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 2017

ANNUAL RESULTS HIGHLIGHTS

For the year ended December 31, 2017, the revenue of the Group was approximately RMB3,063.5 million, representing a decrease of 4.5% as compared with approximately RMB3,206.6 million for the year ended December 31, 2016.

For the year ended December 31, 2017, the gross profit decreased by 3.7% from approximately RMB1,935.7 million in 2016 to approximately RMB1,863.2 million.

For the year ended December 31, 2017, the profit before tax of the Group decreased by 71% from approximately RMB278.7 million in 2016 to approximately RMB80.9 million. The adjusted profit before tax (excluding operating loss in Northern Europe, foreign currency exchange gain and share-based payment expenses) was approximately RMB150.7 million, representing a decrease of 29.0% from approximately RMB212.3 million in 2016.

For the year ended December 31, 2017, profit attributable to owners of the Company decreased by 90.1% from approximately RMB206.3 million recorded in 2016 to approximately RMB20.5 million. The adjusted net profit attributable to owners of the Company (excluding operating loss in Northern Europe, foreign currency exchange gain and share-based payment expenses) was approximately RMB90.4 million, representing a decrease of 35.4% from approximately RMB140.0 million in 2016.

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 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*3*	**3,063,524**	3,206,562
Cost of sales		**(1,200,317)**	(1,270,890)
Gross profit		**1,863,207**	1,935,672
Other income and expenses and other gains and losses	*4*	**67,350**	125,020
Distribution and selling expenses		**(1,583,154)**	(1,550,370)
Administrative and general expenses		**(216,982)**	(191,699)
Finance costs		**(65,905)**	(37,436)
Share of profit (loss) of associates		**14,615**	(3,626)
Share of profit of joint ventures		**1,775**	1,168
Profit before taxation		**80,906**	278,729
Income tax expense	*5*	**(64,215)**	(73,296)
Profit for the year	*6*	**16,691**	205,433
Other comprehensive expenses, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(5,841)**	(32,121)
Total comprehensive income for the year		**10,850**	173,312

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2017

	NOTES	**2017** **RMB'000**	2016 *RMB'000*
Profit (loss) for the year attributable to			
Owners of the Company		**20,492**	206,253
Non-controlling interests		**(3,801)**	(820)
		16,691	205,433
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**15,356**	174,185
Non-controlling interests		**(4,506)**	(873)
		10,850	173,312
Earnings per share			
– Basic (RMB cents)	7	**1.00**	10.01
– Diluted (RMB cents)	7	**1.00**	10.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**270,185**	275,797
Prepaid lease payments		**13,019**	13,416
Other intangible assets		**859,122**	860,956
Goodwill	*8*	**162,437**	166,458
Interest in an associate		**20,242**	19,210
Interest in joint ventures		**16,693**	–
Available-for-sale investment		**10,765**	–
Deferred tax assets		**86,645**	83,176
Long-term deposits		**21,703**	20,860
		1,460,811	1,439,873
Current assets			
Inventories		**830,131**	783,506
Trade receivables	*9*	**392,273**	384,464
Other receivables and prepayments		**175,025**	150,630
Interest in joint ventures		**5,231**	6,013
Other financial assets		**10,000**	–
Bank balances and cash		**540,059**	629,299
		1,952,719	1,953,912
Assets classified as held for sale		**546,300**	–
Current liabilities			
Trade payables	*10*	**183,263**	177,726
Other payables		**289,675**	209,907
Income tax liabilities		**25,178**	37,406
Borrowings	*11*	**1,045,221**	141,150
Deferred revenue		**30,563**	16,912
Obligations under finance leases – due within one year		**6,444**	6,164
Provisions		**17,269**	–
Bank overdrafts	*11*	**29,001**	35,470
		1,626,614	624,735
Net current assets		**872,405**	1,329,177
Total assets less current liabilities		**2,333,216**	2,769,050

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Deferred tax liabilities		**159,496**	155,645
Borrowings – due after one year	11	**71,876**	526,598
Obligations under finance leases – due after one year		**3,872**	4,856
Deferred revenue		**11,579**	6,408
		246,823	693,507
Net assets		**2,086,393**	2,075,543
Capital and reserves			
Share capital	12	**209,097**	209,097
Reserves		**1,822,698**	1,807,342
Total equity attributable to owners of the Company		**2,031,795**	2,016,439
Non-controlling interests		**54,598**	59,104
		2,086,393	2,075,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

For the year ended 31 December 2017

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 "Hong Kong 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 to 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 AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND AMENDENTS TO IFRSs

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

Amendments to International Accounting Standards ("IAS") 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of Annual Improvements to IFRSs 2014-2016 Cycle

The Group has not early applied the following new and revised 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 Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC-Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC-Interpretation 23	Uncertainty over Income Tax Treatments[2]
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 9	Prepayment Features with Negative Compensation[2]
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 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of Annual Improvements to IFRS 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

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 2021.

