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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of C.banner International Holdings Limited (the "Company" or "C.banner") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017 together with comparative figures for the corresponding period in 2016, as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**1,415,794**	1,502,891
Gross profit	**908,441**	908,456
Profit before tax	**71,467**	121,326
Income tax expense	**(32,703)**	(32,092)
Net profit attributable to equity holder of the Company	**39,055**	90,412
	%	*%*
Gross profit margin	**64.2**	60.4
Operating profit margin	**5.0**	8.1
Net profit margin	**2.8**	6.0
Earnings per share		
– Basic (RMB cents)	**1.88**	4.38
– Diluted (RMB cents)	**1.88**	4.38

Note: The decrease of net profit attributable to equity holders of the Company is mainly attributable to the net foreign exchange loss of RMB19.9 million in the six months ended 30 June 2017, compared to a net foreign exchange gain of RMB37.8 million in the same period last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,415,794**	1,502,891
Cost of sales		**(507,353)**	(594,435)
Gross profit		**908,441**	908,456
Other income and expenses and other gains and losses	*4*	**12,826**	75,288
Distribution and selling expenses		**(739,691)**	(741,978)
Administrative and general expenses		**(88,205)**	(99,222)
Finance costs		**(18,807)**	(18,826)
Share of loss of an associate		**(2,468)**	(2,612)
Share of (loss) profit of a joint venture		**(629)**	220
Profit before tax	*5*	**71,467**	121,326
Income tax expense	*6*	**(32,703)**	(32,092)
Profit for the period		**38,764**	89,234
Other comprehensive income (expenses) net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**9,025**	(7,510)
Total comprehensive income for the period		**47,789**	**81,724**
Profit for the period attributable to			
Owners of the Company		**39,055**	90,412
Non-controlling interests		**(291)**	(1,178)
		38,764	89,234
Total comprehensive income for the period attributable to:			
Owners of the Company		**48,167**	83,006
Non-controlling interests		**(378)**	(1,282)
		47,789	81,724
Earnings per share			
– Basic (RMB cents)	*8*	**1.88**	4.38
– Diluted (RMB cents)	*8*	**1.88**	4.38

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**265,984**	275,797
Prepaid lease payments		**13,223**	13,416
Other intangible assets		**866,718**	860,956
Goodwill	9	**172,163**	166,458
Interest in an associate		**20,982**	19,210
Deferred tax assets		**72,624**	83,176
Long-term deposit		**21,644**	20,860
Pledged bank deposits		**84,000**	–
		1,517,338	1,439,873
Current assets			
Inventories		**912,451**	783,506
Trade receivables	10	**340,453**	384,464
Other receivables and prepayments		**151,831**	150,630
Interest in a joint venture		**5,384**	6,013
Other financial assets		**50,000**	–
Bank balances and cash		**497,558**	629,299
		1,957,677	1,953,912
Current liabilities			
Trade payables	11	**240,293**	177,726
Other payables		**142,697**	209,907
Income tax liabilities		**24,631**	37,406
Borrowings	12	**146,030**	141,150
Deferred revenue		**39,847**	16,912
Obligation under finance leases		**8,874**	6,164
Bank overdrafts		**27,131**	35,470
		629,503	624,735
Net current assets		**1,328,174**	1,329,177
Total assets less current liabilities		**2,845,512**	2,769,050

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2017

	NOTES	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Non-current liabilities			
Deferred tax liabilities		**147,802**	155,645
Borrowings	12	**554,557**	526,598
Obligation under finance leases		**5,966**	4,856
Deferred revenue		**9,784**	6,408
		718,109	693,507
Net assets		**2,127,403**	2,075,543
Capital and reserves			
Share capital		**209,097**	209,097
Reserves		**1,859,580**	1,807,342
Total equity attributable to owners of the Company		**2,068,677**	2,016,439
Non-controlling interests		**58,726**	59,104
		2,127,403	2,075,543

