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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

ANNUAL RESULTS HIGHLIGHTS

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Revenue	3,206,562	3,045,805
Gross profit	1,935,672	1,862,417
Profit before tax	278,729	340,747
Income tax expense	(73,296)	(85,258)
Net profit for the year	205,433	255,489
Net profit attributable to equity holders of the Company	206,253	257,492
	%	%
Gross profit margin	60.4	61.1
Operating profit margin	8.7	11.2
Net profit margin	6.4	8.5
Earnings per share		
– Basic (RMB cents)	<u>10.01</u>	<u>12.64</u>
– Diluted (RMB cents)	<u>10.01</u>	<u>12.64</u>
Bank balances and cash	629,299	385,188
Borrowings	703,218	836,251
	%	%
Liquidity ratio	312.8	312.0
Gearing ratio	20.7	24.5
	Days	Days
Average inventory turnover period	233.9	255.4
Average receivables turnover period	46.1	48.9
Average payable turnover period	<u>53.4</u>	<u>54.1</u>

Note: Liquidity ratio = current assets/current liabilities; gearing ratio = notes payable and bank loans/total assets

The board (the “Board”) of directors (the “Directors”) of C.banner International Holdings Limited (the “Company” or “C.banner”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>NOTES</i>	2016 RMB'000	2015 RMB'000
Revenue	4	3,206,562	3,045,805
Cost of sales		(1,270,890)	(1,183,388)
Gross profit		1,935,672	1,862,417
Other income and expenses and other gains and losses	5	125,020	106,433
Distribution and selling expenses		(1,550,370)	(1,490,105)
Administrative and general expenses		(191,699)	(104,407)
Finance costs		(37,436)	(30,993)
Share of loss of an associate		(3,626)	(3,790)
Share of profit of a joint venture		1,168	1,192
Profit before taxation	6	278,729	340,747
Income tax expense	7	(73,296)	(85,258)
Profit for the year		205,433	255,489
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(32,121)	(337)
Total comprehensive income for the year		173,312	255,152
Profit for the year attributable to			
Owners of the Company		206,253	257,492
Non-controlling interests		(820)	(2,003)
		205,433	255,489

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)*For the year ended 31 December 2016*

	<i>NOTES</i>	2016 RMB'000	2015 <i>RMB'000</i>
Total comprehensive income for the year attributable to:			
Owners of the Company		174,185	257,155
Non-controlling interests		(873)	(2,003)
		<u>173,312</u>	<u>255,152</u>
Earnings per share			
– Basic (RMB cents)	8	<u>10.01</u>	<u>12.64</u>
– Diluted (RMB cents)	8	<u>10.01</u>	<u>12.64</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000 (restated)
Non-current assets			
Property, plant and equipment		275,797	271,399
Prepaid lease payments		13,416	13,813
Other intangible assets		860,956	891,853
Prepayments for other intangible assets		–	6,362
Goodwill	9	166,458	182,946
Interest in an associate		19,210	22,804
Interest in a joint venture		–	6,673
Deferred tax assets		83,176	86,971
Long-term deposits		20,860	21,092
Other financial assets		–	70,000
		<u>1,439,873</u>	<u>1,573,913</u>
Current assets			
Inventories		783,506	841,127
Trade receivables	10	384,464	422,557
Other receivables and prepayments		150,630	136,870
Held-to-maturity investments		–	3,062
Interest in a joint venture		6,013	–
Other financial assets		–	45,000
Bank balances and cash		629,299	385,188
		<u>1,953,912</u>	<u>1,833,804</u>
Current liabilities			
Trade payables	11	177,726	192,983
Other payables		209,907	251,486
Income tax liabilities		37,406	26,114
Borrowings	12	141,150	96,159
Deferred revenue		16,912	16,853
Obligations under finance leases-due within one year		6,164	4,247
Bank overdrafts		35,470	–
		<u>624,735</u>	<u>587,842</u>
Net current assets		<u>1,329,177</u>	<u>1,245,962</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2016*

	<i>NOTES</i>	2016 RMB'000	2015 RMB'000 (restated)
Total assets less current liabilities		<u>2,769,050</u>	<u>2,819,875</u>
Non-current liabilities			
Deferred tax liabilities		155,645	163,358
Borrowings-due after one year	<i>12</i>	526,598	740,092
Obligations under finance leases-due after one year		4,856	7,046
Deferred revenue		<u>6,408</u>	<u>214</u>
		<u>693,507</u>	<u>910,710</u>
Net assets		<u>2,075,543</u>	<u>1,909,165</u>
Capital and reserves			
Share capital	<i>13</i>	209,097	209,615
Reserves		<u>1,807,342</u>	<u>1,641,212</u>
Total equity attributable to owners of the Company		2,016,439	1,850,827
Non-controlling interests		<u>59,104</u>	<u>58,338</u>
		<u>2,075,543</u>	<u>1,909,165</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 26 April 2002. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 September 2011. The addresses of registered office and the principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company is an investment holding company. Its subsidiaries established in the People's Republic of China ("PRC") are principally engaged in the manufacture and sale of branded fashion footwear and its subsidiaries established in the United Kingdom ("UK") are engaged in retail of toys. The Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND AMENDMENTS TO IFRSs

