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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION IN RELATION TO PROCUREMENT OF BRANDED FASHION FOOTWEAR

On 13 December 2021, Meihong Footwear (a wholly-owned subsidiary of the Company) entered into the 2022 Framework Procurement Agreement with Jiangsu Meisen, 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 during the period from 1 January 2022 to 31 December 2022. The terms of the 2022 Framework Procurement Agreement are substantially the same as those of the 2021 Framework Procurement Agreement entered into by the Group on 9 December 2020.

By virtue of his former directorships at the Company and its certain subsidiaries, Mr. WAN Xianghua (萬祥華) is currently, and will until 30 September 2022 be, a connected person of the Company pursuant to Rule 14A.07(2) of the Listing Rules. As he owns 30% or more of the equity interest in Jiangsu Meisen, Jiangsu Meisen is currently, and will until 30 September 2022 be, his associate pursuant to Rule 14A.12(1)(c) of the Listing Rules, and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. As such, the Footwear Procurement Transactions between the Group and Jiangsu Meisen constitute continuing connected transactions for the Company.

Since the highest applicable percentage ratio in respect of the proposed annual cap for the transaction amount of the Footwear Procurement Transactions for the year ending 31 December 2022 is less than 5%, such Footwear Procurement Transactions 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.

INTRODUCTION

As disclosed in the Company's announcement dated 9 December 2020, on 9 December 2020, Xuzhou C.banner (a wholly-owned subsidiary of the Company) entered into the 2021 Framework Procurement Agreement with Jiangsu Meisen (then a non-wholly-owned subsidiary of the Company), pursuant to which Xuzhou C.banner agreed to procure from Jiangsu Meisen, and Jiangsu Meisen agreed to manufacture and sell to Xuzhou C.banner, certain branded fashion footwear products from time to time during the period from 1 January 2021 to 31 December 2021.

With 2021 soon coming to an end, the Group negotiated with Jiangsu Meisen on the continuation of their co-operation. On 13 December 2021, Meihong Footwear (another wholly-owned subsidiary of the Company) entered into the 2022 Framework Procurement Agreement with Jiangsu Meisen, 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 during the period from 1 January 2022 to 31 December 2022. The terms of the 2022 Framework Procurement Agreement are substantially the same as those of the 2021 Framework Procurement Agreement.

THE 2022 FRAMEWORK PROCUREMENT AGREEMENT

The principal terms of the 2022 Framework Procurement Agreement and the salient features of the Footwear Procurement Transactions are set forth as follows.

Date

13 December 2021

Parties

- (1) Meihong Footwear as the purchaser
- (2) Jiangsu Meisen as the supplier

Term

The 2022 Framework Procurement Agreement shall be effective during the period from 1 January 2022 to 31 December 2022. 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 2022 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 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 2022 sale season was held in August 2021). Before each order-placing fair, various footwear suppliers in the PRC (including Jiangsu Meisen) submit their respective self-designed 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 estimates the size of the orders to be placed with the suppliers. After the order-placing fair, the Group's goods department aggregates the information provided by the Group's sales department and submits such information to (i) the Group's merchandise department, which issues preliminary orders setting forth the estimated procurement quantity to each supplier; and (ii) the Group's costing and pricing unit, which 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

Set forth below are the historical transaction amounts of the Footwear Procurement Transactions for the years ended 31 December 2019 and 2020 and the eleven months ended 30 November 2021:

	Historical transaction amounts (in RMB, excluding VAT)			
	From 1 January 2019 to 28 November 2019^(Note 1)	From 29 November 2019 to 31 December 2019	For the year ended 31 December 2020	For the eleven months ended 30 November 2021
Between Meihong Footwear and Jiangsu Meisen	1,018,940	134,087	10,981,187	0
Between Nanjing Mayflower and Jiangsu Meisen ^(Note 2)	2,009,364	49,966	0	0
Between Xuzhou C.banner and Jiangsu Meisen	0	0	0	10,025,155
Total	<u>3,028,304</u>	<u>184,053</u>	<u>10,981,187^(Note 3)</u>	<u>10,025,155^(Note 4)</u>