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Equity attributable to owners of the Company									
	Share capital	Share premium	Shares held under the share award scheme	PRC statutory reserve	Capital reserve	Accumulated profits	Foreign currency translation reserve	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016 (audited)	209,615	654,477	(50,345)	232,119	–	805,298	(337)	1,850,827	58,338	1,909,165
Profit (loss) for the period	–	–	–	–	–	90,412	–	90,412	(1,178)	89,234
Other comprehensive expenses for the period	–	–	–	–	–	–	(7,406)	(7,406)	(104)	(7,510)
Total comprehensive income (expenses) for the period	–	–	–	–	–	90,412	(7,406)	83,006	(1,282)	81,724
Share purchased for the share award scheme	–	–	(591)	–	–	–	–	(591)	–	(591)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	739	739
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	900	900
At 30 June 2016 (unaudited)	209,615	654,477	(50,936)	232,119	–	895,710	(7,743)	1,933,242	58,695	1,991,937
At 1 January 2017 (audited)	209,097	646,042	(49,986)	251,998	–	991,693	(32,405)	2,016,439	59,104	2,075,543
Profit (loss) for the period	–	–	–	–	–	39,055	–	39,055	(291)	38,764
Other comprehensive income (expenses) for the period	–	–	–	–	–	–	9,112	9,112	(87)	9,025
Total comprehensive income (expenses) for the period	–	–	–	–	–	39,055	9,112	48,167	(378)	47,789
Share of reserve of an associate	–	–	–	–	4,071	–	–	4,071	–	4,071
At 30 June 2017 (unaudited)	209,097	646,042	(49,986)	251,998	4,071	1,030,748	(23,293)	2,068,677	58,726	2,127,403

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL AND BASIS OF PREPARATION

C.banner International Holdings Limited (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 "Hong Kong Stock Exchange") on 23 September 2011.

The subsidiaries of the Company (the Company and its subsidiaries are referred to as the "Group") 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 condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The Group's condensed consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operates (same as the functional currency of the Company).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial insttuments, which are stated at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") issued by IASB that are mandatorily effective for the current interim period.

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating segments are based on information prepared and reported to the chief operating decision maker (the "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 segments for the period under review:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment revenue		
Retail and wholesale of shoes		
– external sales	**1,103,321**	1,150,452
Contract manufacturing of shoes		
– external sales	**55,846**	111,424
– inter-segment sales	**17,722**	1,905
Retail of toys		
– external sales	**256,627**	241,015
Segment revenue	**1,433,516**	1,504,796
Eliminations	**(17,722)**	(1,905)
Group revenue	**1,415,794**	1,502,891
Segment results		
Retail and wholesale of shoes	**180,899**	131,314
Contract manufacturing of shoes	**(8,564)**	(6,358)
Retail of toys	**(59,032)**	(20,305)
	113,303	104,651
Investment income from held-to-maturity investments	**–**	107
Finance costs	**(18,807)**	(18,826)
Net foreign exchange (losses) gains	**(19,932)**	37,786
Share of loss of an associate	**(2,468)**	(2,612)
Share of (loss) profit of a joint venture	**(629)**	220
Profit before tax	**71,467**	121,326
Income tax expense	**(32,703)**	(32,092)
Profit for the period	**38,764**	89,234

3. REVENUE AND SEGMENT INFORMATION – continued

Inter-segment sales are charged at prevailing market prices.

The following is an analysis of the Group's assets by operating segments:

	At 30 June 2017 *RMB'000* **(unaudited)**	At 31 December 2016 *RMB'000* (audited)
Segment assets		
Retail and wholesale of shoes	**3,292,370**	3,129,963
Contract manufacturing of shoes	**431,251**	449,383
Retail of toys	**1,402,520**	1,416,812
Total segment assets	**5,126,141**	4,996,158
Eliminations	**(1,747,561)**	(1,710,772)
Unallocated	**96,435**	108,399
Total consolidated assets	**3,475,015**	3,393,785
Segment liabilities		
Retail and wholesale of shoes	**349,452**	249,460
Contract manufacturing of shoes	**245,789**	251,756
Retail of toys	**1,183,963**	1,186,065
Total segment liabilities	**1,779,204**	1,687,281
Eliminations	**(604,025)**	(562,090)
Unallocated	**172,433**	193,051
Total consolidated liabilities	**1,347,612**	1,318,242