2.1 Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to IFRSs:

Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to International Accounting Standard ("IAS") 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 New IFRSs and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related clarifications ¹
IFRS 16	Leases ²
IFRC 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 7	Disclosure Initiative ⁴
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle ⁵

1. Effective for annual periods beginning on or after 1 January 2018.
2. Effective for annual periods beginning on or after 1 January 2019.
3. Effective for annual periods beginning on or after a date to be determined.
4. Effective for annual periods beginning on or after 1 January 2017.
5. Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of IFRS 9 in the future may have a material impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB2,617,304,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

4. REVENUE AND SEGMENT INFORMATION

The Group's operating segments are based on information prepared and reported to the chief operating decision makers ("CODM"), the Board of directors of the Company, for the purposes of resource allocation and performance assessment. The Group is organised into three segments, (1) retail and wholesale of branded fashion footwear ("Retail and wholesale of shoes"), (2) contract manufacturing of footwear ("Contract manufacturing of shoes") and (3) retail of toys. These segments are the basis on which the Group reports its segment information. The following is an analysis of the Group's revenue and results by operating and reportable segments for the year:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Segment revenue		
Retail and wholesale of shoes		
– external sales	2,332,464	2,643,225
Contract manufacturing of shoes		
– external sales	249,312	291,493
– inter-segment sales	15,521	14,007
Retail of toys		
– external sales	624,786	111,087
Segment revenue	3,222,083	3,059,812
Eliminations	(15,521)	(14,007)
Group revenue	3,206,562	3,045,805

Segment results

Retail and wholesale of shoes	298,435	320,502
Contract manufacturing of shoes	(9,966)	9,890
Retail of toys	30,047	26,688
	<u>318,516</u>	<u>357,080</u>
Investment income from held-to-maturity investments	107	837
Gain from changes in fair value of derivative financial instruments	–	16,421
Finance costs	(37,436)	(30,993)
Share of loss of an associate	(3,626)	(3,790)
Share of profit of a joint venture	1,168	1,192
	<u>278,729</u>	<u>340,747</u>
Income tax expense	(73,296)	(85,258)
	<u>205,433</u>	<u>255,489</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profits earned by each segment and excluding investment income from held-to-maturity investments, gain from changes in fair value of derivative financial instruments, finance costs, share of loss of an associate, share of results of a joint venture and income tax expense. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

The following is an analysis of the Group's assets and liabilities by operating segment:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (restated)
Segment assets		
Retail and wholesale of shoes	3,129,963	3,136,443
Contract manufacturing of shoes	449,383	452,028
Retail of toys	<u>1,416,812</u>	<u>1,387,228</u>
Total segment assets	4,996,158	4,975,699
Eliminations	(1,710,772)	(1,802,492)
Unallocated	<u>108,399</u>	<u>234,510</u>
Total consolidated assets	<u>3,393,785</u>	<u>3,407,717</u>
Segment liabilities		
Retail and wholesale of shoes	249,460	212,241
Contract manufacturing of shoes	251,756	245,243
Retail of toys	<u>1,186,065</u>	<u>1,298,742</u>
Total segment liabilities	1,687,281	1,756,226
Eliminations	(562,090)	(447,146)
Unallocated	<u>193,051</u>	<u>189,472</u>
Total consolidated liabilities	<u>1,318,242</u>	<u>1,498,552</u>

For the purposes of monitoring segment performance and allocating resources between segments, segment assets are allocated to operating segments other than interest in an associate, deferred tax assets and interest in a joint venture, while all liabilities are allocated to operating segments other than deferred tax liabilities and income tax liabilities.

Other segment information

	Retail and wholesale of shoes <i>RMB'000</i>	Contract manufacturing of shoes <i>RMB'000</i>	Retail of toys <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2016				
Depreciation expense	37,931	1,941	20,033	59,905
Amortisation of intangible assets	2,936	151	11,393	14,480
Amortisation of prepaid lease payments	397	–	–	397
(Reversal) provision for inventory obsolescence	(12,077)	497	1,617	(9,963)
Purchase of property, plant and equipment	24,134	2,930	44,610	71,674
Purchase of intangible assets	9,093	–	7,272	16,365
Proceeds from disposal of property, plant and equipment	3,218	310	–	3,528
Interest income on bank deposits	(4,102)	(18)	(135)	(4,255)
Interest income on other financial assets	<u>(52)</u>	<u>–</u>	<u>–</u>	<u>(52)</u>

For the year ended 31 December 2015

Depreciation expense	45,790	1,931	1,919	49,640
Amortisation of intangible assets	1,367	151	565	2,083
Amortisation of prepaid lease payments	383	–	–	383
Allowance for inventory obsolescence	25,450	574	1,201	27,225
Purchase of property, plant and equipment	30,106	2,472	4,229	36,807
Purchase of intangible assets	779	–	603	1,382
Proceeds from disposal of property, plant and equipment	2,640	311	–	2,951
Interest income on bank deposits	(4,415)	(16)	(119)	(4,550)
Interest income on other financial assets	(5,204)	–	–	(5,204)
	<u>45,790</u>	<u>1,931</u>	<u>1,919</u>	<u>49,640</u>

Geographical information

The Group's operations are mainly located in the PRC and UK.