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 2019-2020 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.
3. As disclosed in the Company’s announcement dated 5 August 2020, the proposed annual cap (excluding VAT) for the transaction amount of the Footwear Procurement Transactions for the year ended 31 December 2020 was RMB11,000,000.
4. As disclosed in the Company’s announcement dated 9 December 2020, the proposed annual cap (excluding VAT) for the transaction amount of the Footwear Procurement Transactions for the year ending 31 December 2021 was RMB16,000,000.

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 2022:

**Proposed annual cap
(in RMB, excluding VAT)
For the year ending
31 December 2022**

Between Meihong Footwear and Jiangsu Meisen 16,000,000

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 2021;
- (b) the estimated size of follow-on orders based on the market reaction to the footwear products sold in the second half of 2021 and the level of remaining inventory;
- (c) the expected continued recovery of the PRC retail market in 2022 as a result of the COVID-19 pandemic in the PRC continuing to be under control; and
- (d) a buffer for any possible increase in demand for the footwear products in 2022 due to unexpected market conditions.

INTERNAL CONTROL MEASURES IN RELATION TO THE FOOTWEAR PROCUREMENT TRANSACTIONS

As described in the section headed “The 2022 Framework Procurement Agreement – Subject Matter” above, a procurement order placed with a supplier (which may be Jiangsu Meisen or an independent supplier) will have gone through an elaborate procurement procedure involving various departments of the Group (including design department, goods department, sales department, merchandise department as well as costing and pricing unit) before its terms are finalized.

As described in the section headed “The 2022 Framework Procurement Agreement – Pricing Policy” above, the unit price in respect of each product specification will be determined after arm’s length negotiations between the Group and the corresponding supplier (which may be Jiangsu Meisen or an independent supplier) with reference to a detailed and objective pricing policy.

Each style of prototype shoes is designed by a supplier (which may be Jiangsu Meisen or an independent supplier) and is submitted by that supplier to the Group ahead of an order-placing fair. The prototype shoes are then showcased at the order-placing fair anonymously without any indication of the identity of the corresponding supplier. After the Group’s sales department makes a choice of a particular style of prototype shoes at the order-placing fair, the Group’s merchandise department will issue a preliminary order to and negotiate the final order with the supplier that previously submitted the style to the Group. As such, while the Group will not obtain quotations or tenders from multiple suppliers for each product specification, the Group will be able to procure products of that specification from the most suitable supplier, being the designer of that specification.

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	Between 30 April 2020 and 7 September 2021	On and after 8 September 2021
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%	20% ^(Note)
Mr. WAN Xianghua (萬祥華), a former director of the Company and its certain subsidiaries	33%	33%	58% ^(Note)
Mr. PANG Wenjun (龐文俊), a third party independent of the Company	12%	12%	12%
Mr. HE Tienan (賀鐵南), a third party independent of the Company	10%	10%	10%
Total	100%	100%	100%

Note: The transfer of 25% of the equity interest in Jiangsu Meisen from Meihong Footwear to Mr. WAN Xianghua (萬祥華) was a fully exempt connected transaction for the Company under Rule 14A.76(1) of the Listing Rules.

Jiangsu Meisen had prior to 8 September 2021 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 122 of the Company’s annual report for the year ended 31 December 2020 for details.

Mr. WAN Xianghua (萬祥華) resigned as an executive Director of the Company with effect from 6 August 2021, and ceased to be a director of any subsidiary of the Company with effect from 30 September 2021. Therefore, he is currently, and will until 30 September 2022 be, a connected person of the Company pursuant to Rule 14A.07(2) of the Listing Rules. As he owns 30% or more of the equity interest in Jiangsu Meisen, Jiangsu Meisen is currently, and will until 30 September 2022 be, his associate pursuant to Rule 14A.12(1)(c) of the Listing Rules, and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. As such, the Footwear Procurement Transactions between the Group and Jiangsu Meisen constitute continuing connected transactions for the Company.

