Group before completion of the Disposal	22,700
Transferring certain lease liabilities of the Target Group to the Remaining Group before completion of the Disposal	(22,265)
Transferring certain property, plant and equipment of the Target Group to the Remaining Group before completion of the Disposal	8,785
Transferring certain contract liabilities of the Target Group to the Remaining Group before completion of the Disposal	(22,576)
Disposal of Jiangsu Meisen by the Target Group to the Remaining Group before completion of the Disposal	(6)
	(263,867)

Net cash outflow

	RMB'000
Cash consideration received from the Disposal	5,000
Less: Estimated transaction costs attributes to the Disposal	(5,368)
Less: Bank balances and cash of the Target Group as at 1 January 2019	(140,379)
	(140,747)

This adjustment is not expected to have a continuing effect on the Remaining Group.

(d) As at 1 January 2019, the Target Group owed various members of the Remaining Group the trade debts ("**Trade Debts**"), being certain intra-group debts amounting to approximately RMB918,590,000 which had arisen in the ordinary course of business over the years.

Pursuant to the Obligations and Debts Framework Agreement, the manner that the Target Group shall settle the Trade Debts during the two years from 1 January 2019 and the related estimated amounts of settlements assuming the Disposal had taken place on 1 January 2019 are set out as follows:

	Notes	*RMB'000*
The Target Group shall pay a sum equivalent to its cash balance as at the date of completion 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;	*3(e)*	120,000
The Target Group shall deliver all of its Inventories as at the date of completion to Meihong Footwear which shall sell such Inventories on behalf of the Target Group and offset part of the Trade Debts with the net sale proceeds (after deducting service fee based on 5% of sale proceeds payable by the Target Group to Meihong Footwear);	*3(f)*	709,170
The Target Group shall lease certain of its immovable property to Meihong Footwear and offset part of the Trade Debts with the rents payable; and	*3(g)*	65,420
The Target Group shall assign the rental deposits and other earnest monies it previously paid to the landlords and other third parties to Meihong Footwear and transfer prepayments for intangible asset to Meihong Footwear and offset part of the Trade Debts with the rental deposit and other earnest monies and prepayments for intangible asset.	*3(h)*	24,000
		918,590

(e) For the purpose of compiling this unaudited pro forma consolidated statement of cash flows, cash of approximately RMB120,000,000 is assumed to be the cash balance minus an amount necessary for the Target Group's daily operations and the amount repaid by the Target Group to Xuzhou C.banner on 1 January 2019. The adjustment represents the repayment of Trade Debts of approximately RMB120,000,000 on 1 January 2019.

This adjustment is not expected to have a continuing effect on the Remaining Group.

(f) For the purpose of compiling this unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, it is assumed that (i) the Target Group delivers all of its Inventories on 1 January 2019 to Meihong Footwear; and (ii) Meihong Footwear will sell the Inventories on behalf of the Target Group (charging service fee based on 5% of sale proceeds) with net sale proceeds of approximately RMB594,526,000 during the first year and approximately RMB20,643,000 to RMB11,427,000 each month totalling approximately RMB114,644,000 (the "**Second Year Net Sale Proceeds**") during the second year until the Trade Debts are fully repaid.

The adjustment represents the initial recognition of long-term Trade Debts of approximately RMB114,644,000, the Second Year Net Sale Proceeds, with present value of approximately RMB108,030,000 (discounted at effective interest rate of 4.75%) and loss on initial recognition of long-term Trade Debts of approximately RMB6,614,000 on 1 January 2019.

This adjustment is not expected to have a continuing effect on the Remaining Group.

(g) For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, on 1 January 2019, it is assumed that the undiscounted cash flow in respect of the Target Group leases certain of its immovable property to Meihong Footwear and offset part of the Trade Debts with the rents payable are set out as follows:

	RMB'000
Long-Term Lease excluding value-added-tax recognized as right-of-use assets	40,844
Short-term leases excluding value-added-tax recognised as prepayment initially and expenses subsequently	19,174
Value-added tax of the Long-Term Lease and short-term leases (collectively referred to as "**VAT**") recognized as other receivables and prepayment	5,402
	65,420

The adjustment represents the recognition of depreciation of right-of-use assets of approximately RMB3,404,000 and expenses related to short-term leases of approximately RMB19,174,000 in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and offset of short-term leases of approximately RMB19,174,000 and VAT of approximately RMB5,402,000 with the Trade Debts in the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019.

This adjustment is expected to have a continuing effect on the Remaining Group.