The Group's revenue from external customers, based on location of the domiciles of its group entities and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	2,349,782	2,646,946
UK	470,179	96,969
United States of America	247,205	287,772
Other countries	139,396	14,118
Total	<u>3,206,562</u>	<u>3,045,805</u>
	Non-current assets	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
PRC	268,674	325,597
UK	614,228	697,870
Other countries	473,795	463,375
	<u>473,795</u>	<u>463,375</u>

Note: Non-current assets exclude deferred tax assets.

There is no single customer contributing over 10% of the total sales of the Group during both years.

5. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Other income		
Government grants (<i>note</i>)	47,377	62,009
Interest income on bank deposits	4,255	4,550
Interest income on other financial assets	52	5,204
Others	6,563	9,137
	<u>58,247</u>	<u>80,900</u>
Other gains and losses		
Investment income from held-to-maturity investments	107	837
Gain from changes in fair value of derivative financial instruments	–	16,421
Net foreign exchange gain	66,666	8,275
	<u>66,773</u>	<u>25,533</u>
	<u>125,020</u>	<u>106,433</u>

Note: The amount mainly represented the subsidies received from the local governments in PRC where the Group entities were located for encouragement of business development activities in the local areas.

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Depreciation of property, plant and equipment	59,905	49,640
Amortisation (included in administrative and general expenses)		
– prepaid lease payment	397	383
– intangible assets	14,480	2,083
	<u>74,782</u>	<u>52,106</u>
Total depreciation and amortization	74,782	52,106
Capitalised in inventories	(7,992)	(7,613)
	<u>66,790</u>	<u>44,493</u>
Auditors' remuneration	1,650	1,550
Employee benefits expense	594,115	514,138
Cost of inventories recognised as an expense (excluding (reversal) allowance for inventories obsolescence)	1,281,253	1,153,682
	<u>1,281,253</u>	<u>1,153,682</u>

7. INCOME TAX EXPENSE

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	62,933	99,063
UK profits tax	9,346	1,757
(Over) under provision of EIT in prior years	<u>(2,166)</u>	<u>2,201</u>
	<u>70,133</u>	<u>103,201</u>
Deferred tax charge (credit)	<u>3,183</u>	<u>(17,763)</u>
	<u>73,296</u>	<u>85,258</u>

The tax charge for the year ended 31 December 2016 can be reconciled to the profit before tax as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit before tax	<u>278,729</u>	<u>340,747</u>
Tax at the income tax rate of 25% (2015: 25%)	69,682	85,187
Tax effect of share of loss of an associate	907	948
Tax effect of share of profit of a joint venture	(292)	(298)
Tax effect of expenses not deductible for tax purpose	9,311	7,743
Tax effect of income not taxable for tax purpose	(2,265)	(14,810)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	(3,365)	–
(Over) under provision in respect of prior year	(2,166)	2,201
Utilization of tax loss previously not recognised	–	(303)
Tax effect of tax losses not recognised	1,180	–
Effect of different tax rates of group entities operating in jurisdictions other than PRC	(1,292)	(1,231)
Tax effect on withholding tax on undistributed profits in the PRC	<u>1,596</u>	<u>5,821</u>
Income tax expense for the year	<u>73,296</u>	<u>85,258</u>

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company for the year is based on the following data:

	2016	2015
Earnings (RMB'000)		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>206,253</u>	<u>257,492</u>
Number of shares ('000)		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year for the purpose of calculating basic and dilutive earnings per share	<u>2,061,346</u>	<u>2,037,312</u>
Earnings per share (RMB cents)		
– Basic	<u>10.01</u>	<u>12.64</u>
– Diluted	<u>10.01</u>	<u>12.64</u>

The weighted average number of ordinary shares for the purpose of calculating basic and dilutive earnings per share were the same. Accordingly, the dilutive earnings per share was the same as the basic earnings per share for the year ended 31 December 2016.

9. GOODWILL

	Amount <i>RMB'000</i>
Cost	
At 1 January 2015	5,725
Arising on acquisition of subsidiary	<u>177,221</u>
At 31 December 2015 (restated)	<u>182,946</u>
Arising on acquisition of subsidiary (note 15)	1,558
Exchange adjustment	<u>(18,046)</u>
At 31 December 2016	<u>166,458</u>

On 14 January 2016, the Group acquired 80% of the issued share capital of Hamleys Nordics ApS (“Hamleys Nordics”, formerly known as “HScan Holding ApS”) for a cash consideration of RMB4,514,000, resulting in a goodwill of RMB1,558,000, details of which are set out in note 15.

10. TRADE RECEIVABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (restated)
Amounts receivable from sales of goods	351,686	357,569
Amounts receivable from royalty revenue	32,778	61,503
Amounts due from an associate	—	3,485
	<hr/>	<hr/>
Total	384,464	422,557
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The Group allows a credit period of 15-60 days for collection of the trade receivables. Certain trade receivables which are past due are interest bearing. The Group would also allow longer credit period for certain customers with long term relationship.

The following is an aged analysis of trade receivables, presented based on the revenue recognition dates at the end of the reporting period.