4. OTHER INCOME AND EXPENSES, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income and expenses		
Government grants *(note a)*	**27,547**	33,240
Interest income on bank deposits	**1,679**	1,213
Interest income on other financial assets	**501**	52
Others	**3,031**	2,890
	32,758	37,395
Other gains and losses		
Investment income from held-to-maturity investments	**–**	107
Net foreign exchange (losses) gains	**(19,932)**	37,786
	(19,932)	37,893
	12,826	75,288

Note a:

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

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**26,848**	34,430
Amortisation (included in administrative and general expenses)		
– prepaid lease payments	**192**	192
– intangible assets	**7,712**	11,432
Total depreciation and amortisation	**34,752**	46,054
Capitalised in inventories	**(2,876)**	(6,086)
	31,876	39,968
Cost of inventories recognised as an expense (including allowance for inventories obsolescence)	**507,353**	594,435

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**30,470**	34,135
Under (over) provision of income tax expense in prior years		
PRC EIT	**1,292**	1,319
UK profits tax	**–**	(3,656)
Deferred tax charge:		
Current period	**941**	294
	32,703	32,092

7. DIVIDENDS

During the six months ended 30 June 2017 and 2016, no dividend in respect of the years ended 31 December 2016 and 2015 was declared or distributed.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017 and 30 June 2016.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Earnings *(RMB'000)*		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	**39,055**	90,412
Number of shares *('000)*		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**2,077,000**	2,062,004
Earnings per share (RMB cents) – Basic and diluted	**1.88**	4.38

Diluted earnings per share has not been presented for the year ended 30 June 2017 and 30 June 2016 as there is no potential dilutive shares in issue.

9. GOODWILL

	Amount
	RMB'000
Cost	
At 1 January 2016 (audited & restated)	182,946
Arising on acquisition of a subsidiary *(note a)*	1,558
Exchange adjustment	(18,046)
At 31 December 2016	166,458
Exchange adjustment	5,705
At 30 June 2017	172,163

Note a:

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.

10. TRADE RECEIVABLES

The Group allows a credit period of 60 days for collection of the trade receivables. Certain trade receivables which are past due are interest bearing.

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

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**250,773**	296,660
61 to 180 days	**56,291**	59,001
181 days to 1 year	**10,798**	8,460
Over 1 year	**22,591**	20,343
	340,453	384,464

11. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**200,656**	160,124
91 to 180 days	**30,275**	10,878
181 to 1 year	**7,052**	5,026
Over 1 year	**2,310**	1,698
	240,293	177,726

12. BORROWINGS

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Bank overdrafts	**27,131**	35,470
Bank loans	**700,587**	667,748
	727,718	703,218
Unsecured	**27,131**	35,470
Secured bank loan:		
Pledged and guaranteed bank loan	**700,587**	667,748
	727,718	703,218
The carrying amounts of the above borrowings are repayable*		
Within one year	**173,161**	176,620
Within a period of more than one year but not exceeding two years	**138,067**	133,289
Within a period of more than two years but not exceeding five years	**416,490**	393,309
	727,718	703,218
Less: Amounts due within one year shown as:		
current liabilities	**(146,030)**	(141,150)
bank overdrafts	**(27,131)**	(35,470)
Amounts shown under non-current liabilities	**554,557**	526,598

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

At 30 June 2017, the Group's bank loans of RMB5,000,000 (at 31 December 2016: RMB5,000,000) carry interest of 4.35% per annum (at 31 December 2016: 4.35%), bank loans of RMB621,069,000 at 30 June 2017 (at 31 December 2016: RMB662,748,000) carry interest at London Interbank Offered Rate ("LIBOR") plus variable rate from 1.5% to 5% per annum (at 31 December 2016: at LIBOR plus variable rate from 1.5% to 5% per annum) and the remaining balance of RMB74,518,000 at 30 June 2017 (at 31 December 2016: nil) carry interest at LIBOR plus 1.4% per annum. Interest is reset every three months.

13. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure the long-term bank borrowings granted to the Group.

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bank deposits	**84,000**	–

At 30 June 2017 and 31 December 2016, in addition, 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 Shoes Limited have been pledged to secure the bank borrowings of the Group.

14. EVENTS AFTER THE REPORTING PERIOD

1) On 21 July 2017, the Company entered into a sale and purchase agreement with independent third parties (the "Sellers"), pursuant to which the Sellers conditionally agreed to sell, and the Company conditionally agreed to purchase, 5,669,931 A series preference shares of US$0.001 each and 649,889 A-1 series preference shares of US$0.001 each of EtonKids Educational Group Limited (the "Target Company"), all of which will be simultaneously converted into ordinary shares of US$0.001 each of the Target Company upon completion (the "Sale Shares") for a cash consideration of US$79,408,705, representing 45.78% of the issued share capital of the Target Company. Upon completion, the Company will hold 45.78% of the issued share capital of the Target Company and will account for its investment in the Target Company as an associate in accordance with IAS 28 "Investments in Associates".

2) On 4 August 2017, the Company issued convertible bonds (the "Bonds") and loan notes (the "Notes"), each in the principal amount of US$50 million to an independent third party who is not related to the Group (the "Bondholder"), which are guaranteed by Mr. Chen Yixi, the chairman of the Group.

   The Bonds and Notes will be accounted as financial liabilities and/or equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

   Based on the preliminary assessment by the Company's directors, the Bonds contain three components: liability component, redemption premium derivative component and conversion component, while the Notes contain liability component and redemption premium derivative component. The liability component and redemption premium derivative components will be presented as liabilities while the conversion component is presented in equity as convertible bonds equity reserve.

   On initial recognition, the liability component and redemption premium derivative component will be recognized at fair value. The difference between the gross proceeds of the issue of the Bonds/Notes and the fair value assigned to the liability component and redemption premium derivative component will be treated as the conversion component. In subsequent periods, the liability component will be carried at cost using the effective interest method, and the redemption premium derivative components will be measured at fair value with changes in fair value recognized in profit or loss. No re-measurement will be made to the conversion component under equity.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The global economic environment continued to be challenging in the first half of 2017. However, as a global economic powerhouse, China's economy is steadily gaining steam amidst the adverse general economic climate. According to the National Bureau of Statistics, in the first half of 2017, China's gross domestic product reached nearly RMB38.2 trillion, up 6.9% year-on-year and beat market expectation. During the same period, the retail sales of consumer goods also recorded a solid year-on-year increase of 10.4% to reach RMB17.24 trillion. As a well-established retailer with a global vision, C.banner also saw an exciting development in the first half year. One key breakthrough is the setting up of a joint venture with Madden Asia Holding Limited ("Madden Asia"), which will allow the Group to further expand its business into the mid-to-high end footwear market in the PRC. Another encouraging move is the agreement to partially acquire EtonKids Educational Group Limited ("EtonKids"), which will further diversify the Group's business by entering the kindergarten education services industry.

Despite the above encouraging developments, the Group did encounter challenges along the path to its business goals. In specific, the footwear industry is currently undergoing restructuring as consumer behavior is shifting under the impact of e-commerce sales channels. According to the figures from the National Bureau of Statistics, in the first half of 2017, the online sales of goods rose 28.6% to RMB2.37 trillion, which is 18.2% higher than the increase recorded by the total retail sales of consumer goods, clearly demonstrating that e-commerce has stronger growth momentum than traditional offline sales channels.

The exponential growth of online retailers resulted in a lost in traffic in shopping malls and department stores. As a result, footwear companies around the world experienced inventory buildup and get dragged into price wars. However, price alone is not the answer to the intense market competition as more differentiated customers are preferring customized products over mass-production items. That well explains why in addition to offering competitive prices, C.banner has always adhered to the strategy of developing products perfectly tailored to customers' needs. Indeed, China remains a promising market as far as consumer goods go; however, only mid-to-premium brands with reputable and quality products, like C.banner, will have the real chance to stand out in the intense market competition.

