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

### **千百度國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1028)**

#### **CONTINUING CONNECTED TRANSACTION IN RELATION TO PROCUREMENT OF BRANDED FASHION FOOTWEAR**

On 10 October 2019, Meihong Footwear (a wholly-owned subsidiary of the Company) entered into the Framework Procurement Agreement with Jiangsu Meisen (a non-wholly-owned subsidiary of the Company), pursuant to which Meihong Footwear agreed to procure from Jiangsu Meisen, and Jiangsu Meisen agreed to manufacture and sell to Meihong Footwear, certain branded fashion footwear products from time to time.

Mr. WAN Xianghua (萬祥華) has a 33% shareholding in Jiangsu Meisen. He was appointed as an executive Director of the Company with effect from 29 November 2019, upon which Jiangsu Meisen became a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules, and hence a connected person of the Company pursuant to Rule 14A.07(5) of the Listing Rules. As such, the Footwear Procurement Transactions between the Group (excluding Jiangsu Meisen) and Jiangsu Meisen became continuing connected transactions for the Company from the same day.

For the period from 29 November 2019 to 31 December 2019, the Footwear Procurement Transactions were fully exempt from the reporting, announcement, annual review, circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, for the year ending 31 December 2020, the transaction amount of the Footwear Procurement Transactions has exceeded HK\$3,000,000, and therefore the aforesaid full exemption is no longer applicable. Notwithstanding this, since the highest applicable percentage ratio in respect of the relevant annual cap is less than 5%, the Footwear Procurement Transactions for the year ending 31 December 2020 are exempt from the circular (including independent financial advice) and Shareholders' approval requirements but are nonetheless subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. This announcement is published in accordance with such announcement requirement.

## **THE FRAMEWORK PROCUREMENT AGREEMENT**

The principal terms of the Framework Procurement Agreement and the salient features of the Footwear Procurement Transactions are set forth as follows.

### **Date**

10 October 2019

### **Parties**

(1) Meihong Footwear as the purchaser

(2) Jiangsu Meisen as the supplier

### **Term**

The Framework Procurement Agreement shall be effective during the period from 21 August 2019 to 31 December 2020. Within 60 days before the expiry of the term, the parties may enter into another agreement if they intend to continue their co-operation.

### **Subject Matter**

Meihong Footwear is the owner or lawful user of certain trademarks in the PRC in relation to certain of the Group's self-developed footwear brands, including C.banner, EBLAN, sundance, Badgley Mischka and natursun.

Pursuant to the Framework Procurement Agreement, Meihong Footwear authorized Jiangsu Meisen to manufacture and agreed to procure from Jiangsu Meisen, and Jiangsu Meisen agreed to manufacture and sell to Meihong Footwear, branded fashion footwear products carrying the aforesaid trademarks from time to time. Such transactions constitute the Footwear Procurement Transactions between the Group (excluding Jiangsu Meisen) and Jiangsu Meisen.

The Group organizes an order-placing fair typically once a quarter, around six months ahead of the corresponding sale season (e.g. the order-placing fair for the spring 2020 sale season was held in August 2019). Before each order-placing fair, various footwear suppliers in the PRC (including Jiangsu Meisen) submit prototype shoes to the Group, and then the Group's design department and goods department conduct a preliminary selection of the prototype shoes and make preliminary suggestions on the category mix and promotion theme. At the order-placing fair, the Group's design department and goods department showcase the selected prototype shoes to the Group's sales department, which places preliminary orders with the suppliers on behalf of the Group. After the order-placing fair, the Group's goods department aggregates the preliminary orders and submits them to the Group's merchandise department, and also passes the suppliers' information to the Group's costing and pricing unit, which then reviews and confirms the unit price for each product with each supplier. Afterwards, the Group's merchandise department negotiates the other terms of the final orders (including but not limited to product specification, procurement quantity and delivery time) with each supplier.

Once the terms of the final order(s) are finalized between Meihong Footwear and Jiangsu Meisen, the parties will enter into written procurement contract(s) and unit price confirmation form(s) setting forth such terms. If the footwear products are well-received in the market, Meihong Footwear may place follow-on order(s) and enter into supplementary procurement contract(s) and unit price confirmation form(s) with Jiangsu Meisen.