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (restated)
0 to 60 days	296,660	311,007
61 to 180 days	59,001	67,877
181 days to 1 year	8,460	12,759
Over 1 year	20,343	30,914
	<hr/>	<hr/>
	384,464	422,557
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE PAYABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables for purchases of goods from third parties	177,726	190,300
Amounts due to a joint venture	—	2,683
	<hr/>	<hr/>
Total	177,726	192,983
	<hr/> <hr/>	<hr/> <hr/>

Trade payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from the invoice date. The aging of trade payables presented based on the invoice dates at the end of the reporting period is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Age		
0 to 90 days	160,124	163,838
91 to 180 days	10,878	28,599
181 days to 1 year	5,026	432
Over 1 year	1,698	114
	<u>177,726</u>	<u>192,983</u>

12. BORROWINGS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Bank overdrafts	35,470	–
Bank loans	667,748	836,251
	<u>703,218</u>	<u>836,251</u>
Unsecured	35,470	–
Secured:		
Pledged and guaranteed bank loan	667,748	836,251
	<u>703,218</u>	<u>836,251</u>
The carrying amounts of the above borrowings are repayable*		
Within one year	176,620	96,159
Within a period of more than one year but not exceeding two years	133,289	74,840
Within a period of more than two years but not exceeding five years	393,309	665,252
	<u>703,218</u>	<u>836,251</u>
Less: Amounts due within one year shown as:		
current liabilities	(141,150)	(96,159)
bank overdrafts	(35,470)	–
	<u>526,598</u>	<u>740,092</u>
Amounts shown under non-current liabilities	526,598	740,092

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2016, the Company's bank loans of RMB5,000,000 (2015: nil) carry interest of 4.35% per annum and the remaining balance of RMB662,748,000 (2015: RMB836,251,000) carry interest at London Interbank Offered Rate ("LIBOR") plus variable rate from 1.5% to 5% per annum (at 31 December 2015: at LIBOR plus variable rate from 1.5% to 5% per annum). Interest is reset every three months.

At 31 December 2016, the bank overdrafts were unsecured and interest free.

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Bank overdrafts denominated in:		
USD	<u>(35,470)</u>	<u>—</u>

At 31 December 2016, no buildings were pledged to secure bank borrowings. At 31 December 2015, buildings with a carrying amount of approximately RMB33,817,000 have been pledged to secure bank borrowings of the Group. As at 31 December 2016 and 31 December 2015, the Company's equity interests in Mayflower (Nanjing) Enterprise Limited, Dongguan Mayflower Footwear Corporation Limited, Nanjing Soft Garment and Footwear Co., Ltd. and Xuzhou C.banner Footwear Co., Ltd. were also pledged to secure the bank borrowings of the Group. In addition, the bank borrowings were also guaranteed by Mr Chen Yixi, the Chairman of the Group, Ms Yuan Yanan, spouse of Mr Chen Yixi and other third parties at 31 December 2016 and 31 December 2015.

The ranges of effective interest rates on the Company's borrowings are as follows:

	2016	2015
Effective interest rate:		
Fixed-rate borrowings	4.35%	nil
Variable-rate borrowings	<u>1.87%~5.37%</u>	<u>1.69% ~ 6.84%</u>

13. SHARE CAPITAL

Number of shares
Amount
USD'000

Ordinary shares of USD0.015 each

Authorised:

At 1 January 2015 & 31 December 2015 & 31 December 2016	20,000,000,000	300,000
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Issued and fully paid:

At 1 January 2015	2,000,000,000	30,000
Conversion of convertible bonds	96,876,000	1,453
Shares repurchased and cancelled	(14,876,000)	(223)

At 31 December 2015	2,082,000,000	31,230
Shares repurchased and cancelled	(5,000,000)	(75)

At 31 December 2016	2,077,000,000	31,155
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Shown in the consolidated statement of financial position

At 1 January 2015	202,087
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At 31 December 2015	209,615
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At 31 December 2016	209,097
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On 21 July 2015, the holders of the Bonds converted the Bonds into shares of the Company, and the Company issued a total of 96,876,000 ordinary shares of USD0.015 each to the holders of the Bonds on the same date.

During the year ended 31 December 2016, pursuant to the general mandate granted to the directors of the Company, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of USD0.015 each of the Company	Price per share		Aggregate consideration paid <i>HKD'000</i>
		Highest <i>HKD</i>	Lowest <i>HKD</i>	
For the year ended 31 December 2016				
20 Oct 2016	2,160,000	2.19	2.07	4,582
24 Oct 2016	840,000	2.17	2.09	1,789
08 Nov 2016	1,014,000	2.01	1.99	2,028
09 Nov 2016	586,000	2.00	1.94	1,148
11 Nov 2016	400,000	2.00	1.99	799
	5,000,000			10,346

During the year, a total of 5,000,000 shares were repurchased and cancelled (2015: 14,876,000 shares), accordingly, the nominal value of approximately USD75,000 (2015: USD223,000) (equivalent to approximately RMB518,000 (2015: RMB1,365,000)) of the shares, and the premium paid and the related costs incurred for the repurchase of approximately HKD10,346,000 (2015: HKD40,530,000) (equivalent to approximately RMB8,435,000 (2015: RMB32,045,000)) were charged against the share capital and share premium account of the Company.