3. 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 ("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:

	2017	2016
	RMB'000	*RMB'000*
Segment revenue		
Retail and Wholesale of Shoes		
– external sales	**2,290,276**	2,332,464
Contract Manufacturing of Shoes		
– external sales	**138,506**	249,312
– inter-segment sales	**33,104**	15,521
Retail of Toys		
– external sales	**634,742**	624,786
Segment revenue	**3,096,628**	3,222,083
Eliminations	**(33,104)**	(15,521)
Group revenue	**3,063,524**	3,206,562
Segment results		
Retail and Wholesale of Shoes	**333,501**	298,435
Contract Manufacturing of Shoes	**(26,407)**	(9,966)
Retail of Toys	**(176,673)**	30,047
	130,421	318,516
Investment income from held-to-maturity investments	**–**	107
Finance costs	**(65,905)**	(37,436)
Share of profit (loss) of associates	**14,615**	(3,626)
Share of profit of joint ventures	**1,775**	1,168
Profit before income tax	**80,906**	278,729
Income tax expense	**(64,215)**	(73,296)
Net profit for the year	**16,691**	205,433

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 finance costs, share of profit (loss) of associates, share of profit of joint ventures 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:

	2017	2016
	RMB'000	*RMB'000*
Segment assets		
Retail and Wholesale of Shoes	**3,244,405**	3,129,963
Contract Manufacturing of Shoes	**437,726**	449,383
Retail of Toys	**1,436,346**	1,416,812
Total segment assets	**5,118,477**	4,996,158
Eliminations	**(1,833,758)**	(1,710,772)
Unallocated	**675,111**	108,399
Total consolidated assets	**3,959,830**	3,393,785
Segment liabilities		
Retail and Wholesale of Shoes	**341,064**	249,460
Contract Manufacturing of Shoes	**259,049**	251,756
Retail of Toys	**1,780,310**	1,186,065
Total segment liabilities	**2,380,423**	1,687,281
Eliminations	**(691,660)**	(562,090)
Unallocated	**184,674**	193,051
Total consolidated liabilities	**1,873,437**	1,318,242

For the purposes of monitory segment performance and allocating resources between segments, segment assets are allocated to operating segments other than interest in an associate, deferred tax assets, interests in joint ventures and assets classified as held for sale, 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 *RMB'000*	Contract manufacturing of shoes *RMB'000*	Retail of toys *RMB'000*	Total *RMB'000*
For the year ended 31 December 2017				
Depreciation expense	**27,833**	**1,790**	**33,809**	**63,432**
Amortisation of intangible assets	**3,366**	**86**	**15,963**	**19,415**
Amortisation of prepaid lease payments	**397**	**–**	**–**	**397**
(Reversal) provision for inventory obsolescence	**(27,877)**	**1,471**	**16,934**	**(9,472)**
Purchase of property, plant and equipment	**15,131**	**501**	**54,943**	**70,575**
Purchase of intangible assets	**615**	**–**	**7,112**	**7,727**
Impairment loss recognised on goodwill	**–**	**–**	**1,558**	**1,558**
Impairment loss recognised in respect of property, plant and equipment	**–**	**–**	**13,444**	**13,444**
Gain on deemed disposal of an associate	**3,551**	**–**	**–**	**3,551**
Proceeds from disposal of property, plant and equipment	**1,331**	**111**	**–**	**1,442**
Interest income on bank deposits	**(9,135)**	**(32)**	**(413)**	**(9,580)**
Interest income on other financial assets	**(63)**	**–**	**–**	**(63)**
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	50,278	77,342
Purchase of intangible assets	9,093	–	15,121	24,214
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	(52)	–	–	(52)

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	
	2017	2016
	RMB'000	*RMB'000*
PRC	**2,351,982**	2,349,782
UK	**420,915**	470,179
United States of America	**139,384**	247,205
Other countries	**151,243**	139,396
Total	**3,063,524**	3,206,562

	Non-current assets	
	2017	2016
	RMB'000	*RMB'000*
PRC	**271,599**	268,674
UK	**599,251**	614,228
Other countries	**503,316**	473,795

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.

4. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Other income		
Government grants *(note)*	**51,102**	47,377
Interest income on bank deposits	**9,580**	4,255
Interest income on other financial assets	**63**	52
Others	**7,240**	6,563
	67,985	58,247

	2017	2016
	RMB'000	*RMB'000*
Other gains and losses		
Net foreign exchange gain	**10,816**	66,666
Gain on deemed disposal of an associate	**3,551**	–
Investment income from held-to-maturity investments	**–**	107
Impairment loss recognised in respect of property, plant and equipment	**(13,444)**	–
Impairment loss recognised in respect of goodwill	**(1,558)**	–
	(635)	66,773
	67,350	125,020

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.

5. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**69,108**	62,933
UK profits tax	**656**	9,346
Under (over) provision of EIT in prior years		
EIT	**1,323**	(2,166)
UK	**(5,751)**	–
	65,336	70,113
Deferred tax (credit) charge	**(1,121)**	3,183
	64,215	73,296

The tax charge for the year ended 31 December 2017 can be reconciled to the profit before tax as follows:

	2017 *RMB'000*	2016 *RMB'000*
Profit before tax	**80,906**	278,729
Tax at the income tax rate of 25% (2016: 25%)	**20,227**	69,682
Tax effect of share of (profit) loss of associates	**(3,654)**	907
Tax effect of share of profit of a joint venture	**(444)**	(292)
Tax effect of expenses not deductible for tax purpose	**15,392**	9,311
Tax effect of income not taxable for tax purpose	**(17)**	(2,265)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**–**	(3,365)
Over provision in respect of prior year	**(4,428)**	(2,166)
Tax effect of tax losses not recognised	**25,391**	1,180
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**9,781**	(1,292)
Tax effect on withholding tax on undistributed profits in the PRC	**1,967**	1,596
Income tax expense for the year	**64,215**	73,296

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2017 *RMB'000*	2016 *RMB'000*
Depreciation of property, plant and equipment	**63,432**	59,905
Amortisation (included in administrative and general expenses)		
– prepaid lease payment	**397**	397
– intangible assets	**19,415**	14,480
Total depreciation and amortization	**83,244**	74,782
Capitalised in inventories	**(5,402)**	(7,992)
	77,842	66,790
Auditors' remuneration	**1,750**	1,650
Employee benefits expense	**636,719**	594,115
Reversals of inventory obsolescence	**(9,472)**	(9,963)
Cost of inventories recognised as an expense	**1,200,317**	1,270,890

7. 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:

	2017	2016
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)	**20,492**	206,253
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	**2,057,400**	2,061,346
Earnings per share (RMB cents)		
– Basic	**1.00**	10.01
– Diluted	**1.00**	10.01

8. GOODWILL

	Amount
	RMB'000
COST	
At 1 January 2016	182,946
Arising on acquisition of a subsidiary *(note)*	1,558
Exchange adjustment	(18,046)
At 31 December 2016	166,458
Exchange adjustment	(2,463)
At 31 December 2017	163,995
IMPAIRMENT	
At 1 January 2016 and 31 December 2016	–
Impairment loss recognised in the year *(note)*	(1,558)
At 31 December 2017	(1,558)
CARRYING VALUES	
At 31 December 2016	166,458
At 31 December 2017	162,437

Note:

On 14 January 2016, the Group acquired 80% of the issued share capital of Hamleys Nordics for a cash consideration of RMB4,514,000, resulting in a goodwill of RMB1,558,000. During the year ended 31 December 2017, the Group closed certain toy stores operated by Hamleys Nordics. In the near future, the Group had made plans to close more stores. As a result, the goodwill arising from the acquisition of Hamleys Nordics was accordingly fully impaired.

9. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Amounts receivable from sales of goods	**384,467**	351,686
Amounts receivable from royalty revenue	**7,806**	32,778
Total	**392,273**	384,464

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.

	2017	2016
	RMB'000	*RMB'000*
0 to 60 days	**319,516**	296,660
61 to 180 days	**41,598**	59,001
181 days to 1 year	**10,657**	8,460
Over 1 year	**20,502**	20,343
	392,273	384,464

10. TRADE PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables for purchases of goods from third parties	**183,263**	177,726

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:

	2017	2016
	RMB'000	*RMB'000*
Age		
0 to 90 days	**166,402**	160,124
91 to 180 days	**16,079**	10,878
181 to 1 year	**643**	5,026
Over 1 year	**139**	1,698
	183,263	177,726

11. BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Bank overdrafts	**29,001**	35,470
Bank borrowings	**463,677**	667,748
Other borrowings	**653,420**	–
	1,146,098	703,218
Unsecured	**29,001**	35,470
Secured	**1,117,097**	667,748
	1,146,098	703,218
The carrying amounts of the above borrowings are repayable*		
Within one year	**682,421**	176,620
Within a period of more than one year but not exceeding two years	**–**	133,289
Within a period of more than two years but not exceeding five years	**71,876**	393,309
	754,297	703,218
The carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities) (note i)	**391,801**	–
	1,146,098	703,218
Less: Amounts due within one year shown under current liabilities:		
Bank borrowings	**(1,045,221)**	(141,150)
Bank overdrafts	**(29,001)**	(35,470)
Amounts shown under non-current liabilities	**71,876**	526,598

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

At 31 December 2017 and 31 December 2016, the bank overdrafts were unsecured and interest free.

During the year, the Company raised other borrowings from CCB International Asset Management Limited with principal amount of US$100,000,000 (equivalent to approximately RMB671,320,000). As at 31 December 2017, the other borrowings were guaranteed by Mr. Chen Yixi.