With respect to the toys market, according to a research conducted by market research company Euromonitor, the total market size for traditional toys and games retailing in China reached RMB69.35 billion in 2016, while the total market size of China accounted for 12.4% of the world's total traditional toys and games retailing value; the total market size for traditional toys and games retailing in China is expected to reach RMB92.11 billion in or before 2021. Key favorable factors for the development of China's toys market are the increasing disposable income, progress of urbanization, and the two-child policy which has been fully implemented in 2016. In addition, the National Health and Family Planning Commission predicted that the number of newborns will climb to between 17.5 million and 21 million annually for the next five years, meaning that there will be more end-users in the toy retailing market in China in the coming years, which bodes well for the future growth of the toys industry.

In the face of the challenging market environment in our two major business sectors, namely toys and footwear, C.banner takes the initiative to implement a series of strategies that will help to pursue its corporate goals. The first key focus is branding. During the period, C.banner continued to promote its strategic business with British high-end toys retailer-Hamleys-as one of its key global branding strategies, which helped to diversify its business and enrich its brand portfolio. In order to further optimize and expand the brand portfolio, in addition to improving product quality and designs which tailored to customers' needs, C.banner also set up a joint venture for selling "STEVE MADDEN" products in China, with 150 retail outlets of "STEVE MADDEN" expecting to open in the PRC by the end of 2020. In addition, the joint venture will also sell "STEVE MADDEN" products through multiple online sales platforms. The ultimate goal is to promote the brand positioning as a leading, innovative and integrated retailer.

Another key focus is the burgeoning e-commerce business. C.banner has further strengthened its O2O strategy by continuing to utilize online sales platforms, such as WeChat, T-Mall and JD, and exploring new online channels. During the period under review, the Group implemented innovative and interactive online marketing strategies, such as establishing a WeChat official account to expand the consumer base by hosting various online sales and marketing events. On the offline front, the Group continued to adopt cautious strategies in store expansion and strived to optimize its proprietary outlets and third-party outlets so as to enhance consumption experience and improve same store sales growth.

In addition, the Group also made a strenuous effort to rebuild the production line to enhance production flexibility and efficiency with a view to meeting consumers' needs for customization and small-batch production. It also strived to optimize inventory turnover of offline outlets and online platforms through more attractive sales and joint promotions. To ensure profitability and sustainable growth, the Group refrained from cut-throat price competition and insisted on rational discounting policies.

Far-reaching Shoes Retail Networks

After years of development, C.banner has already built up an extensive retail network with a strategic layout of self-developed and licensed brand stores in China's first, second and third-tier cities. Looking ahead, C.banner will continue to optimize its retail networks by strategically cooperating with third party retailers such as department stores, shopping malls and outlets to increase market presence while further utilizing online platforms to interact with customers and increase brand loyalty.

As always, the Group will continue to adopt cautious strategies in store expansion. During the period under review, the Group recorded a net reduction of 59 underperforming proprietary retail outlets and 52 third-party outlets respectively. As of 30 June 2017, the Group oversaw a network of 1,638 proprietary retail outlets and 365 third-party retail outlets across China, maintaining a strong presence in over 31 provinces, municipalities and autonomous regions.

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

	C.banner		EBLAN		Sundance		MIO		Badgley Mischka	natursun	Licensed Brands		Total
Distribution Regions	**Proprietary outlets**	**Third-party outlets**	**Proprietary outlets**	**Third-party outlets**	**Proprietary outlets**	**Third-party outlets**	**Proprietary outlets**	**Third-party outlets**	**Proprietary outlets**	**Proprietary outlets**	**Proprietary outlets**	**Third-party outlets**	
Northeast	105	32	67	12	15	1	12	10	–	2	28	10	**294**
Beijing	37	18	19	3	9	1	3	6	–	1	16	–	**113**
Tianjin	80	81	32	5	5	–	2	–	–	5	23	–	**233**
Northwest	67	60	33	7	2	–	–	38	–	1	16	–	**224**
Central China	45	16	15	2	1	–	2	–	–	–	14	–	**95**
Eastern China	164	33	88	5	39	–	32	1	2	19	38	–	**421**
Zhejiang	86	4	28	–	2	–	12	–	–	8	19	–	**159**
Shanghai	60	–	18	–	2	–	–	–	2	8	17	–	**107**
Southwest	111	7	20	2	2	–	8	2	–	–	28	1	**181**
Southern China	108	7	22	1	–	–	9	–	–	3	26	–	**176**
Total	863	258	342	37	77	2	80	57	4	47	225	11	**2,003**

Notes:

(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.