14. DIVIDENDS

The Directors of the Company do not propose final dividend for the year ended 31 December 2016 (final dividend for the year ended 31 December 2015: nil).

15. ACQUISITION OF SUBSIDIARIES

At 31 December 2016

On 14 January 2016, the Group acquired 80% of the issued share capital of Hamleys Nordics for a cash consideration of approximately GBP506,000 (equivalent to approximately RMB4,514,000) from an independent third party. At the meantime, certain amount of outstanding debt due from Hamleys Nordics was waived. The contractual value of the debt was approximately GBP1,936,000 (equivalent to approximately RMB17,298,000). The fair value and carrying amount of the debt at the acquisition date was nil. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB1,558,000. Hamleys Nordics is engaged in retail of toys in Nordic market. Hamleys Nordics was acquired so as to continue the expansion of the Group's retail network of toys.

Assets acquired and liabilities recognized at the date of acquisition

	14 January 2016 <i>RMB'000</i>
Current assets	
Inventories	3,386
Trade and other receivables	3,666
Bank balances and cash	7,495
Non-current assets	
Property, plant and equipment	1,116
Deferred tax assets	8
Current liabilities	
Trade and other payables	(8,725)
Other current liabilities	(3,251)
	<u>3,695</u>

The fair value and the gross contractual amounts of those trade and other receivables acquired amounted to RMB3,666,000 at the date of acquisition. All contractual cash flows were expected to be collected.

Goodwill arising on acquisition

14 January 2016
RMB'000

Consideration transferred	4,514
Plus: non-controlling interests (20% in Hamleys Nordics)	739
Less: fair value of identifiable net assets acquired	<u>(3,695)</u>
Goodwill arising on acquisition	<u><u>1,558</u></u>

Goodwill arose in the acquisition of Hamleys Nordics because the cost of the combination included a control premium, together with the combination in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Hamleys Nordics. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash inflow on acquisition of subsidiary

Year ended
31 December 2016
RMB'000

Consideration paid in cash	4,514
Less: cash and cash equivalent balance acquired	<u>(7,495)</u>
	<u><u>(2,981)</u></u>

Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of approximately RMB10,875,000 attributable to Hamleys Nordics. Revenue for the year includes approximately RMB35,344,000 in respect of Hamleys Nordics.

16. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure the banking loans granted to the Group.

	2016 RMB'000	2015 RMB'000
Property, plant and equipment	<u><u>—</u></u>	<u><u>33,817</u></u>

At 31 December 2016 and 31 December 2015, the Company's equity interest in Mayflower (Nanjing) Enterprise Limited, Dongguan Mayflower Footwear Corporation Limited, Nanjing Soft Garment & Footwear Co., Ltd. and Xuzhou C.banner Footwear Co., Ltd. have been pledged to secure the bank borrowings of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The year 2016 was yet another challenging year for the footwear industry mainly due to stagnant global economic growth coupled with weak growth and subdued inflation rate of major advanced economies. However, with our strong presence in the footwear business in China, C.banner is well positioned to benefit from the continuous stable economic growth of China, with GDP growth maintaining at 6.7% in 2016. Such encouraging pace of growth was indeed supported by a wide range of initiatives and policies taken by the Chinese government, such as “Supply-side Structural Reform”. As a fast-growing company which has set its sights on developing into one of the leading global retail brands, the Group will on one hand, ride on China’s wave of growth, while on the other hand, pursue global expansion through Hamleys, which is one of the largest toys retailers in the world.

Although total retail sales of consumer goods in China recorded a double-digit growth in 2016, traditional retail chains continued to record sluggish sales growth. Other than the changing consumption habits and personalized shopping demand of Chinese consumers, traditional retail chains also faced the challenges arising from the rapid growth of e-commerce channels, including cross-border e-commerce, with China’s online retail sales of goods and services increasing by 26.2% year-on-year. In addition, Chinese footwear companies are under increasing threat from international brands as they have penetrated the Chinese market by increasing their presence in department stores and online channels.

In the face of these tremendous challenges, low-price strategy alone is not sufficient to stimulate sales. Aspiring to reach new heights of success, C.banner has strived to develop products with differentiated and unique features to stand out in the domestic footwear market characterized by a high degree of homogeneity. In December 2016, the Group launched two women’s footwear brands, including famous “Badgley Mischka” brand, to further diversify our brand portfolio and to offer high quality products with unique positioning. Despite a multitude of challenges such as adverse operating conditions, fierce market competition and shift of consumption behavior to e-commerce, China still remains a promising market for footwear industry, especially for mid-to-premium brands, like C.banner, which are dedicated to serving customers with quality and reputable products.

While the footwear industry is confronted with huge challenges, the toy market which we have recently entered into, is blessed with huge potential. According to the NPD Group and the International Council of Toy Industries, the global toy market is expected to record unprecedented sales of over \$90 billion in 2016. Market research company, Euromonitor also forecasted that total retail sales of toys and games in China will exceed RMB100 billion by 2017. Despite the global economic slowdown, the toys and games industry is expected to see ongoing positive growth in China over the next decade, mainly due to the introduction of two-child policy, limited supply, progress in urbanization, rising disposable income levels and the increasing willingness of consumers to purchase products of higher quality. While Chinese retail enterprises have accelerated mergers and acquisitions to enhance their competitiveness and strength, the Group has also made a key strategic move by acquiring Hamleys which has injected strong impetus into our growth.