At 31 December 2017, the Company's bank borrowings of RMB463,677,000 (2016: RMB667,748,000) carry interest at London Interbank Offered Rate ("LIBOR") plus variable rate from 1.4% to 5% per annum (at 31 December 2016: at LIBOR plus variable rate from 1.5% to 5% per annum). Interest is reset every three months.

As at 31 December 2017 and 31 December 2016, the Company's equity interests in Mayflower (Nanjing) Enterprise Limited ("Nanjing Mayflower"), Dongguan Mayflower Footwear Corporation Limited ("Dongguan Mayflower"), Nanjing Soft Garment and Footwear Co., Ltd. ("Nanjing Soft") and Xuzhou C.banner Footwear Co., Ltd. ("Xuzhou C.banner") were 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 2017 and 31 December 2016.

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

	2017	2016
Effective interest rate:		
Fixed-rate borrowings	**8.00%**	4.35%
Variable-rate borrowings	**2.02%~5.52%**	1.87%~5.37%

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	USD *RMB'000*	**GBP** *RMB'000*
As at 31 December 2017 *(note ii)*	1,117,097	–
As at 31 December 2016	35,470	667,748

Notes:

i. During the year, in respect of the bank borrowings with carrying amount of RMB391,801,000 as at 31 December 2017, the Group breached certain of the terms of the bank borrowings, which are primarily related to the new issuance of the other borrowings of the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the borrowings with the relevant banker. As at 31 December 2017, those negotiations had not been concluded. Since the lender has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the borrowings has been classified as a current liability as at 31 December 2017. On 13 February 2018, a supplementary agreement was signed between the Group and the bank, according to which certain bank borrowings need to be repaid within 2018.

ii. On 26 July 2017, the Group signed an agreement with a bank to redenominate currency of bank borrowings brought from 2015 from Great Britain Pounds ("GBP") to USD. The interest rate and maturity remain unchanged.

12. SHARE CAPITAL

	Number of shares	Amount
		USD'000
Ordinary shares of USD0.015 each		
Authorised:		
At 1 January 2016 & 31 December 2016 & 31 December 2017	20,000,000,000	300,000
Issued and fully paid:		
At 1 January 2016	2,082,000,000	31,230
Shares repurchased and cancelled	(5,000,000)	(75)
At 31 December 2016 and 31 December 2017	2,077,000,000	31,155
Shown in the consolidated statement of financial position		
At 1 January 2016		209,615
At 31 December 2016 and 31 December 2017		209,097

During the year ended 31 December 2017, the Company did not repurchase any shares through the Hong Kong Stock Exchange.

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 Hong Kong Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of USD0.015 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HKD	*HKD*	*HKD'000*
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 ended 31 December 2016, a total of 5,000,000 shares were repurchased and cancelled, accordingly, the nominal value of approximately USD75,000 (equivalent to approximately RMB518,000) of the shares, and the premium paid and the related costs incurred for the repurchase of approximately HKD10,346,000 (equivalent to approximately RMB8,435,000) was charged against the share capital and share premium account of the Company.

13. DIVIDENDS

The Directors of the Company do not propose final dividend for the year ended 31 December 2017 (final dividend for the year ended 31 December 2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2017 remained challenging but also offered promising opportunities. While major economies around the world were in some phase of recovery, China's economy progressed steadily and achieved GDP growth of 6.9% last year with the support of various economic stimulus measures from the central government. Among various sectors, the consumption and service segment reported a particularly strong growth. According to the Ministry of Commerce, China's major retail sales enterprises enjoyed strong sales in 2017 as the country's stabilizing economy spurred consumption. The total sales volume of 2,700 major retail enterprises surveyed rose 4.6% year on year in 2017, 3.0% higher than that of 2016 and indicates a positive outlook for retailers like C.banner.

Of the two major business segments where we operate, the footwear business continued to face severe challenges mainly due to increasing competition from international brands and cross-border e-commerce. However, China remains as a promising market for footwear industry due to the increasing disposable income, accelerating urbanization and improving living standards, and this is especially so in China's lower-tier cities and rural areas which have seen remarkable rise in purchasing power and in turn demand for retail products. Looking forward, it is expected that lower-tier cities will be the major driving forces for the retail market in China as higher-tier cities have already reached a greater level of saturation.

As for the toys industry, the latest two-child policy, progress in urbanization, rising disposable income and increasing willingness of consumers to purchase higher quality products are all expected to benefit the industry. The full implementation of the two-child policy is set to add huge momentum to the development of the toys industry. According to a research conducted by the Hong Kong Trade Development Council, two-child parents give more weight to "place of origin" than one-child parents and although imported brands of toys are more expensive, parents would still prefer them due to their guaranteed quality. In addition, the 2017 Chinese Infant Product Industry Report issued by Nielsen also pointed out that the new generation of Chinese mothers are willing to pay a higher price for quality products. This market trend is especially favorable to C.banner considering the Group's strategic acquisition of Hamleys, which is a renowned UK toys retailer boasting a brand history of over 250 years.