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 23 countries across the globe and recorded a 23% increase in international sales in the first half of 2017. During the period under review, Hamleys opened 8 new stores globally, comprising 1 proprietary store and 7 franchised stores. A further 22 stores are scheduled to be opened in the second half of 2017, including 20 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.

During the first half of 2017, Hamleys also closed 4 stores, comprising 3 proprietary stores and 1 franchised store. These stores were closed as leases expired or where the stores were loss-making with no prospect of turning them around to be profitable. The Group will continue to assess its store portfolio going forward as part of an ongoing strategic review.

In the UK, like for like growth prospects in the near term are expected to continue to be challenging given economic and political uncertainty following Brexit and the recent security attacks in Europe. The Group will continue to identify opportunities to open new stores in the UK, in particular the travel and outlet formats.

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 with a store opening planned in Beijing and Xuzhou in the second half of 2017. 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 30 June 2017, Hamleys operated an aggregate of 30 proprietary stores and 78 franchised stores. The following table shows the geographic distribution of Hamleys stores:

Country	Proprietary stores	Franchised stores	Total
United Kingdom	24	–	24
Ireland	1	–	1
Finland	1	–	1
Denmark	1	–	1
Sweden	1	–	1
Norway	1	–	1
China	1	–	1
Czech Republic	–	1	1
Egypt	–	2	2
India	–	33	33
Jordan	–	5	5
Malaysia	–	4	4
Malta	–	1	1
Mexico	–	2	2
Philippines	–	2	2
Qatar	–	1	1
Russia	–	9	9
Saudi Arabia	–	4	4
Singapore	–	2	2
South Africa	–	7	7
Turkey	–	1	1
The United Arab Emirates	–	3	3
Vietnam	–	1	1
Total	**30**	**78**	**108**

Entering kindergarten education industry through the acquisition of interest in EtonKids

On 21 July 2017, the Company entered into a sale and purchase agreement to purchase 5,669,931 A series preference shares and 649,889 A-1 series preference shares of EtonKids, representing 45.78% of the issued share capital of EtonKids, all of which would be simultaneously converted into ordinary shares of EtonKids upon completion, with a cash consideration of US$79,408,705. Completion of the acquisition took place on 11 August 2017.

EtonKids is an education group operating kindergartens under the brand "EtonKids" in China. As of July 2017, Etonkids managed an aggregate of 36 high-end kindergartens in China, which were all directly operated by Etonkids.

The acquisition will diversify the Group's business into kindergarten education services industry, further strengthen the Group's presence in the market for children's products and services to achieve strong synergy with the existing toys retailer business. The acquisition will also allow the Group to benefit significantly from the two-child policy in China and broaden revenue sources of the Group with good quality assets.

FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group's total revenue decreased 5.8% to RMB1,415.8 million as compared to the same period of last year. Operating profit decreased by approximately 41.1% to RMB71.5 million for the period under review. Profit attributable to equity holder of the Company dropped 56.8% to RMB39.1 million as compared to the same period of last year. The decrease of profit attributable to equity holders of the Company is mainly attributable to the net foreign exchange loss of RMB19.9 million in the six months ended 30 June 2017, compared to a net foreign exchange gain of RMB37.8 million in the same period last year.