Facing such challenges and opportunities, the Group has set out a series of strategies with branding as one key focus. In particular, the Group has commenced the global branding strategy aiming to develop the Group into an international retail group and an innovative integrated retail platform. One of our key global initiatives is the acquisition of British high-end toy retailer Hamleys which helps to diversify our business operations and enrich our brand portfolio. The Group also made strenuous efforts to reinforce the elegant and fashionable brand image and promote our brand positioning as a leading international integrated retailer and mid-to-premium footwear brand in China.

The Group proactively innovates in the sales channel and mode, establishing a seamless online and offline sales system, successfully built a new factory store mode and is trying to build a new shopping mall store mode. In terms of supply chain, efforts were also made in rebuilding the production line to increase production flexibility and efficiency and to meet the new manufacturing requirement in the shoe industry. The Group also strived to improve inventory level through rational discounting policy and more attractive promotions through both online and offline platform. All of the above strategies are aiming at delivering the best rewards to our stakeholders for their continuous trust and support throughout the years.

Future Growth Prospects for Hamleys

Headquartered in London, Hamleys is one of the most respected toy retailers in the world due to its diversified product portfolio and unique in-store shopping experience. Hamleys operates in 24 countries across the globe and in 2016 recorded a 16.7% increase in international sales. During the year, Hamleys opened 39 new stores globally, comprising 13 proprietary stores and 26 franchised stores. A further 27 stores are scheduled to be opened in 2017, including 21 franchised stores. As the majority of these new stores are operated by international franchise partners, capital outlay required for the expansion of retail networks is low.

The first Hamleys China flagship store was successfully opened in Nanjing in October 2016, and has started to contribute revenue. Looking ahead, the Group plans to replicate the unique in-store experience of Hamleys and open Hamleys-themed shopping malls in other populous cities in China. We strongly believe that by leveraging C.banner's retail expertise in China and its long-term cooperation with retail channels, the Group could rapidly expand the Hamleys business in China through the shared retail platform. As one of the largest toys retailers in the world, Hamleys has allowed the Group to benefit significantly from the two-child policy in China which will greatly stimulate consumer demand for toys and children's products.

As of 31 December 2016, Hamleys operated an aggregate of 32 proprietary stores and 73 franchised stores. The following table shows the geographic distribution of Hamleys stores:

Country	Proprietary stores	Franchised stores	Total
United Kingdom	23	–	23
Ireland	1	–	1
Finland	2	–	2
Denmark	2	–	2
Sweden	2	–	2
Norway	1	–	1
China	1	–	1
Czech Republic	–	1	1
Egypt	–	2	2
India	–	29	29
Jordan	–	5	5
Malaysia	–	4	4
Malta	–	1	1
Mexico	–	2	2
Philippines	–	2	2
Qatar	–	1	1
Russia	–	8	8
Saudi Arabia	–	4	4
Singapore	–	2	2
South Africa	–	7	7
Turkey	–	1	1
The United Arab Emirates	–	3	3
Vietnam	–	1	1
	<hr/>	<hr/>	<hr/>
Total	<u>32</u>	<u>73</u>	<u>105</u>

Far-reaching Shoes Retail Networks

The Group has an extensive shoes retail network covering the majority of first, second and third-tier cities with bright sales prospects. The Group's self-developed and licensed brands are primarily distributed through a broad network of proprietary retail outlets in department stores. It also sells its self-developed brands through authorized distributors.

During the past year, the Group decreased 35 proprietary shoes retail outlets and 50 third-party shoes retail outlets respectively. As of 31 December 2016, the Group oversaw a network of 1,697 proprietary retail outlets and 417 third-party retail outlets across China, maintaining a strong presence in over 31 provinces, municipalities and autonomous regions.

The Group continued to further optimize our retail networks comprising both online and offline stores and strategically cooperated with retailers such as department stores, shopping malls and outlets to increase market share. Our goal is to enhance same store sales growth of each offline store and actively promote online sales.

The following table shows the Group's geographic distribution of shoes outlets:

Distribution Regions	C.banner		EBLAN		Sundance		MIO		Badgley	Licensed Brands		Total
	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Mischka outlets	Proprietary outlets	Third-party outlets	
Northeast	106	34	70	11	18	1	11	9	-	31	11	302
Beijing	42	18	21	4	12	1	2	6	-	17	-	123
Tianjin	79	84	36	9	7	-	2	-	-	28	-	245
Northwest	71	75	36	11	3	-	-	41	-	17	-	254
Central China	42	18	15	3	1	-	2	1	-	14	-	96
Eastern China	176	37	96	8	42	-	28	-	1	68	-	456
Zhejiang	88	5	27	-	3	-	13	-	-	27	-	163
Shanghai	59	-	18	-	3	-	-	-	-	27	-	107
Southwest	106	12	16	3	6	-	5	3	-	31	1	183
Southern China	107	10	25	1	-	-	7	-	-	35	-	185
Total	876	293	360	50	95	2	70	60	1	295	12	2,114