However, the above positive trend is accompanied by challenging operating environment. In response, the Group has and will continue to undertake a series of strategies. One key focus is branding and the Group will reinforce its elegant and fashionable brand image and promote its brand positioning as a leading and innovative international integrated retailer. Going forward, C.banner will further optimize its brand portfolio, focusing on improving product quality and design to meet the needs of customers. Building on its strong alliances with international brands, C.banner will continue to identify new potential licensed brands based on consumers' preference to further implement its global branding strategy as well as enhancing its brand popularity and recognition in both Greater China and overseas.

In terms of marketing, the Company will further strengthen the construction of a seamless sales system between offline stores and online sales platforms, as its core part to widen its consumer base. With respect to store management, the Company will continue to adopt a cautious approach in store expansion and focus on optimizing proprietary outlets and third-party retail outlets. Strenuous efforts will also be made in enhancing consumption experience in offline stores and improving same store sales growth.

Hamleys as a Key Growth Driver

Acquired in 2015, Hamleys now forms an integral part of the Group's strategic plan. Hamleys operates in 23 countries across the globe and recorded a 38% increase in international sales (excluding the UK) during 2017. During the year, Hamleys opened 34 new stores globally, comprising 6 proprietary stores and 28 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. In addition, the Group started trialling wholesale operations in the last quarter of 2017, whereby Hamleys branded products were sold to 2 international toy retailers, which sold them through 4 stores.

During 2017, Hamleys also closed 10 stores, comprising 6 proprietary stores and 4 franchised stores. These stores were closed as leases expired or where the stores were loss-making with no prospect of turning them around to be profitable.

In the UK, 2017 was one of the most challenging years in UK retail history, and Hamleys was not immune to the impact of Brexit uncertainty, terrorist attacks, macro-economic pressures and general erosion in UK consumer confidence. A number of the Hamleys international markets experienced their own challenges, however Hamleys continued to make tough and difficult decisions to sustainably improve the business and recognise the ever-changing trading environment. This included a strategic review of the Hamleys Group's estate, resulting in the exit of loss-making stores and international markets with little prospect of growth or scale which will result in some exceptional closure and non-cash costs in the UK and Nordics region. In addition, the Hamleys Group realigned its cost base incurring some exceptional restructuring costs that will result in lower head office costs going forward. Despite the various headwinds, Hamleys has continued to deliver its legendary experience to both domestic and international customer groups and sustainably increased its global footprint even further.

In China, the second Hamleys flagship store opened in Xuzhou in September 2017. Together with the first flagship store opening in Nanjing in 2016, both stores have already contributed to the business growth of the Group. The third flagship store in China opened in December 2017 in Wangfujin, Beijing, and is the world's largest Hamleys store. Styled as a traditional British toy kingdom, the new store introduces a wide range of child-related products and is expected to become a key profit driver in the near future.

The Hamleys Group's continued focus to improve customer experience and proposition across all formats, introducing new products and services, continued overseas growth and entry into new proprietary, franchise and international wholesale markets has significantly strengthened the future potential of the Hamleys business. Together with the strategic actions that have been taken, the Group is confident of an improved performance going forward.

In view of this improving performance, the Group plans to replicate the unique Hamleys in-store experience, such as interactive playtime, events and special demonstrations, in other populous Chinese cities in 2018. Besides helping the Group to further develop its business in China's domestic market, Hamleys will also facilitate the Group's expansion into new overseas markets. The Group will also fully leverage on Hamleys' global branding strategy and worldwide retail platform to reach new business heights.

As of 31 December 2017, there were a total of 129 Hamleys stores comprising 32 proprietary stores and 97 franchised stores. The following table shows the geographic distribution of these stores:

Country	**Proprietary stores**	**Franchised stores**	**Total**
United Kingdom	25	–	25
Ireland	1	–	1
Denmark	1	–	1
Sweden	1	–	1
Norway	1	–	1
China	3	–	3
Czech Republic	–	1	1
Egypt	–	3	3
India	–	47	47
Jordan	–	5	5
Malaysia	–	6	6
Malta	–	1	1
Mexico	–	3	3
Philippines	–	2	2
Poland	–	1	1
Qatar	–	1	1
Russia	–	11	11
Saudi Arabia	–	1	1
Singapore	–	2	2
South Africa	–	8	8
Turkey	–	1	1
The United Arab Emirates	–	3	3
Vietnam	–	1	1
Total	32	97	129

Extensive 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 and shopping malls. It also sells its self-developed brands through authorized distributors.