(h) For the purpose of the unaudited pro forma consolidated statement of cash flows, on 1 January 2019, it is assumed that the Target Group assigns rental deposits and other earnest monies of approximately RMB11,000,000 to Meihong Footwear and offset part of the Trade Debts on 1 January 2019 and will pay for acquisition of an intangible assets of approximately RMB13,000,000 on behalf of Meihong Footwear after the date of completion which will offset part of the Trade Debts.

The adjustment represents Nanjing Mayflower assigns the rental deposits and other earnest monies of approximately RMB11,000,000 to Meihong Footwear and offset part of the Trade Debts on 1 January 2019.

This adjustment is expected to have a continuing effect on the Remaining Group.

4. (a) For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, it is assumed that the sale proceeds in respect of Meihong Footwear selling the Inventories on behalf of the Target Group for the year ended 31 December 2019 is approximately RMB625,817,000.

The adjustment represents the recognition of service fee of approximately RMB31,291,000 calculated as 5% of sale proceeds of approximately RMB625,817,000 in respect of Meihong Footwear selling the Inventories on behalf of the Target Group for the year ended 31 December 2019 and offset net sale proceeds of RMB594,526,000 with the Trade Debts.

This adjustment is expected to have a continuing effect on the Remaining Group.

(b) The adjustment represents interest income in respect of time value on the Second Year Net Sale Proceeds of approximately RMB114,644,000 with present value of approximately RMB108,030,000 (discounted at effective interest rate of 4.75%). Interest income of approximately RMB5,131,000 for the year ended 31 December 2019 represents 4.75% on RMB108,030,000 (present value of the Second Year Net Sale Proceeds on 1 December 2019).

This adjustment is expected to have a continuing effect on the Remaining Group.

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇 ZHONGHUI

The Board of Directors
C.banner International Holdings Limited
Unit 2904, 29th Floor Far East Finance Center
16 Harcourt Road
Hong Kong

30 June 2020

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of C.banner International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2019, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019, the pro forma consolidated statement of cash flows for the year ended 31 December 2019 and related notes as set out on pages V-2 to V-22 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on page V-1 of the said circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the 100% equity interest in Allied Great International Holdings Limited on the Group's financial position as at 31 December 2019 as if the transaction had been taken place at 31 December 2019, and on the Group's financial performance and cash flows for the year ended 31 December 2019 as if the transaction had been taken place at 1 January 2019. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2019, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to

Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2019 and 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– The related pro forma adjustments give appropriate effect to those criteria; and

– The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept by the Company or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follows:

Name of Director/ chief executive	Nature of interest	Total number of Shares/ underlying Shares held	Approximate percentage of interest in the Company
Mr. Chen Yixi *(Note 1)*	Interest in a controlled corporation	748,940,000 (long position)	36.06%
Mr. Miao Bingwen *(Note 2)*	Interest in a controlled corporation	80,000,000 (long position)	3.85%
	Beneficial owner	20,000,000 (short position)	0.96%
Mr. Huo Li	Beneficial owner	979,000 (long position)	0.05%
Mr. Wan Xianghua	Beneficial owner	529,000 (long position)	0.03%
Mr. Wu Weiming	Beneficial owner	50,000 (long position)	Less than 0.01%

Notes:

1. Mr. Chen Yixi is the beneficial owner of all the issued share capital of Hongguo International Group Limited which holds 378,940,000 shares of the Company in long position, and is also the beneficial owner of all the issued share capital of Orchid Valley Holdings Limited which holds 370,000,000 shares of the Company in long position. Mr. Chen Yixi is the sole director of Hongguo International Group Limited, while Mr. Huo Li is the sole director of Orchid Valley Holdings Limited. Details of the interests of Hongguo International Group Limited and Orchid Valley Holdings Limited in the shares of the Company are set forth in the section headed "3. Disclosure of Substantial Shareholders' Interests" below.

2. Mr. Miao Bingwen is the beneficial owner of all the issued share capital of Sure Manage Investments Limited which holds 80,000,000 shares of the Company in long position.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any other interests or short positions in any Shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

Name of Shareholder	**Nature of interest**	**Total number of Shares/ underlying Shares held**	**Approximate percentage of interest in the Company**
Hongguo International Group Limited *(Note 1)*	Beneficial owner	378,940,000 (long position)	18.24%
Central Huijin Investment Ltd. *(Note 2)*	Person having a security interest in shares	380,000,000 (long position)	18.30%