Note:

- (1) Northeast region includes Jilin province, Liaoning province and Heilongjiang province;
- (2) Beijing region includes Beijing, Inner Mongolia Autonomous Region, Zhangjiakou city and Qinhuangdao city in Hebei province;
- (3) Tianjin region includes Tianjin, Shandong province and Hebei province (except Zhangjiakou city and Qinhuangdao city);

- (4) Northwest region includes Shanxi province, Shaanxi province, Qinghai province, Gansu province, Henan province, Xinjiang Autonomous Region and Ningxia Autonomous Region;
- (5) Central China region includes Hunan province and Hubei province;
- (6) Eastern China region includes Jiangsu province (except Wuxi city and Suzhou city), Anhui province and Jiangxi province;
- (7) Zhejiang region includes Zhejiang province and Wuxi city and Suzhou city in Jiangsu province;
- (8) Shanghai region includes Shanghai;
- (9) Southwest region includes Sichuan province, Guizhou province, Yunnan province, Chongqing city and Tibet Autonomous Region; and
- (10) Southern China region includes Guangdong province, Hainan province, Guangxi Autonomous Region and Fujian province.

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group's total revenue increased by 5.3% to RMB3,206.6 million, compared to the same period of last year. Gross profit increased by 3.9% to RMB1,935.7 million. Operating profit decreased by 18.2% to RMB278.7 million during the year under review. Profit for the year decreased by 19.6% to RMB205.4 million. Profit attributable to equity holders was approximately RMB206.3 million, representing a decrease of approximately 19.9% over the last year.

Revenue

For the year ended 31 December 2016, the Group's total revenue increased by 5.3% to RMB3,206.6 million, compared to RMB3,045.8 million in the same period of last year.

The Group's revenue mix comprises income from retail and wholesale of shoes ("Retail and Wholesale"), contract manufacturing of shoes ("Contract Manufacturing") and retail of toys. For the year ended 31 December 2016, revenue from retail of toys amounted to RMB624.8 million. The revenue distribution of Retail and Wholesale and Contract Manufacturing is set out as follows:

	For the year ended 31 December				
	2016		2015		% Growth
	RMB ('000)	% of Total Revenue	RMB ('000)	% of Total Revenue	
Retail and Wholesale	2,332,464	72.7	2,643,225	86.8	-11.8
Contract Manufacturing	249,312	7.8	291,493	9.6	-14.5
Total	2,581,776	80.5	2,934,718	96.4	-12.0

The decrease in Retail and Wholesale is mainly attributable to the decrease in same store sales of shoes as compared with last year and the closure of inefficient shoes outlets; the decrease in Contract Manufacturing is mainly attributable to the reorganisation of the Group's OEM production lines.

Profitability

The Group's gross profit climbed 3.9% to RMB1,935.7 million, compared to RMB1,862.4 million last year. As of 31 December 2016, the gross profit margin was 60.4%, a decrease of 0.7 percentage points from 61.1% in last year.

For the year ended 31 December 2016, distribution and selling expenses reached RMB1,550.4 million, an increase of 4.0%, compared to expenses of RMB1,490.1 million last year, which was primarily attributable to the increase in consolidation of the Hamleys Group's distribution and selling expenses during the year and the increase in rental payment for the flagship store. Distribution and selling expenses accounted for 48.3% of total revenue, compared to 48.9% in last year.

Administrative and general expenses over the year was RMB191.7 million, an increase of RMB87.3 million compared to the same period of last year. This increase was mainly attributable to the increase in consolidation of the Hamleys Group's administrative and general expense during the year. Administrative and general expenses accounted for 6.0% of total revenue, compared to 3.4% in last year.

Other income and other losses over the year was a net of RMB125.0 million as compared to a net of RMB106.4 million last year. Other income mainly included government subsidies, bank interest income and interest income from other financial assets.

Finance costs over the year were RMB37.4 million, compared to RMB31.0 million last year.

Income tax expense over the year decreased by RMB12.0 million or 14.0% to RMB73.3 million, compared to an expense of RMB85.3 million last year. The decrease was mostly attributable to the decrease in profit before taxation. The effective tax rate over the year was 26.3%, an increase of 1.3 percentage points from 25.0% in last year.

Profit attributable to equity holders of the company decreased by 19.9% to RMB206.3 million, a decrease of RMB51.2 million from RMB257.5 million last year.

Liquid Assets, Financial Resources and Capital Expenditure

As of 31 December 2016, the Group had bank balances and cash of RMB629.3 million, compared to RMB385.2 million at the end of last year.

Net cash generated from operating activities was RMB245.8 million, a decrease of RMB44.4 million as compared to RMB290.2 million as of the end of last year.

The Group recorded a net cash inflow of RMB40.9 million from investing activities for the full year, compared to an outflow of RMB562.4 million in 2015. The inflow was primarily due to redemption of investment in other financial assets.

Net cash used in financing activities was RMB93.6 million in 2016, compared to a net cash generated from financing activities of RMB305.5 million in 2015. This was mostly attributable to the repayment in bank borrowings in the amount of RMB82.5 million.