During the past year, the Group reduced 35 proprietary shoes retail outlets and 85 third-party shoes retail outlets respectively. As of 31 December 2017, the Group oversaw a network of 1,662 proprietary retail outlets and 332 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:

	C.banner		EBLAN		Sundance		MIO		Badgley Mischka	natursun	Licensed Brands		
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	Total
Northeast	111	28	68	9	13	1	17	9	1	4	20	10	**291**
Beijing	38	18	22	2	8	1	5	5	1	4	12	–	**116**
Tianjin	83	72	33	4	5	–	4	–	1	9	17	–	**228**
Northwest	74	54	39	4	1	–	–	36	–	5	15	–	**228**
Central China	46	16	15	1	1	–	4	–	–	1	12	–	**96**
Eastern China	169	28	87	3	34	–	36	1	2	31	23	–	**414**
Zhejiang	88	3	25	1	2	–	13	1	1	8	15	–	**157**
Shanghai	59	–	17	–	1	–	2	–	2	13	11	–	**105**
Southwest	115	7	22	2	2	–	9	1	1	–	24	1	**184**
Southern China	108	10	19	3	–	–	11	1	1	8	14	–	**175**
Total	**891**	**236**	**347**	**29**	**67**	**2**	**101**	**54**	**10**	**83**	**163**	**11**	**1,994**

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.

Diversified and Enriched Brands and Products Portfolio under our Global Branding Strategy

During the past years, C.banner has been making significant moves toward the goal of developing into a leading international retail brand. In addition to the strong-strong alliance with Hamleys, the Company has also set up a joint venture with Madden Asia Holding Limited to promote, market, sell and distribute products bearing the "STEVE MADDEN" logo, a renowned US shoes and fashion brand, in the PRC through both online and offline channels. These are part of our efforts to continue to shape and diversify the brand's DNA and enhance our core competitiveness. In the future, C.banner will continue to look out for opportunities to acquire companies, both local and overseas, with attractive brand value to make our already strong brand become even stronger.

Creative and Interactive Marketing and Sales Strategies to Bring Exceptional Consumption Experience

In consideration of the upward trend of e-commerce popularity, the Company will focus on constructing a seamless sales system, which could fully integrate the offline channels, including shops in the department stores and shopping malls as well as outlet stores, and online channels which include official websites, Apps, Wechat Shop, Tmall and other third-party platforms. Going forward, C.banner will fully utilize new media platforms such as WeChat to reach a wider range of consumers. We will also continue to operate online flagship stores on Tmall.com and JD.com and launch more attractive online sales promotion to further optimize our O2O business model. On the offline front, the Group will roll out attractive and diversified marketing strategies such as VIP membership scheme, sales promotion, outdoor advertisement and brand-new catalogues and brochures to provide unique and extraordinary consumption experience to our customers.

Customer-Oriented Research and Design

C.banner always puts customers' needs first. In order to deliver products which tailored to the diverse requirements of customers, the Group has established research and development teams led by experienced brand directors and design managers. In-house training is provided to our staff to ensure that they have strong sense and connection to the latest market trend. In addition, the Company continues to collect, analyse and draw on a wealth of sales data to get the latest fashion insights and provide quality and trendy products to our target customers.

Continuous Optimization and Strengthening of Retail Network and Channels

Through years of efforts, C.banner has built a strategic layout of self-developed and licensed brands stores in China's first, second and third-tier cities across China. In the future, the Company will continue to optimize its retails network comprising both online and offline stores and strategically cooperate with third party retailers such as department stores to increase market share. The Company will also strive to enhance same store sales growth of off-line stores and actively promote sales of online stores.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group's total revenue decreased by 4.5% to RMB3,063.5 million, compared to the same period of last year. Gross profit decreased by 3.7% to RMB1,863.2 million. Profit before tax decreased by 71% to approximately RMB80.9 million during the year under review. The adjusted profit before tax (excluding operating loss in Northern Europe, foreign currency exchange gain and share-based payment expenses) was approximately RMB150.7 million, representing a decrease of 29.0% from approximately RMB212.3 million in 2016. Profit attributable to owners of the Company was approximately RMB20.5 million, representing a decrease of approximately 90.1% over the last year. The adjusted profit attributable to owners of the Company (excluding operating loss in Northern Europe, foreign currency exchange gain and share-based payment expenses) was approximately RMB90.4 million, representing a decrease of 35.4% from approximately RMB140.0 million in 2016.

Revenue

For the year ended 31 December 2017, the Group's total revenue decreased by 4.5% to RMB3,063.5 million, compared to RMB3,206.6 million for the same period of last year.

The Group's revenue mix comprises income from Retail and Wholesale of Shoes, Contract Manufacturing of Shoes and Retail of Toys. The revenue distribution of Retail and Wholesale of Shoes, Contract Manufacturing of Shoes and Retail of Toys is set out as follows:

	For the year ended 31 December				
	2017		2016		
	RMB ('000)	***% of Total Revenue***	*RMB ('000)*	*% of Total Revenue*	**% Growth**
Retail and Wholesale of Shoes	**2,290,276**	**74.8**	2,332,464	72.7	-1.8
Contract Manufacturing of Shoes	**138,506**	**4.5**	249,312	7.8	-44.4
Retail of Toys	**634,742**	**20.7**	624,786	19.5	1.6
Total	**3,063,524**	**100**	3,206,562	100	-4.5

The decrease in Retail and Wholesale of Shoes 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 of Shoes is mainly attributable to the reorganisation of the Group's OEM production lines.