Name of Shareholder	Nature of interest	Total number of Shares/ underlying Shares held	Approximate percentage of interest in the Company
China Construction Bank Corporation *(Note 2)*	Person having a security interest in shares	380,000,000 (long position)	18.30%
Cheer Hope Holdings Limited *(Note 2)*	Person having a security interest in shares	380,000,000 (long position)	18.30%
Orchid Valley Holdings Limited *(Note 3)*	Beneficial owner	370,000,000 (long position)	17.81%
China Huarong Asset Management Co., Ltd. *(Note 4)*	Interest in a controlled corporation	493,750,000 (long position)	23.77%
		123,750,000 (short position)	5.96%
Timely Assets Global Limited *(Note 4)*	Person having a security interest in shares	370,000,000 (long position)	17.81%
	Beneficial owner	123,750,000 (long position)	5.96%
		123,750,000 (short position)	5.96%
Arch Capital Group Ltd *(Note 5)*	Interest in a controlled corporation	127,387,086 (long position)	6.13%
ADM Galleus Fund II Limited *(Notes 5 and 6)*	Interest in a controlled corporation	127,387,086 (long position)	6.13%
ADM Investment Management Limited *(Note 7)*	Interest in a controlled corporation	127,387,086 (long position)	6.13%
UTAH Retirement Systems *(Note 6)*	Interest in a controlled corporation	127,387,086 (long position)	6.13%
Utah State Retirement Investment Fund *(Note 6)*	Interest in a controlled corporation	127,387,086 (long position)	6.13%

Name of Shareholder	Nature of interest	Total number of Shares/ underlying Shares held	Approximate percentage of interest in the Company
Eight Dragons Investments Limited *(Notes 5 and 6)*	Person having a security interest in shares	127,387,086 (long position)	6.13%
OCI International Holdings Limited *(Note 8)*	Person having a security interest in shares	131,000,000 (long position)	6.31%

Notes:

1. Hongguo International Group Limited has charged 348,940,000 shares of the Company in favour of Cheer Hope Holdings Limited.

2. Cheer Hope Holdings Limited has a security interest in 380,000,000 shares of the Company. Central Huijin Investment Ltd. is wholly-owned by the PRC government, and has a majority shareholding in China Construction Bank Corporation. China Construction Bank Corporation holds 100% shareholding in CCB International Group Holdings Limited, which in turn holds 100% shareholding in CCB Financial Holdings Limited. CCB Financial Holdings Limited holds 100% shareholding in CCB International (Holdings) Limited, which in turn holds 100% shareholding in CCBI Investments Limited. CCBI Investments Limited holds 100% shareholding in Cheer Hope Holdings Limited. Therefore, the above entities are deemed to be interested in 380,000,000 shares of the Company, in which Cheer Hope Holdings Limited is interested.

3. Orchid Valley Holdings Limited has charged 370,000,000 shares of the Company in favour of Timely Assets Global Limited.

4. Timely Assets Global Limited has a security interest in 370,000,000 shares of the Company and is the beneficial owner of 123,750,000 shares of the Company in long position and 123,750,000 shares of the Company in short position. Timely Assets Global Limited is wholly-owned by Pure Virtue Enterprises Limited, which is in turn wholly-owned by China Huarong Overseas Investment Holdings Co., Limited, which is in turn wholly-owned by Huarong Huaqiao Asset Management Co., Ltd.. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 91% by Huarong Zhiyuan Investment & Management Co., Ltd., which is in turn wholly-owned by China Huarong Asset Management Co., Ltd., which is majority-owned by the Ministry of Finance of the PRC. Therefore, the above entities are deemed to be interested in 493,750,000 shares of the Company in long position and 123,750,000 shares of the Company in short position in which Timely Assets Global Limited is interested.

5. Eight Dragons Investments Limited has a security interest in 127,387,086 shares of the Company. Arch Capital Group Ltd holds 100% shareholding in Arch Reinsurance Ltd. Arch Reinsurance Ltd holds 43.70% shareholding in ADM Galleus Fund II Limited, which in turn holds 74.95% shareholding in Eight Dragons Investments Limited. Therefore, the above entities are deemed to be interested in 127,387,086 shares of the Company, in which Eight Dragons Investments Limited is interested.

6. Eight Dragons Investments Limited has a security interest in 127,387,086 shares of the Company. UTAH Retirement Systems holds 100% shareholding in Utah State Retirement Investment Fund. Utah State Retirement Investment Fund holds 54.90% shareholding in ADM Galleus Fund II Limited, which in turn holds 74.95% shareholding in Eight Dragons Investments Limited. Therefore, the above entities are deemed to be interested in 127,387,086 shares of the Company, in which Eight Dragons Investments Limited is interested.

7. Eight Dragons Investments Limited has a security interest in 127,387,086 shares of the Company. ADM Investment Management Limited holds 100% shareholding in ADM Galleus Fund II Limited, which in turn holds 74.95% shareholding in Eight Dragons Investments Limited. Therefore, the above entities are deemed to be interested in 127,387,086 shares of the Company, in which Eight Dragons Investments Limited is interested.