As of 31 December 2016, the net current assets of the Group were RMB1,329.2 million, compared to RMB1,246.0 million at the end of last year, an increase of 6.7% or RMB83.2 million.

Gearing ratio

The Group's gearing ratio, computed by dividing total loans and borrowings by total assets, was 20.7% as at 31 December 2016 compared with 24.5% as at 31 December 2015.

Capital structure

The Group's operations were financed mainly by shareholder's equity, bank facilities available to the Group and internal resources. The Group will continue to adopt its treasury policy of placing its cash and cash equivalent as interest bearing deposits. The Group's loans and cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars, GBP and U.S. dollars. The Group's bank borrowings denominated in GBP as at 31 December 2016 amounted to GBP80.0 million, and denominated in RMB as at 31 December 2016 amounted to RMB5.0 million.

Pledge of Asset

Saved as disclosed in note 16 to the consolidated financial statements, the Group has made no further pledge of assets as at 31 December 2016.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 31 December 2016.

Foreign Exchange Risk Management

The Group's sales are mainly denominated in RMB, while its Contract Manufacturing is mainly denominated in U.S. dollars and its retail of toys is mainly denominated in GBP. The Contract Manufacturing accounted for 7.8% of total revenue, while the retail of toys accounted for 19.5% of total revenue. Nevertheless, 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 2016, the Group recorded a RMB66.7 million gain from currency exchange, compared to a RMB8.3 million gain last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 31 December 2016, the Group had 11,347 employees (31 December 2015: 13,128 employees). The Group provides its employees with competitive remuneration packages including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees according to the business performance and their individual work performance.

Dividend

The Board does not propose final dividend for the year ended 31 December 2016 (2015: nil).

OUTLOOK

Despite the uncertainties overshadowing the global economy, there are signs of encouragement on the horizon. This is especially so for China as the country continues to pursue consumption-driven economy which would significantly contribute to the growth momentum of the retail industry. In addition, the ongoing urbanization, the rise of China's middle classes, rising disposable income and other national policies such as "Supply-side Structural Reform" and two-child policy will all give considerable boost to the retail industry. However, the market competition is becoming more and more intense and it is essential for industry players to take proactive actions to grasp opportunities arising from the changing business landscape.

In order to strive for further business growth, the Group will fully leverage both its retail expertise in China and long-term cooperation with retail channel to rapidly expand Hamleys business in China's populous cities. The Group will also cooperate with large domestic department stores and shopping malls to develop Hamleys-themed shopping malls and replicate the unique in-store experience of Hamleys. The addition of Hamleys stores will bring synergies to our existing business and offer a variety of diversified products and services with innovative concept but more importantly, serve as the springboard to pursue international expansion under our global branding strategy to forge C.banner as a world-renowned brand.

With respect to marketing, the Group will apply innovative online and offline marketing strategies to boost sales and enhance brand influence. We will fully utilize interactive new media platforms to promote brands, provide personalized consumption experience to consumers, and generate profound, instant and accurate insight into consumers' needs and preferences. Besides promoting our newly launched footwear brands, including Badgley Mischka, the Group will also continue to explore further opportunities of growth for the Hamleys business to achieve even greater business success.

During the past year, the Group has adopted a horizontal expansion approach by introducing two new women's footwear brands to increase market share. Looking ahead, the Group will take a proactive yet prudent approach in network expansion by strategically cooperating with department stores and e-commerce platforms to increase market share. In addition, the Group will shut down underperforming stores to enhance profitability. Efforts will also be made to optimize the offline sales and distribution network, particularly focusing on enhancing both store efficiency and scenario consumption experience to meet the demands of increasingly sophisticated Chinese consumers.

On the operation level, the Group will continue to improve inventory level through rational discounting policy and more appealing promotions. We will also make strenuous efforts to optimize and upgrade high-end customized 3D feet scanning services in selected offline stores and to turn online visitors into valuable business prospects to achieve online and offline integration. In a nutshell, the path to global success is full of adversities and difficulties, especially within the current weak economic environment, however, the Group is determined to transform from a leading local player to a renowned international integrated retailer in order to deliver fruitful rewards to our shareholders.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming annual general meeting of the Company to be held on Friday, 30 June 2017, the register of members of the Company will be closed from Tuesday, 27 June 2017 to Friday, 30 June 2017, both days inclusive, during which period no transfer of share will be registered. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, 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 Monday, 26 June 2017.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2016. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the Board and external auditor the accounting standards and practices adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2016.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2016, the Company repurchased and cancelled an aggregate of 5,000,000 shares of its own issued ordinary shares through the Stock Exchange at an aggregate consideration of approximately HKD10.3 million (equivalent to approximately RMB9.0 million) excluding transaction costs. Save for the aforesaid, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Details of the shares repurchases are as follows:

Month	Number of shares repurchased	Highest price per share HKD	Lowest price per share HKD	Aggregate consideration HKD
October 2016	3,000,000	2.19	2.07	6,370,360
November 2016	2,000,000	2.01	1.94	3,975,430

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.cbanner.com.cn, and the 2016 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2017

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