Profitability

For the year ended 31 December 2017, the gross profit decreased by 3.7% from approximately RMB1,935.7 million in 2016 to approximately RMB1,863.2 million, the gross profit margin was 60.8%, an increase of 0.4% from 60.4% in last year.

For the year ended 31 December 2017, distribution and selling expenses reached RMB1,583.2 million, an increase of 2.1%, compared to expenses of RMB1,550.4 million last year, which was primarily attributable to the closure of certain toy stores operated by Hamleys Nordics by the Group and the increase in Hamleys's stores in China. Distribution and selling expenses accounted for 51.7% of total revenue, compared to 48.3% in last year.

For the year ended 31 December 2017, administrative and general expenses amounted to RMB217 million, an increase of RMB25.3 million compared to the same period of last year. This increase was mainly attributable to the closure of certain toy stores operated by Hamleys Nordics by the Group and the increase in Hamleys's stores in China. Administrative and general expenses accounted for 7.1% of total revenue, compared to 6.0% in last year.

For the year ended 31 December 2017, the Group's other income and expense and other gains and losses recorded a net gain of RMB67.4 million, decreased by RMB57.6 million as compared to a net gain of RMB125.0 million last year. Other income and expenses and other gains and losses mainly included government subsidies, interest income on bank deposits and net foreign exchange gain. The decrease was mainly attributable to the decrease in net foreign exchange gain by RMB55.9 million from RMB66.7 million in the year of 2016 to RMB10.8 million in the year of 2017.

For the year ended 31 December 2017, the Group recorded finance costs of RMB65.9 million, increased by RMB28.5 million compared to RMB37.4 million last year. The increase was mainly attributable to the new borrowings.

For the year ended 31 December 2017, the Group's income tax expense decreased by RMB9.09 million or 12.4% to RMB64.2 million, compared to an expense of RMB73.3 million last year. The effective tax rate over the year was 79.4%, an increase of 53.1 percentage points from 26.3% in last year. The increase was mostly attributable to the decrease in profit before taxation.

For the year ended 31 December 2017, the Group's profit attributable to owners of the Company decreased by 90.1% from approximately RMB206.3 million recorded in 2016 to approximately RMB20.5 million. The adjusted profit attributable to owners of the Company (excluding operating loss in Northern Europe, foreign currency exchange gain and share-based payment expenses) was approximately RMB90.4 million, representing a decrease of 35.4% from approximately RMB140.0 million in 2016.

Liquid Assets, Financial Resources and Capital Expenditure

As of 31 December 2017, the Group had bank balances and cash of RMB540.1 million, compared to RMB629.3 million at the end of last year.

For the year ended 31 December 2017, net cash generated from operating activities was RMB114.5 million, a decrease of RMB131.3 million as compared to RMB245.8 million as of the end of last year.

The Group recorded a net cash outflow of RMB631.9 million from investing activities for the year of 2017, compared to an inflow of RMB40.9 million in 2016. The outflow was primarily due to the investment in an associate subsequently treated as assets classified as held for sale.

Net cash generated from financing activities was RMB449.1 million in 2017, compared to a net cash used in financing activities of RMB93.6 million in 2016. This was mostly attributable to the issuance of other borrowings and notes in 2017 offset by the repayment of bank borrowings.

As of 31 December 2017, the net current assets of the Group were RMB872.4 million, compared to RMB1,329.2 million at the end of last year, a decrease of 34.4% or RMB456.8 million.

On 4 August 2017, the Company issued convertible bonds and notes, each in the principal amount of US$50 million, to Cheer Hope Holdings Limited, which are guaranteed by Mr. Chen Yixi, the chairman of the Group. Each of the net proceeds of approximately HK$389 million arising from the issue of the convertible bonds and notes respectively shall be applied to replenish the working capital of the Company and cater for potential desirable acquisitions. For the year ended 31 December 2017, no convertible bonds issued had been converted into shares of the Company. Subsequent to the reporting period, the Company redeemed convertible bonds in the principal amount of US$10 million in January 2018, after which the principal amount of the outstanding convertible bonds amounted to US$40 million, which are convertible into 87,170,868 shares of the Company at a conversion price of HK$3.57 per share. Please refer to the Company's announcements dated 20 July 2017, 26 July 2017 and 4 August 2017 for further details.

Gearing ratio

The Group's gearing ratio, computed by dividing total loans and borrowings by total assets, was 28.9% as at 31 December 2017 compared with 20.7% as at 31 December 2016.