8. OCI International Holdings Limited holds 100% of OCI Capital (BVI) Limited, which in turn holds 100% of OCI Capital Limited. OCI Capital Limited has a security interest in 131,000,000 shares of the Company. Therefore, OCI International Holdings Limited is deemed to be interested in the 131,000,000 shares of the Company, in which OCI Capital Limited is interested.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors nor any of his/her respective associates had any direct or indirect interests in any business that constitutes or may constitute a competing business of the Company.

6. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors:

(i) had any interest, direct or indirect, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; or

(ii) was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance, and no other litigation or claim of material importance was to be pending or threatened against the Company nor any of its subsidiaries.

8. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

(i) the sale and purchase agreement dated 9 May 2019 entered into between the Company as the seller and Reliance Brands Limited as the purchaser in relation to the sale and purchase of the entire issued share capital of Hamleys Global Holdings Limited for a cash consideration of GBP34,293,436 and the repayment of a shareholder's loan made by the Company of GBP33,671,017;

(ii) the sale and purchase agreement dated 17 January 2020 entered into between the Company as the purchaser and Fortune Title Holdings Limited, Empire Sky Holdings Limited, Goldrun Holdings Limited, Cowinner Limited, Gold Title Limited, Skill Plus Holdings Limited and Well Prosper Holdings Limited as the sellers in relation to the sale and purchase of 28% of the issued share capital of Mega Brilliant International Limited for a total cash consideration of RMB59,717,391;

(iii) the Share Purchase Agreement;

(iv) the Obligations and Debts Framework Agreement; and

(v) the Trademark Transfer Agreement.

9. EXPERTS AND CONSENTS

The following are the names and qualifications of the experts who have given opinions or advice contained in this circular:

Name	**Qualification**
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Qualified Property Valuer
Jingtian & Gongcheng	PRC Legal Adviser

As at the date of this circular, each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report, letter or opinion (as the case may be) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the experts named above did not have any shareholding interests in the Company or any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in the Company or any member of the Group.

As at the Latest Practicable Date, each of the experts named above did not have any interest, direct or indirect, in any assets which had been, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

(i) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

(ii) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(iii) The principal place of business of the Company in Hong Kong is at Unit 2904, 29th Floor, Far East Finance Center, 16 Harcourt Road, Hong Kong.

(iv) The company secretary of the Company is Ms. So Lai Shan, assistant manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). Ms. So is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(v) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the SGM:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 December 2017, 2018 and 2019;

(iii) the report from ZHONGHUI ANDA CPA Limited in respect of the review of the unaudited consolidated financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(iv) the report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the valuation of certain property interests of the Target Group, the text of which is set out in Appendix III to this circular;

(v) the report from ZHONGHUI ANDA CPA Limited in respect of the unaudited pro forma information of the Remaining Group, the text of which is set out in Appendix V to this circular;

(vi) the material contracts referred to in the section headed "8. Material Contracts" in this Appendix VI;

(vii) the written consents referred to in the section headed "9. Experts and Consents" in this Appendix VI; and

(viii) this circular.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Special General Meeting**") of C.banner International Holdings Limited (the "**Company**") will be held at 31st Floor, International Trade Center, No.18 East Zhongshan Road, Nanjing, China on Tuesday, 21 July 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**: the terms of and the transactions contemplated under the Share Purchase Agreement dated 18 June 2020 (a copy of which marked "A" has been tabled before the Special General Meeting and initialed by the chairman of the Special General Meeting for identification purpose) (the "**Share Purchase Agreement**") in respect of the proposed disposal by the Company of the entire issued share capital of Allied Great International Holdings Limited be and are hereby approved, and any one director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and do all such acts or things and take all such steps as he/she/they may in his/her/their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the Share Purchase Agreement and all matters incidental thereto."

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

Hong Kong, 30 June 2020

As at the date of this notice, 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.

Registered office:
Victoria Place
5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Principal place of business in Hong Kong:
Unit 2904, 29th Floor
Far East Finance Center
16 Harcourt Road
Hong Kong

Notes:

(i) A shareholder entitled to attend and vote at the Special General Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company.

(ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(iii) In order to be valid, a form of proxy must be deposited at the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the Special General Meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the Special General Meeting (or any adjourned meeting thereof) if they so wish.

(iv) The register of members of the Company will be closed from Thursday, 16 July 2020 to Tuesday, 21 July 2020, both days inclusive, to determine the identity of the shareholders who are entitled to attend the Special General Meeting to be held on Tuesday, 21 July 2020. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 15 July 2020.