### Pricing Policy

In respect of each product specification, the unit price is determined after arm's length negotiations between Meihong Footwear and each supplier (including Jiangsu Meisen) according to a market mechanism and is composed of three portions, namely (a) material costs; (b) labor, overhead and profit (LOP); and (c) VAT, where:

- (a) material costs mainly include the costs of fabrics, linings, soles, decorative metal parts, production accessories and packaging, which are calculated by multiplying (i) the unit price or consumption standard of the relevant materials based on prevailing market conditions and (ii) the actual consumption amount of each pair of shoes with an allowance for production scrap;
- (b) labor, overhead and profit (LOP) is the aggregate of labor costs, factory overhead and a reasonable profit margin, which are determined with reference to historical data and prevailing market conditions in relation to the broad category of footwear to which the product specification belongs; and
- (c) VAT is charged by the State Administration of Taxation of the PRC currently at a rate of 13%.

### Historical Transaction Amounts

Sets forth below are the historical transaction amounts of the Footwear Procurement Transactions for the year ended 31 December 2019 and the six months ended 30 June 2020:

	Historical transaction amounts (in RMB, excluding VAT)		
	From 1 January 2019 to 28 November 2019 <i>(Note 1)</i>	From 29 November 2019 to 31 December 2019	For the six months ended 30 June 2020
Between Meihong Footwear and Jiangsu Meisen	1,018,940	134,087	3,445,427
Between Nanjing Mayflower and Jiangsu Meisen <i>(Note 2)</i>	2,009,364	49,966	0
<b>Total</b>	<b>3,028,304</b>	<b>184,053</b>	<b>3,445,427</b>

*Notes:*

1. Jiangsu Meisen was not a connected person of the Company before 29 November 2019. Please refer to the section headed “Listing Rules Implications” below for details. As such, the Footwear Procurement Transactions carried out between Meihong Footwear or Nanjing Mayflower and Jiangsu Meisen before 29 November 2019 did not constitute continuing connected transactions for the Company.
2. Nanjing Mayflower was a wholly-owned subsidiary of the Company prior to 31 July 2020. Nanjing Mayflower (as the purchaser) had previously entered into an agreement with Jiangsu Meisen (as the supplier) similar in nature to the Framework Procurement Agreement, which agreement was effective during the period from 1 January 2019 to 31 December 2019. Such agreement was not renewed and the co-operation between the parties did not continue after 31 December 2019.

## **Proposed Annual Cap**

Set forth below is the proposed annual cap for the transaction amount of the Footwear Procurement Transactions for the year ending 31 December 2020:

**Proposed annual cap  
(in RMB, excluding VAT)  
For the year ending 31 December 2020**

Between Meihong Footwear and Jiangsu Meisen	11,000,000
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The above annual cap was determined primarily with reference to the following factors:

- (a) the size of orders placed following the order-placing fairs organized in the second half of 2019 and the first half of 2020;
- (b) the estimated size of follow-on orders based on the market reaction to the footwear products sold in the first half of 2020 and the level of remaining inventory; and
- (c) a buffer for any possible increase in demand for the footwear products in the second half of 2020 due to unexpected market conditions.

## LISTING RULES IMPLICATIONS

Jiangsu Meisen was incorporated in the PRC with limited liability on 31 July 2018. It does not have any subsidiary. Its shareholding structure is set forth as follows:

Shareholder	Before 30 April 2020	On and after 30 April 2020
Nanjing Mayflower, a wholly-owned subsidiary of the Company prior to 31 July 2020	45%	–
Meihong Footwear, a wholly-owned subsidiary of the Company	–	45%
Mr. WAN Xianghua (萬祥華), an executive Director of the Company since 29 November 2019	33%	33%
Mr. PANG Wenjun (龐文俊), a third party independent of the Company	12%	12%
Mr. HE Tienan (賀鐵南), a third party independent of the Company	10%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Although the Group owns less than 50% of the equity interest in Jiangsu Meisen, Jiangsu Meisen has been treated as a non-wholly-owned subsidiary of the Company. Please refer to the paragraph headed “4. Critical Judgements and Key Estimation – Critical judgements in applying accounting policies – (a) Consolidation of entity of less than 50% equity interest” on page 107 of the Company’s annual report for the year ended 31 December 2019 for details.