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 USD. The Group's bank borrowings denominated in USD as at 31 December 2017 amounted to RMB1,117.1 million.

Pledge of Assets

As at 31 December 2017, the Company's equity interest in Nanjing Mayflower, Dongguan Mayflower, Nanjing Soft and Xuzhou C.banner have been pledged to secure the bank borrowings of the Group.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 31 December 2017.

Foreign Exchange Risk Management

The Group's sales are mainly denominated in RMB, while its Contract Manufacturing of Shoes is mainly denominated in USD and its Retail of Toys is mainly denominated in GBP. The Contract Manufacturing of Shoes accounted for 4.5% of total revenue, while the Retail of Toys accounted for 20.7% 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 2017, the Group recorded a RMB10.8 million gain from currency exchange, compared to a RMB66.7 million gain last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 31 December 2017, the Group had 10,457 employees (31 December 2016: 11,347 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 recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

Investment

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 would 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. Completion of the sale and purchase of the Sale Shares took place on 11 August 2017, after which the Company held 45.78% of the issued share capital of the Target Company.

On 29 December 2017, the Company entered into sale and purchase agreements with Allied Way International Enterprise Limited and Hongkong Hongxing Investment Management Limited (the "Purchasers"), pursuant to which the Company conditionally agreed to sell, and the Purchasers conditionally agreed to purchase, the Sale Shares for an aggregate cash consideration of US$89,499,900 (the "Disposal"). As at the date of this announcement, the Disposal has not yet been completed. For details, please refer to the Company's announcements dated 29 December 2017 and 15 March 2018.

Outlook

China's economy will continue to develop steadily with the support of a series of government policies such as "One Belt One Road" and "Made in China 2025". In the long term, China's structural reform will drive its economy toward a consumption-driven market, which will give substantial growth momentum to the retail industry where the Company operates. Among our two major retail businesses, the footwear market will continue to undergo restructuring and face various challenges before recovery in 2018. However, the accelerating urbanization, rising disposable income and the growing middle-income class in China all point to a generally positive outlook for the industry, especially for mid-to-premium brands which well met the needs of the increasingly sophisticated Chinese consumer base. As for the toys industry, the two-child policy in China will give a strong boost to the consumption demand for child products and services and the mid-to-high-end toys market, the primary market of Hamleys, is set to benefit the most from the policy as parents are more willing to pay higher prices for quality educational products.

In order to grasp the opportunities arising from these positive development trend, C.banner will continue to establish Hamleys-themed shopping malls and replicate the unique in-store experience of Hamleys in populous cities in China to add synergy to our business and diversify our products and services. The Company will also leverage on Steve Madden brand to upgrade its brand image and diversify its business and brand portfolio. The joint venture with Madden Asia Holding Limited will further consolidate the Group's position in the mid-to-high-end footwear market in the PRC.

We will also give strenuous effort to implement our creative seamless sales system to boost sales and enhance brand influence. While making all-out efforts to improve consumption experience in offline stores, such as upgrading the high-end customized 3D foot scanning services in selected stores, we will also redirect sales from offline stores to online platforms to achieve full online-offline integration. On the operation level, the Company will rebuild the production line to increase production flexibility and efficiency in order to meet the needs of small-batch and customized production. The Group understands well that price alone is not a sustainable business practice and will therefore adhere to rational discounting policy to ensure the Group's profitability. Instead, the Group will take other measures such as improving inventory control, enhancing operation efficiency and strengthening supply chain and stores management as solid steps toward the goal of developing C.banner into a globally renowned brand.

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, 29 June 2018, the register of members of the Company will be closed from Tuesday, 26 June 2018 to Friday, 29 June 2018, 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, 25 June 2018.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2017. 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 2017.

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 2017 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 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

Completion of Issue of Convertible Bonds and Notes

Reference is made to the Company's announcements dated September 29, 2017 and January 17, 2018 in relation to the issue of convertible bonds and notes. On January 17, 2018, all the conditions precedent under the subscription agreement dated September 29, 2017 and entered into between the Company and OCI Capital Limited (the "Subscriber") have been fulfilled and the convertible bonds and the notes, each in the principal amount of US$10 million (equivalent to approximately HK$78,083,000) were issued to the Subscriber. For details, please refer to the abovementioned announcements.

Disposal of Interest in a Company Engaged in the Operation of Kindergartens in the PRC

Reference is made to the Company's announcements dated December 29, 2017 and March 15, 2018 in relation to the disposal (the "Disposal") of the Company's interest in EtonKids Educational Group Limited, a company engaged in the operation of kindergartens in the PRC. As additional time is required for certain of the conditions precedent under the relevant sale and purchases agreements to be fulfilled or satisfied, the parties thereto have agreed to extend the Long-Stop Date to April 30, 2018. As at the date of this announcement, the Disposal has not yet been completed.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2017 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 2017 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, 29 March 2018

As at the date of this announcement, the executive Directors of the Company 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.