Revenue

For the six months ended 30 June 2017, the Group's total revenue dropped by 5.8% to RMB1,415.8 million, compared to RMB1,502.9 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 first half of 2017, revenue from retail of toys amounted to RMB256.6 million. The revenue distribution of Retail and Wholesale and Contract Manufacturing is set out as follows:

	For the six months ended 30 June				
	2017		**2016**		
	RMB (’000)	**% of Total Revenue**	*RMB (’000)*	% of Total Revenue	**% of Growth**
Retail and Wholesale	**1,103,321**	**77.9%**	1,150,452	76.6%	**-4.1%**
Contract Manufacturing	**55,846**	**3.9%**	111,424	7.4%	**-49.9%**
Total	**1,159,167**	**81.8%**	1,261,876	84.0%	**-8.1%**

The decrease in Retail and Wholesale is mainly attributable to the reduction of footwear stores and the decline of same store sales of shoes as compared to the same period of last year; the decrease in Contract Manufacturing is mainly attributable to the intensified competition within Southeast Asia and other countries.

Profitability

For the six months ended 30 June 2017, the Group's gross profit slightly decreased 0.01% to RMB908.4 million, a decrease of RMB0.1 million from RMB908.5 million in the same period of last year. As of 30 June 2017, the gross profit margin was 64.2%.

For the six months ended 30 June 2017, the Group's distribution and selling expenses reached RMB739.7 million, a decrease of RMB2.3 million or 0.3% from the same period of last year, which was primarily attributable to the reduction in the department store commissions and the decoration expense of retail stores. Distribution and selling expenses accounted for 52.2% of total revenue, compared to 49.4% in the same period of last year.

For the six months ended 30 June 2017, the Group's administrative and general expenses amounted to RMB88.2 million, a decrease of RMB11.0 million or 11.1% from the same period of last year. The decrease is mainly attributable to the comprehensive expense of acquisition of Hamleys on 25 November 2015. Administrative and general expenses accounted for 6.2% of the total revenue, compared to 6.6% in the same period of last year.

For the six months ended 30 June 2017, the Group's other income and other gains and losses recorded a net gain of RMB12.8 million, compared to a net gain of RMB75.3 million in the same period of last year. Other income mainly comes from government grants, foreign exchange gain and interest income from other financial assets.

For the six months ended 30 June 2017, the Group recorded finance costs of RMB18.8 million, same as the corresponding period of last year.

For the six months ended 30 June 2017, the Group's income tax expense increased by approximately RMB0.6 million or 1.9% to RMB32.7 million, compared to RMB32.1 million in the same period of last year. The effective income tax rate during the period under review was 45.8%, an increase of 19.3 percentage points from 26.5% in the same period of last year. The increase was mostly attributed to the decrease in profit before tax.

For the six months ended 30 June 2017, profit attributable to equity holder of the Company decreased by 56.8% to RMB39.1 million, a decrease of RMB51.4 million from RMB90.4 million in the same period of last year.

Liquid Assets and Financial Resources

As of 30 June 2017, the Group had bank balances and cash of RMB497.6 million (31 December 2016: RMB629.3 million).

For the six months ended 30 June 2017, net cash from operating activities was RMB20.7 million, a decrease of RMB15.3 million as compared to RMB36.0 million in the same period of last year.

For the six months ended 30 June 2017, net cash used in investing activities was RMB142.8 million, compared to net cash from investing activities of RMB87.7 during the same period of last year. The outflow was primarily related to the investment in other financial assets of RMB50.0 million and purchase of property, plant and equipment of RMB10.3 million, which was partially offset by cash outflow from other investing activities.

For the six months ended 30 June 2017, net cash outflows from financing activities was RMB7.1 million, while net cash outflows from financing activities in the same period of last year was RMB93,000.

As at 30 June 2017, the net current assets of the Group were RMB1,328.2 million, compared with RMB1,329.2 million as at 31 December 2016, representing a net decrease of RMB1.0 million or 0.08%.

The gearing ratio of the Group, computed by dividing total loans and borrowings by total assets, was 20.9% as at 30 June 2017 compared with 20.7% as at 31 December 2016.

Pledge of Asset

Save as disclosed in note 13 to the consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2017.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 30 June 2017.