Mr. WAN Xianghua (萬祥華) was appointed as an executive Director of the Company with effect from 29 November 2019, upon which he became a connected person of the Company at the Company’s level. As he owns 10% or more of the equity interest in Jiangsu Meisen, on 29 November 2019, Jiangsu Meisen became a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules, and hence a connected person of the Company pursuant to Rule 14A.07(5) of the Listing Rules.

The Footwear Procurement Transactions only became continuing connected transactions for the Company from 29 November 2019. As stated in the section headed “The Framework Procurement Agreement – Historical Transaction Amounts” above, for the period from 29 November 2019 to 31 December 2019, the transaction amount of the Footwear Procurement Transactions was RMB184,053. Since the highest applicable percentage ratio in respect of the Footwear Procurement Transactions during such period was less than 5% and the transaction amount was less than HK\$3,000,000, pursuant to Rule 14A.76(1)(c) of the Listing Rules, the Footwear Procurement Transactions for such period were fully exempt from the reporting, announcement, annual review, circular (including independent financial advice) and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

During the Group’s preparation of its management accounts for the month of June 2020 and interim results announcement for the six months ended 30 June 2020, it has come to the Company’s attention that the transaction amount of the Footwear Procurement Transactions for the six months ended 30 June 2020 exceeded HK\$3,000,000. This was mainly attributable to an increase in the transaction volume

during May to June 2020 as the impact of the COVID-19 pandemic in the PRC began to subside. As a result, the Company reassessed the situation and determined the proposed annual cap for the transaction amount of the Footwear Procurement Transactions for the year ending 31 December 2020, which is set forth in the section headed “The Framework Procurement Agreement – Proposed Annual Cap” above. As such annual cap is more than HK\$3,000,000, the aforesaid full exemption under Rule 14A.76(1)(c) of the Listing Rules is no longer applicable. Notwithstanding this, since the highest applicable percentage ratio in respect of such annual cap is less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, the Footwear Procurement Transactions for the year ending 31 December 2020 are exempt from the circular (including independent financial advice) and Shareholders’ approval requirements but are nonetheless subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. This announcement is published in accordance with such announcement requirement.

When the Framework Procurement Agreement was entered into, none of the Directors at the time had a material interest in the Footwear Procurement Transactions, and Mr. WAN Xianghua (萬祥華) had not yet been appointed as a Director.

## **INFORMATION ON VARIOUS PARTIES**

### **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 original equipment manufacturer (OEM) or original design manufacturer (ODM) 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.

### **Meihong Footwear**

Meihong Footwear is a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company. Its principal business activity is the retail sale of branded fashion footwear.

### **Jiangsu Meisen**

Jiangsu Meisen is a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company. Its principal business activity is the manufacture and sale of branded fashion footwear and related materials. Please refer to the section headed “Listing Rules Implications” above for further information on Jiangsu Meisen.

## **REASONS FOR AND BENEFITS OF THE FRAMEWORK PROCUREMENT AGREEMENT**

As stated in the section headed “Information on Various Parties” above, Meihong Footwear is mainly engaged in footwear retail, while Jiangsu Meisen is mainly engaged in footwear manufacturing. The Footwear Procurement Transactions have been and will continue to be conducted in the ordinary and usual course of business of the Group as intra-group transactions, which can streamline the Group’s supply chain and inventory management and save governance and logistics costs.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Footwear Procurement Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of the Framework Procurement Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **DEFINITIONS**

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

“applicable percentage ratio(s)”	the percentage ratio(s) defined under Rule 14.04(9) of the Listing Rules and modified under Rule 14A.78 of the Listing Rules, as applicable to the Footwear Procurement Transactions
“Board”	the board of the Directors
“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)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“connected subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Procurement Agreement”	the framework procurement agreement dated 10 October 2019 entered into between Meihong Footwear and Jiangsu Meisen, the principal terms of which and the salient features of transactions under which are set forth in the section headed “The Framework Procurement Agreement” of this announcement

“Footwear Procurement Transactions”	continuing transactions between the Group (excluding Jiangsu Meisen) (as the purchaser) and Jiangsu Meisen (as the supplier) in relation to the procurement of branded fashion footwear
“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
“Jiangsu Meisen”	Jiangsu Meisen Footwear Company Limited (江蘇美森鞋業有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary and a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“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 was a wholly-owned subsidiary of the Company prior to 31 July 2020
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar(s), the lawful currency of the United States of America

“VAT” value added tax

“%” per cent

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

Nanjing, 5 August 2020

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