Since the highest applicable percentage ratio in respect of the proposed annual cap for the transaction amount of the Footwear Procurement Transactions for the year ending 31 December 2022 is less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, such Footwear Procurement Transactions 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.

None of the Directors has a material interest in the 2022 Framework Procurement Agreement and the Footwear Procurement Transactions for the year ending 31 December 2022.

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.

Xuzhou C.banner

Xuzhou C.banner 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 manufacture and sale of branded fashion footwear and related materials. For unified supplier management, Xuzhou C.banner is typically the contracting entity under the procurement agreements between the Group and its footwear suppliers.

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. Although, as stated above, Xuzhou C.banner is typically the contracting entity under the Group's procurement agreements, the Group has observed an increasing trend in the volume of procurement and sales made by Meihong Footwear. Therefore, the Group has arranged Meihong Footwear (instead of Xuzhou C.banner) to enter into the 2022 Framework Procurement Agreement, which will allow Meihong Footwear to directly procure footwear products from Jiangsu Meisen (instead of doing so through Xuzhou C.banner), thereby streamlining supply chain management and saving internal logistics costs.

Jiangsu Meisen

Jiangsu Meisen is a company incorporated in the PRC with limited liability. 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 2022 FRAMEWORK PROCUREMENT AGREEMENT

The Footwear Procurement Transactions began as the Group's intra-group transactions when Jiangsu Meisen was a non-wholly-owned subsidiary of the Company, and have since been and will continue to be conducted in the ordinary and usual course of business of the Group. Although Jiangsu Meisen is no longer a subsidiary of the Company, the Group has decided to continue its business dealings with Jiangsu Meisen for the following reasons: (i) the Group has generally been satisfied with the quality of footwear products manufactured by Jiangsu Meisen over the years; (ii) the Group had invested resources in Jiangsu Meisen when it was a subsidiary of the Company, and the continuation of business dealings will allow the Group to enjoy the fruits of Jiangsu Meisen's growth and development; and (iii) given its significant minority stake in Jiangsu Meisen, the Group will be able to closely monitor Jiangsu Meisen's operations and make suggestions to enhance the quality of its footwear products, which will in turn benefit the Group.

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 2022 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:

“2019-2020 Framework Procurement Agreement”	the framework procurement agreement dated 10 October 2019 entered into between Meihong Footwear and Jiangsu Meisen effective during the period from 21 August 2019 to 31 December 2020
“2021 Framework Procurement Agreement”	the framework procurement agreement dated 9 December 2020 entered into between Xuzhou C.banner and Jiangsu Meisen effective during the period from 1 January 2021 to 31 December 2021
“2022 Framework Procurement Agreement”	the framework procurement agreement dated 13 December 2021 entered into between Meihong Footwear and Jiangsu Meisen effective during the period from 1 January 2022 to 31 December 2022, the principal terms of which and the salient features of transactions under which are set forth in the section headed “The 2022 Framework Procurement Agreement” of this announcement
“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
“connected transaction(s)”	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
“Footwear Procurement Transactions”	continuing transactions between the Group (excluding Jiangsu Meisen even when it was a non-wholly-owned subsidiary of the Company) (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 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
“Xuzhou C.banner”	Xuzhou C.banner Shoes Co., Ltd. (徐州千百度鞋業有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“%”	per cent

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

Nanjing, 13 December 2021

As at the date of this announcement, the executive Directors of the Company are Mr. CHEN Yixi, Mr. YUAN Zhenhua, Mr. WU Weiming and Mr. ZHANG Baojun; the non-executive Director of the Company is Mr. MIAO Bingwen; and the independent non-executive Directors of the Company are Mr. KWONG Wai Sun Wilson, Mr. XU Chengming and Mr. ZHENG Hongliang.