Foreign Exchange Risk Management

The Group's sales are mainly denominated in RMB, while its Contract Manufacturing is mainly denominated in USD and retail of toys in mainly denominated in GBP. The Contract Manufacturing accounted for 3.9% of total revenue, while the retail of toys accounted for 18.2% 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 six months ended 30 June 2017, the Group recorded a RMB19.9 million loss from currency exchange, compared to a RMB37.8 million gain in the same period of last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 30 June 2017, the Group had 10,721 employees (31 December 2016: 11,347 employees). In order to retain top-notched talents, the Group offers competitive remuneration packages, including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees with reference to overall business performance and their individual work performance.

OUTLOOK

The global economy still contains a lot of uncertainties in the second half of 2017, but the fact that China's economic performance is above expectation may bode well for the retail industry. In fact, the consumption growth in China is expected to show positive signs, thanks to the increasing average disposable income and gradually improving consumer sentiment. In addition, as more households move into the middle-class income bracket, fashion will form the core of identity for an increasing sophisticated and differentiated consumer based in China. These changes inevitably brought challenges but also opportunities for well-established mid-to-premium brands like C.banner.

In order to grasp the emerging opportunities, C.banner has taken a series of actions to increase growth momentum. One of which is the acquisition of Hamleys. The addition of Hamleys' business has added synergy to C.banner's existing business and equipped the Group with a variety of diversified products and services with an innovative concept, thereby enhancing its brand image and increasing its brand exposure. Looking ahead, C.banner will partner with large domestic department stores and shopping malls to build Hamleys-themed shopping mall and replicate the unique in-store experience of Hamleys both on the local and international fronts. During the period under review, the Group also set up a joint venture with Madden Asia, a key move in expanding into the mid-to-high end footwear market, and acquired 45.78% issued share capital of EtonKids to diversity its business into the kindergarten education services industry. These positive actions are expected to provide new income sources, create strong synergistic effect and give strong thrust to C.banner to develop into a world-renowned brand.

In view of the booming growth of e-commerce, the Group will devote more time and resource on its online efforts. The Group will actively develop its online business to boost sales and enhance brand awareness, as well as further constructing effective online sales channels for new products and new brands. It will also utilize new interactive media platforms to promote the brands and provide personalized consumption experience to consumers. Other measures to drive growth include optimizing and upgrading high-end customized 3D feet scanning services in selected offline stores, redirecting clients from offline stores to online platforms to achieve online-offline integration, enriching scenario consumption experience of offline outlets, closing underperforming stores to ensure profitability of the Group.

Under the current challenging industry environment, it is especially important for an enterprise to have clear strategies. In terms of branding strategy, C.banner will leverage Hamleys and STEVEN MADDEN brands as well as integrating EtonKids into its business to upgrade brand image and diversify brand portfolio. It will also introduce new potential licensed brands based on consumers' preference to further implement its global branding strategy and increase brand popularity and recognition in both Greater China and overseas. With respect to network expansion, C.banner will pursue horizontal expansion by the introduction of two new women footwear brands to increase market share. It will also actively develop online business and platforms to further diversify its distribution channels and cooperate with department stores and e-commerce platforms to expand its sales network both in local and international grounds.

With regard to marketing, the Group will apply innovative online and offline marketing strategies to boost sales and enhance brand influence. It will roll out coordinated and integrated marketing initiatives through its wide brand portfolio to achieve greater synergy. On measures to increase operation efficiency, the Group will focus on enhancing supply chain management and improving inventory levels. It will improve the quality of its retail network by closing down underperforming outlets while expanding cautiously in strategic areas. In summary, while the operating environment is constantly changing, C.banner remains steadfast as ever to pursue the goal of developing into a global brand with local roots and relevance.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") as its own code of conduct regarding Directors' securities transactions.

The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code throughout the six months ended 30 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 Listing Rules for the six months ended 30 June 2017. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management of the Company and auditor the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2017.

PUBLICATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND 2017 INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Hong Kong Stock Exchange and the Company, and the 2017 interim 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 Hong Kong Stock Exchange and the Company in due course.

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

PRC, 30 August 2017

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